Tennessee Comptroller of the Treasury

# Financial and Compliance Audit Report

## State of Tennessee Single Audit

*For the Year Ended June 30, 2019*

**Justin P. Wilson**
*Comptroller of the Treasury*

**Division of State Audit**

TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
*Comptroller*

JASON E. MUMPOWER
*Deputy Comptroller*

March 23, 2020

The Honorable Bill Lee, Governor
Members of the General Assembly

Ladies and Gentlemen:

We are pleased to submit the thirty-sixth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2019. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of Title 2, *Code of Federal Regulations*, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance).

This *Single Audit Report* reflects federal expenditures of over $14.3 billion. We noted instances of noncompliance that resulted in qualified opinions on compliance for 2 of the state's 20 major federal programs. In addition, we noted other instances of noncompliance that meet the reporting criteria contained in the Uniform Guidance. We also noted material weaknesses and significant deficiencies in internal control over compliance with requirements related to federal programs. The instances of noncompliance, material weaknesses, and significant deficiencies related to federal programs are described in Section III of the Schedule of Findings and Questioned Costs.

The *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2019, has been issued under a separate cover. In accordance with the standards applicable to financial audits contained in generally accepted 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 and other matters. We noted two significant deficiencies as well as a material weakness in internal control over financial reporting. We noted no instances of noncompliance that we considered to be material to the state's basic financial statements. The significant deficiencies and material weakness in internal control over financial reporting are described in Section II of 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,

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit

**State of Tennessee**
**Single Audit Report**
**For the Year Ended June 30, 2019**

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Total Federal Expenditures – Ten-Year Summary

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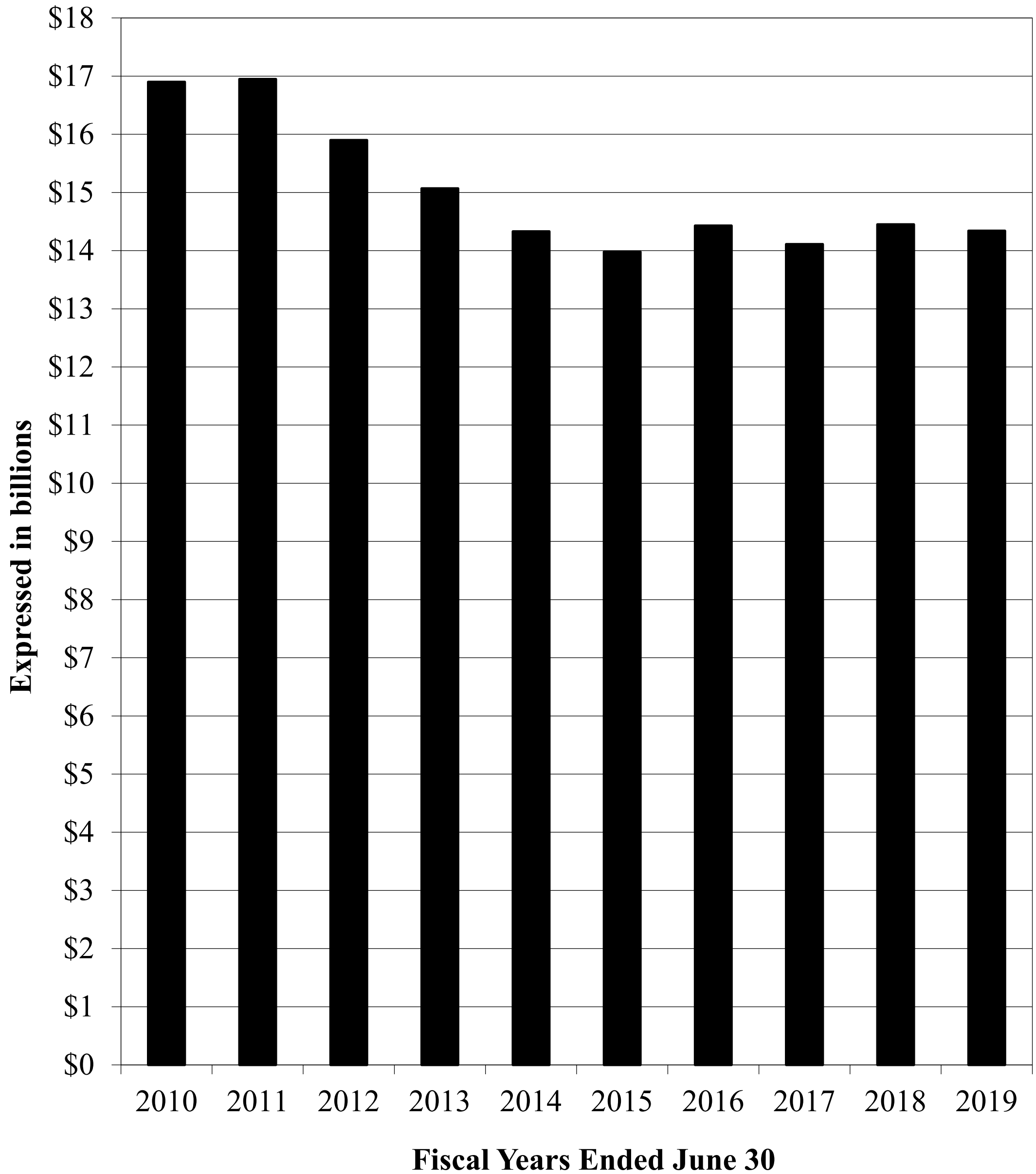
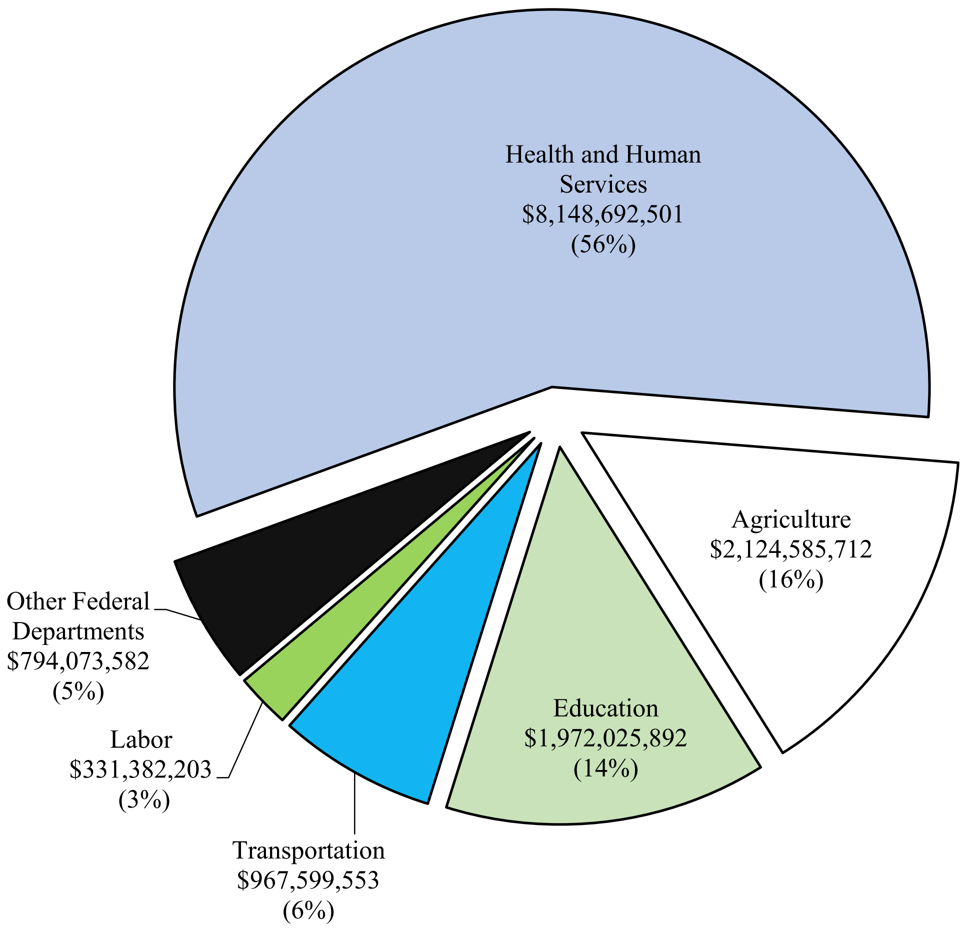
Number of Type A and Type B Programs

Type A and Type B Program Expenditures

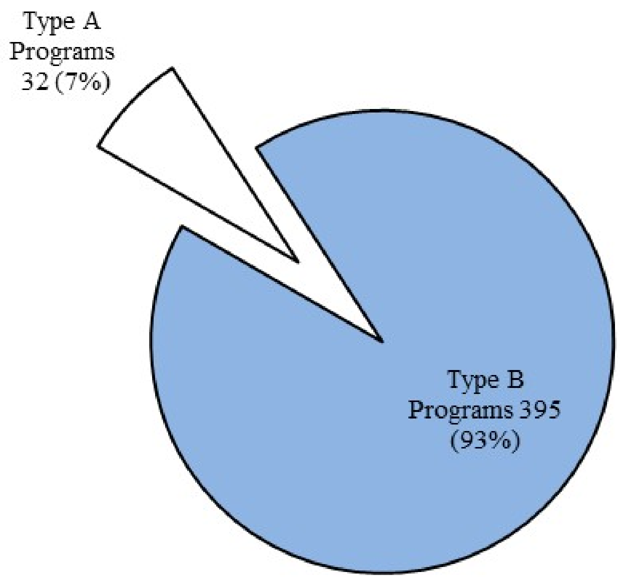
## Total Federal Expenditures - Ten-Year Summary



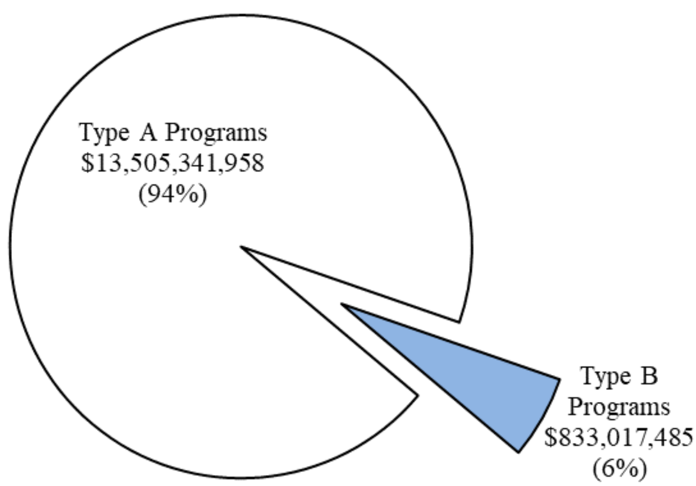
## **Expenditures by Awarding Agency**
July 1, 2018, through June 30, 2019



## Number of Type A and Type B Programs




## Type A and Type B Program Expenditures




Type A program levels for non-federal entities are established in the Uniform Guidance. For the fiscal year ended June 30, 2019, the Type A program threshold for the State of Tennessee was $30 million. Those federal programs with expenditures below $30 million are labeled Type B programs.

# Auditor’s Reports

Independent Auditor’s 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*

Independent Auditor’s Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Justin P. Wilson
*Comptroller*

Jason E. Mumpower
*Deputy Comptroller*

# Independent Auditor's 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*

The Honorable Bill Lee, Governor
Members of the General Assembly

Ladies and Gentlemen:

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, 2019, and the related notes to the financial statements, which collectively comprise the State of Tennessee's basic financial statements, and have issued our report thereon dated December 19, 2019. 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 of the financial statements, we considered the State of Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 2019-003 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 2019-001 and 2019-002 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

## 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 grant 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The State of Tennessee's Responses to Findings

The State of Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit
December 19, 2019

Justin P. Wilson
*Comptroller*

Jason E. Mumpower
*Deputy Comptroller*

# Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Bill Lee, Governor
Members of the General Assembly

Ladies and Gentlemen:

## Report on Compliance for Each Major Federal Program

We have audited the State of Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Tennessee's major federal programs for the year ended June 30, 2019. The State of Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the State of Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2, *Code of Federal Regulations*, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance 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 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.



Cordell Hull Building | 425 Fifth Avenue North | Nashville, Tennessee 37243

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State of Tennessee's compliance.

***Basis for Qualified Opinion on CFDA 10.558 Child and Adult Care Food Program, and CFDA 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with requirements regarding the following:

| Finding # | CFDA # | Program or Cluster Name | Compliance Requirement |
|---|---|---|---|
| | | | |
| 2019-017 | 10.558 | Child and Adult Care Food Program | Subrecipient Monitoring |
| 2019-018 | 10.558 | Child and Adult Care Food Program | Subrecipient Monitoring |
| 2019-023 | 84.126 | Rehabilitation Services – Vocational Rehabilitation Grants to States | Matching, Level of Effort, Earmarking |

Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with the requirements applicable to those programs.

***Qualified Opinion on CFDA 10.558 Child and Adult Care Food Program, and CFDA 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion in the preceding paragraph, the State of Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs described in the preceding paragraph for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State of Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-004, 2019-005, 2019-008, 2019-010 through 2019-012, 2019-014 through 2019-022, 2019-024 through 2019-029, 2019-031, 2019-035 through 2019-039, 2019-041, and 2019-042. Our opinion on each major federal program is not modified with respect to these matters.

The State of Tennessee's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Tennessee's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## Report on Internal Control Over Compliance

Management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Tennessee's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-008, 2019-009, 2019-012, 2019-017 through 2019-019, 2019-023, 2019-024, 2019-027, 2019-029 through 2019-031, 2019-037 through 2019-039, and 2019-043 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 through 2019-007, 2019-010, 2019-011, 2019-013 through 2019-018, 2019-020 through 2019-022, 2019-024 through 2019-026, 2019-028, 2019-033 through 2019-036, 2019-040 through 2019-042, and 2019-043 to be significant deficiencies.

The State of Tennessee's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Tennessee's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2019, and the related notes to the financial statements, which collectively comprise the State of Tennessee's basic financial statements. We issued our report thereon dated December 19, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit
March 20, 2020

# Auditor's Findings

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

**State of Tennessee**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2019**

## Section I – Summary of Auditor's Results

### Financial Statements

- We issued unmodified opinions on the basic financial statements.
- We identified one material weakness in internal control over financial reporting.
- We identified two significant deficiencies in internal control over financial reporting.
- We noted no instances of noncompliance considered to be material to the basic financial statements.

### Federal Awards

- We identified material weaknesses in internal control over major programs.
- We identified significant deficiencies in internal control over major programs.
- We issued qualified opinions for CFDA 10.558 Child and Adult Care Food Program and CFDA 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States. We issued unmodified opinions for each of the other major federal programs.
- We disclosed audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed in 2 CFR 200.518(b), was $30,000,000.
- The State of Tennessee does not qualify as a low-risk auditee under the provisions of 2 CFR 200.520.

**State of Tennessee**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2019**

## Section I – Summary of Auditor's Results (continued)

| CFDA Number | Name of Major Federal Program or Cluster |
|---|---|
| 10.558 | Child and Adult Care Food Program |
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii |
| 16.575 | Crime Victim Assistance |
| 17.225 | Unemployment Insurance |
| 20.106 | Airport Improvement Program |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.048 | Career and Technical Education – Basic Grants to States |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| 84.367 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) |
| 93.268 | Immunization Cooperative Agreements |
| 93.917 | HIV Care Formula Grants |
| 93.994 | Maternal and Child Health Services Block Grant to the States |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |
| - | Child Nutrition Cluster |
| - | Section 8 Project-Based Cluster |
| - | Fish and Wildlife Cluster |
| - | Special Education Cluster (IDEA) |
| - | Child Care and Development Fund (CCDF) Cluster |
| - | Medicaid Cluster |
| - | Disability Insurance/SSI Cluster |

## Section II – Financial Statement Findings

| | |
|---|---|
| **Finding Number** | 2019-001 |
| **CFDA Number** | N/A |
| **Program Name** | N/A |
| **Federal Agency** | N/A |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | N/A |
| **Federal Award Year** | N/A |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | N/A |
| **Repeat Finding** | 2018-001 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

### As noted in the prior examination, the Division of Benefits Administration did not have adequate controls to ensure the accuracy and completeness of census data for postemployment benefits

### Condition

The Department of Finance and Administration, Division of Benefits Administration, did not have adequate controls related to the accumulation of census data used in the measurement of the other postemployment benefits (OPEB) liability of employers participating in the State Employee Group OPEB Plan, the Local Government Group OPEB Plan, the Teacher Group OPEB Plan, or the Tennessee Plan.

### Criteria

Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, requires employers participating in OPEB plans to report an OPEB liability in the financial statements of the participating employers. The calculation of the OPEB liability is dependent on the completeness and accuracy of the underlying census data of the members of the plan.

Plan management is responsible for the design, implementation, and maintenance of internal controls related to the accuracy and completeness of members' census data. An adequate system of internal control related to the OPEB liability calculation should include procedures to review census data for completeness prior to submitting the data to the plan actuary, as well as a documented understanding with the actuary of how to account for conflicting elements of the census data.

Section 9-18-102, Tennessee *Code Annotated,* states:

(a) Each agency of state government and institution of higher education shall establish and maintain internal controls, which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law; . . . and

(3) Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

**Cause**

The census data, or demographic data of plan members, considered significant by the actuary in calculating the OPEB liability includes member status (active, inactive, retired, or spouse-only), service credits, gender, and date of birth. The Division of Benefits Administration used Edison, the State of Tennessee's Enterprise Resource Planning system, to track enrollment and demographics in all insurance plans; however, Edison does not have a mechanism to track service credits of members. Due to this limitation, the Division of Benefits Administration used census data for pension members maintained by the Tennessee Consolidated Retirement System (TCRS) to populate the service credit information for OPEB plan members who are also TCRS members. For OPEB members who are not TCRS members, Benefits Administration infers service credits based on the hire date and enrollment in an insurance plan. During the current examination period, management performed 75 different tests to ensure TCRS data complied with OPEB provisions prior to submitting the census data to the actuary. These tests detected several inconsistencies, which management corrected throughout the data; however, these tests did not ensure the completeness or accuracy of the data.

Further, we noted that the Division of Benefits Administration does not have a process to accurately represent non-TCRS members in the OPEB census data files. The largest group of these non-TCRS members are members of the Optional Retirement Plan (ORP) for exempt faculty and staff of higher education institutions. ORP members hired before the OPEB plan was closed to new members on July 1, 2015, are eligible for OPEB benefits, including state-funded subsidies. TCRS has requested employers report ORP service in the same manner as TCRS service; however, TCRS has no authority to require employers to report ORP service to TCRS. Because employers are not required to report ORP member status to TCRS, TCRS would not know if an inactive ORP member entered retirement or stopped working.

**Effect**

To determine completeness of the initial OPEB census data submitted to the actuary for state and local education employees, we compared the OPEB census data files to the actuary data for the pension plan. We noted 5 retired and 496 active pension members enrolled in medical coverage during June 2018, that were not included in the OPEB census data files. We tested the 5 retired members and a sample of 60 active pension members not included in the OPEB file to determine whether they should have been included in the OPEB census data files sent to the actuary. We found that 3 of 5 retired pension members (60%) were incorrectly excluded from the OPEB census data files sent to the actuary. In addition, we found that 17 of 60 active pension members tested (28.3%) were incorrectly excluded from the OPEB census data files.

While reviewing the excluded members, we noted that the OPEB data did not contain any inactive, non-retired members of the pension plan. Although these members are not eligible for retiree coverage in any of the three employee group OPEB plans, these members are eligible to participate in the Tennessee Plan. Retired local education teachers and retired state employees age 65 or older with at least 15 years of service are eligible to receive a state-funded subsidy towards premiums in the Tennessee Plan.

Upon sharing the results of our initial review, management stated they had recently realized they had omitted some groups from the data files. Management submitted 9 additional OPEB census data files, containing 67,953 members, to the actuary. Of these 9 files, 5 data files containing an additional 61,851 members were added before we notified management of the exclusions, and 4 data files with 6,102 members were added after our notification.

In addition, 1 of the 4 added data files excluded from the initial OPEB census files sent to the actuary included 1,740 inactive, non-retired ORP members hired prior to July 1, 2015, who are only eligible to participate in the Tennessee Plan. We were unable to test this file because the file did not contain the key field of date of birth. However, during a preliminary comparison of the file to TCRS data, we noted five inactive ORP members who had a date of death in the TCRS system, but not in the ORP data file. Since TCRS does not regularly track the death of ORP members, the situation could be more pervasive within the inactive ORP member data file.

Because the number of inactive, non-retired ORP members was only approximately 2% of the total member count of the Tennessee Plan, the overall risk of material misstatement of the liability related to the untested file is low.

Because some errors did not cause a misstatement of the liability, some caused an overstatement, and other errors caused an understatement, the overall risk of material misstatement of the liability is low. In addition, the actuary uses probability tables to estimate the subsidy level for which active employees will be eligible, if any, upon retirement.

**Recommendation**

Management should ensure procedures are implemented to review the census data for completeness and accuracy prior to submitting the data to the plan actuary to reduce the risk of material misstatement of the OPEB liability. Management should develop a source of information for plan members who are not also members of the Tennessee Consolidated Retirement System.

**Management's Comment**

We concur. While the overall risk of material misstatement of the OPEB liability is low, Benefits Administration is committed to providing the most accurate OPEB census data possible to the plan actuaries. When Benefits Administration realized that certain population data were missing, we sent supplemental files to the actuaries for inclusion in the fiscal year 2019 valuation. The error rate after the additional files were sent to the actuary is zero (0%). We have added steps to the OPEB checklist to ensure that these data are not omitted from future year evaluations.

The identification of a new source for non-TCRS plan member data is not practical at this time and we believe that handling the uncertainty of the non-participating TCRS population through our actuarial assumptions is effective for ensuring the overall low risk of material misstatement of the liability for this population; however, we will request TCRS to include date of birth in the data set, which will strengthen the valuation and further reduce the risk of material misstatement.

| | |
|---|---|
| **Finding Number** | 2019-002 |
| **CFDA Number** | N/A |
| **Program Name** | N/A |
| **Federal Agency** | N/A |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | N/A |
| **Federal Award Year** | N/A |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | N/A |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Finance and Administration did not provide adequate internal controls in one area that affected state operations**

The Department of Finance and Administration did not design and monitor effective internal controls that affected operations in multiple state departments. This condition was in violation of state policies and industry-accepted best practices. Department management reportedly implemented and monitored additional internal controls to correct this internal control deficiency.

Ineffective implementation and monitoring of internal controls increases the likelihood of errors, data loss, and the inability to continue operations. Pursuant to Standard 4.40 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated.* We provided the department with detailed information regarding the specific condition we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

**Recommendation**

Management should continue its efforts to design, implement, and continually monitor effective internal controls in this area.

To avoid similar risks in the future, department management should ensure that risks associated with this finding are adequately identified and assessed in the department's documented risk assessment; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. The department has revised certain processes and implemented additional internal controls to further mitigate the risk associated with this finding.

| | |
|---|---|
| **Finding Number** | 2019-003 |
| **CFDA Number** | N/A |
| **Program Name** | N/A |
| **Federal Agency** | N/A |
| **State Agency** | Department of Transportation |
| **Federal Award Identification Number** | N/A |
| **Federal Award Year** | N/A |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | N/A |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Transportation's management did not account for salt stockpiles; properly perform inventory counts in accordance with established procedures or best practices; or monitor procedures**

**Condition**

The Department of Transportation (TDOT) did not properly report significant stockpiles of materials in the inventory balance. In addition, the department did not have adequate procedures regarding the performance or monitoring of inventory to ensure compliance with TDOT procedures or best practices.

**Criteria**

Management is responsible for maintaining records to support the preparation and fair presentation of the entity's financial statements and accompanying notes in accordance with accounting principles generally accepted in the United States of America. This includes accurate information supporting the inventory and related expense amounts reported on the balance sheet and statement of revenues, expenditures, and changes in fund balance.

Paragraph 73 of the National Council on Governmental Accounting Statements 1 states, "(2) Inventory items (e.g., materials and supplies) may be considered expenditures either when purchased (purchases method) or when used (consumption method), but significant amounts of inventory should be reported in the balance sheet."

Section 9-18-102, *Tennessee Code Annotated*, states,

> (a) Each agency of state government and institution of higher education . . . shall establish and maintain internal controls, which shall provide reasonable assurance that:
>
> (1) Obligations and costs are in compliance with applicable law;

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

In addition, Paragraph 2a of the TDOT 2019 Stockroom Physical Inventory, Garage and Highway Marking Physical Inventory procedures, states:

> Inventory counts will be recorded on the provided physical inventory worksheet report. This worksheet will list all the stock numbers for your location according to the M5 inventory location file as of the date it is printed . . . Blank spaces are provided on each line for: A. Inventory Count (the number of units actually on hand) . . .

Best practices include the following:

- using blank count sheets (that is, sheets include the item description, but quantities are not prepopulated) during the inventory count;
- inputting a quantity of zero only after the inventory is completed for any items not located during the count; and
- performing inventory counts in a systematic, logical order (for example, top-to-bottom, left-to-right, and from shelves-to-count sheet).

**Cause**

Management was unaware that significant stockpiles, such as salt, should be included in the inventory balance at year-end. In addition, the TDOT Finance Division did not monitor inventory counts to ensure that established procedures were followed. Some storekeepers stated they were not aware of the written inventory procedures. However, management was able to provide emails showing that each location received the procedures prior to the counts.

**Effect**

We observed TDOT's year-end inventory procedures at 14 locations for the year ended June 30, 2019. We noted the following errors related to inventories:

- TDOT management did not include salt stockpiles in inventory but instead expensed the costs as they were incurred, understating inventory and overstating expenses for the highway fund. After we notified management of the error, management inventoried the salt stockpiles and recorded the estimated values of $18,816,456 and $19,081,339 in the inventory balance at June 30, 2019, and June 30, 2018, respectively.
- Storekeepers did not always follow TDOT inventory procedures or best practices.

- Storekeepers at the Chattanooga highway marking, Jackson garage, Jackson highway marking, Knoxville garage, Knoxville highway marking, Nashville garage, and Nashville highway marking locations initially used count sheets that included the item quantity, rather than using blank count sheets.
- Storekeepers at the Gallatin garage, Gallatin highway marking, Nashville garage, and Nashville highway marking locations marked certain inventory items as zero prior to the inventory count.
- Storekeepers at the Belfast garage, Belfast highway marking, Chattanooga highway marking, Gallatin garage, Gallatin highway marking, Jackson garage, Jackson highway marking, Knoxville garage, Nashville garage, Nashville highway marking, Tullahoma garage, and Tullahoma highway marking locations did not perform year-end inventory counts in a logical, systematic method (such as top-to bottom, left-to-right) and instead opted to count from the inventory sheet to the shelf.

**Recommendation**

Management should periodically review expensed stockpile items to ensure all significant items are reported in the highway fund's inventory balance.

Management should implement monitoring procedures to ensure staff follow policies and procedures during the year-end inventory. Management should also provide relevant training to storekeepers and individuals performing the counts prior to the inventory (such as providing examples of acceptable counting methods and the reasons for using such methods).

**Management's Comment**

We concur. Expensed stockpile items will be reviewed by May 30 of each fiscal year to ensure all significant items are reported in our inventory balance. If any item is deemed significant, a physical count of inventory will be performed by June 30.

TDOT Finance personnel will accompany all storekeepers and individuals as 100% of the physical inventory is counted at each location in the month of June. TDOT Finance will revise the physical inventory procedures by April 30, 2020, to include the following:

1. blank count sheets,
2. zero quantities will be input only after the inventory is completed for any item not located during the count, and
3. inventory will be counted in a systematic, logical order.

**Section III – Federal Award Findings and Questioned Costs**

| | |
|---|---|
| **Finding Number** | 2019-004 |
| **CFDA Number** | 14.228 |
| **Program Name** | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |
| **Federal Agency** | Department of Housing and Urban Development |
| **State Agency** | Department of Economic and Community Development |
| **Federal Award Identification Number** | B-18-DC-47-000 |
| **Federal Award Year** | 2018 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | 2018-004 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the second year, management has not established proper controls over CDBG report preparation and report review processes and has reported inaccurate information to federal grantor**

**Background**

The primary mission of the Department of Economic and Community Development (the department), as a pass-through entity, is to provide federal funding from the U.S. Department of Housing and Urban Development (HUD) to communities across the state to promote economic and community development. These cities and counties, also known as grantees, use the Community Development Block Grant (CDBG) funds for projects that align with one of the three national objectives to

- principally benefit low- and moderate-income people;
- eliminate or prevent slums and blight; or
- address a serious and immediate threat to the health or welfare of the community.

The CDBG grants provide funds for various types of projects, including housing rehabilitation, purchase of emergency equipment, construction/repair of water and sewer lines and systems, and commercial facade upgrades. HUD requires the department to prepare and submit the HUD 60002 Report, "Economic Opportunities for Low- and Very Low-Income Persons," annually to report the uses of the federal funding for low- or very low-income residents.

In order for the department to prepare the HUD 60002 Report, the department requires its grantees to provide a Section 3 Summary Report (paper form) for all CDBG funding they received if it is cumulatively greater than $200,000. Upon receipt of the Summary Reports from each of the 79 grantees the department's Grants Analyst enters the data into the department's Customer Relationship Management (CRM) system. The Grants Analyst uses the information from the CRM system to prepare the HUD 60002 report, which is reviewed by the CDBG Director. According to the CDBG Director, after he reviews the report, he submits it to the Tennessee Housing and Development Agency (THDA),[1] and THDA submits[2] the final report to HUD on behalf of the department.

The department concurred with the prior year finding, and management stated they would implement written procedures for the HUD 60002 reporting process before the next submission of the report. In response to the prior finding, the CDBG Director implemented a checklist to document the review process for the report but did not develop written procedures addressing the entire report preparation and review process. We found that the checklist was not sufficient to ensure that reported information was complete and accurate.

## Condition and Cause

For the current audit, we reviewed the report preparation and review process for the HUD 60002 report which was submitted to meet the September 28, 2019, due date. To determine whether the key line items were reported accurately we traced the data in the HUD 60002 report to the grantees' Summary Report data by recompiling the grantees' summary information and comparing the results to the key line items on the HUD report.

For the second year, we found that the department still did not have written policies and procedures governing the preparation of the HUD 60002 report or management's report review process and that the checklist developed in response to the prior audit finding was not sufficient to prevent report inaccuracies. We also found that department management did not ensure that they obtained all required information from the grantees for inclusion in the report. We believe these reporting deficiencies were significant.

### Key Line Items

We found that department staff did not accurately report the information submitted by the grantees related to total CDBG funding (see **Table 1**):

[1] The Tennessee Housing Development Agency has the state's only access to the HUD system; therefore, THDA submits all reports on behalf of the department.
[2] The report is due 90 days after the close of the state's program year.

**Table 1 - HUD Annual Report for Fiscal Year 2019 Amounts Reported in Error**

| HUD 60002 Report Variances | | | |
|---|---|---|---|
| **Key Line Item** | **Amount Reported** | **Actual Amount** | **Difference** |
| **3. Total Amount of Award** | $29,608,736 | $30,081,236 | $(472,500) |
| **b. Total dollar amount of construction contracts awarded during the reporting period** | $26,294,677 | $26,301,010 | $ (6,333) |
| **d. Number of Section 3 businesses receiving the construction contracts** | 0 | 1 | (1) |
| **g. Number of Section 3 businesses receiving the non-construction contracts** | 0 | 1 | (1) |

According to the CDBG Director, the errors we noted were the result of the Grants Analyst's transposition and typographical errors when entering grantee information into the system. Management has not established a process to review/reconcile the report to the original source documentation once the data is keyed into the system, nor a process to ensure that grantee information keyed into the system is accurate. A sufficient review process should have detected the errors before the department submitted the report to THDA.

Incomplete Information

When CDBG program income is used to fund Façade Improvement Grants (FIG) to improve facades in communities' downtown areas, the CDBG Director must also include relevant FIG grants for HUD reporting; however, we found that the department did not ensure grantees reported on all CDBG funding received when CDBG funding exceeded $200,000. Specifically, the Director did not understand that the CDBG regulations required grantees to include the FIG grants on the Summary Reports when the funding threshold to report is met. As a result, grantees did not self-report the required grant information (see **Table 2**).

**Table 2**
**HUD Annual Report for Fiscal Year 2019 Amounts Not Properly Reported**

| **Grantee** | **FIG Grant Funding-Not Reported** | **Regular CDBG Project Funding Reported on HUD 60002 Report** | **Total CDBG Funding Received** |
|---|---|---|---|
| Bolivar | $79,250 | $389,187 | $468,447 |
| Tiptonville | $20,000 | $525,000 | $545,000 |
| **Total** | **$99,250** | **$457,099** | **$1,013,447** |

The Director stated that it was the department's understanding that the FIG grants did not need to be reported on Summary Reports when the individual grants were under the $200,000 threshold; however, he was not aware that the threshold is based on total CDBG funding during the 12 month reporting period not based on individual grant amount.

Risk Assessment

We reviewed ECD's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of inaccurate federal financial reports in its annual risk assessment.

The U.S. Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Criteria

"Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," Title 2, *Code of Federal Regulations*, Part 200, Section 62, states,

> Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> a. Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award
>
> b. Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other federal statutes and regulations that are identified in the Compliance Supplement; and
>
> c. Fund, property, and other assets are safeguarded against loss from unauthorized use or disposition.

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), Principle 3.09, "Management develops and maintains documentation of its internal control system."

Principle 3.10 of the Green Book states,

> Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain

> organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

Principle 10.03 further states, "Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system."

Additionally, the HUD 60002 report instructions state, under Section 3, "Applicability,"

> The following agencies that are direct recipients of the following HUD assistance are required to submit Form HUD 60002: . . . .
>
> b. Housing and Community Development Assistance (HCD) funding: . . . Section 3 applies to all construction related activities and projects when the direct recipient receives more than $200,000 from all sources of HCD funding in a given 12-month reporting period.

**Effect**

Without effective controls to ensure compliance, ECD increases its risk of noncompliance, errors, fraud, waste, and abuse.

As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in 2 CFR 200.207, "Specific conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;
>
> (5) Requiring the non-Federal entity to obtain technical or management assistance; or
>
> (6) Establishing additional prior approvals.

**Recommendation**

The Commissioner should ensure that management develops effective controls to achieve compliance with applicable federal reporting requirements and assign employees to be responsible for ongoing monitoring of the risks and any mitigating controls; and act if deficiencies occur. The Commissioner should ensure that department staff assess all significant risks, including the risks noted in this finding, in the department's annual risk assessment. In addition, the Commissioner should adequately document and approve the risk assessment and the mitigating controls.

The CDBG Director should require grantees to resubmit Summary Reports to include the FIG grant award amount information not previously included as required by HUD in order to revise HUD reports which were submitted in error. Additionally, the Director should provide technical assistance to ensure grantees understand how to properly complete the summary reports. The CDBG Director should also consider providing training for CDBG staff involved in the report preparation process, and for staff involved in managing non-CDBG grants that are funded with CDBG program income, to ensure they understand the requirements they must meet. Additionally, the CDBG Director should develop written policies and procedures for the HUD 60002 report preparation and review process to ensure the accuracy of the reports.

**Management's Comment**

We concur with this finding. Although we had implemented reviews of the of the HUD 60002 Report and the subgrantees' data following the prior finding, we apparently did not do enough to eliminate all the errors. Additional procedures are being developed and implemented to address the causes of this finding. First, the HUD 60002 Report will be edited and reviewed more frequently throughout the reporting cycle rather than compiled at the end of the reporting period. Further, a method for electronic submission of Section 3 data from the subgrantees is being developed to reduce instances of manual entry and the possibility of transposition of numbers, typing errors, and omissions. This will be in place before the next reporting period ends. Also, Section 3 reports will now be collected for all CDBG-funded FIG projects to ensure Section 3 compliance. A revised copy of the Section 3 report was submitted to THDA on January 28, 2020.

| | |
|---|---|
| **Finding Number** | 2019-005 |
| **CFDA Number** | 14.228 |
| **Program Name** | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |
| **Federal Agency** | Department of Housing and Urban Development |
| **State Agency** | Department of Economic and Community Development |
| **Federal Award Identification Number** | B-18-DC-47-000 |
| **Federal Award Year** | 2018 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Management's review process for the federal Performance and Evaluation Report is inadequate; as a result, the Department of Economic and Community Development has reported inaccurate information to the federal grantor**

**Background**

The primary mission of the Department of Economic and Community Development (the department), as a pass-through entity, is to provide federal funding from the U.S. Department of Housing and Urban Development (HUD) to communities across the state to promote economic and community development. These cities and counties, also known as grantees, use the Community Development Block Grant (CDBG) funds for projects that align with one of the three national objectives to

- principally benefit low- and moderate-income people;
- eliminate or prevent slums and blight; or
- address a serious and immediate threat to the health or welfare of the community.

The CDBG grants provide funds for various types of projects, including housing rehabilitation; purchase of emergency equipment; construction or repair of water and sewer lines and systems; and commercial facade upgrades. HUD requires the department to prepare and submit the Performance and Evaluation (PER) report annually to report the uses of the federal funding, activities, and accomplishments taking place for each open grant year in the fiscal year reported.

The department compiles financial information for the PER report from HUD's Integrated Disbursement and Information System; Edison (the state's cost accounting system); and program income reconciliations performed by the Department of Finance and Administration's Fiscal Director assigned to the department. Both the Department of Finance and Administration's Fiscal Director and the Department of Economic and Community Development's CDBG

Director review the report prior to submission to the Tennessee Housing Development Agency (THDA);[3] THDA then submits[4] the final report to HUD on behalf of the department.

We reviewed the PER report that was due to THDA on September 28, 2019, to determine whether the key line items were reported properly and whether management's review process was adequate. To ensure the department compiled and prepared the data accurately, we traced the data in the PER report to the data in the Integrated Disbursement and Information System, Edison, and program income reconciliations. For the PER report tested, the department reported on open grants for years 2010 through 2018.

**Condition**

We found that the department has not established an adequate review process for the PER report. Specifically, the Excel spreadsheet that management and staff used to reconcile the grant's program income had an incorrect formula, and reviewers did not verify that changes made to the spreadsheet were actually saved prior to using the spreadsheet to prepare the report. As a result of these issues management reported significant inaccuracies on the PER report submitted to THDA and, ultimately, HUD for fiscal year 2019. Specifically, we found that management misreported the following key line items (see **Table 1**):

**Table 1**

**PER Annual Report for Fiscal Year 2019 Amounts Reported in Error**

| PER Report Variances | | | | |
|---|---|---|---|---|
| **Key Line Item** | **Grant Year** | **Amount on Report** | **Actual Amount** | **Difference** |
| **C. Amount Drawn Down** | 2014 | $29,160,447 | $29,582,169 | $(421,722) |
| **(2) Program Income** | 2015 | $ 1,856,700 | $ 1,541,700 | $ 315,000 |

**Criteria**

"Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," Title 2, *Code of Federal Regulations*, Part 200, Section 62, states,

> Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

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[3] The Tennessee Housing Development Agency (THDA) has the state's only access to the HUD system; therefore, THDA submits all reports on behalf of the department.

[4] The report is due 90 days after the close of the program year.

a. Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award

b. Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other federal statutes and regulations that are identified in the Compliance Supplement; and

c. Fund, property, and other assets are safeguarded against loss from unauthorized use or disposition.

**Cause and Effect**

During our prior audit fieldwork for the 2018 Single Audit on the CDBG program we identified and discussed the inadequate review process for the PER report with department management. Additionally, we recommended to management that the department's Fiscal Director should revise the PER report to correct the underreported program income error. During the current audit, the Fiscal Director stated that the correction was made on the report spreadsheet but that the change did not save; however, no one reviewed the spreadsheet to ensure the change had saved before relying on the spreadsheet to create the official report. Because the department did not have an effective review process, these errors were not detected and corrected for the 2019 report.

Under Section 3 of the Housing and Urban Development Act of 1968, the federal grantor requires management to report annually

- the uses of CDBG federal funding;
- activities and accomplishments regarding employment; and
- other economic opportunities provided to low- and very low-income persons.

Without accurately reported data, HUD is unable to effectively monitor and analyze the key critical information about the beneficiaries of the program.

*Risk Assessment*

We reviewed ECD's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of inaccurate federal financial reports in its annual risk assessment.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

**7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Recommendation

The Commissioner of the Department of Economic and Community Development should ensure that management assess all significant risks, including the risks noted in this finding, in the department's annual risk assessment.

The Deputy Commissioner of Rural and Community Development should work with the CDBG Director to revise and implement an effective review process for the PER report to ensure compliance with applicable requirements; assign employees to be responsible for ongoing monitoring of the risks and any mitigating controls; and act if deficiencies occur. The CDBG Director and the Department of Finance and Administration's Fiscal Director should revise the report to correct the issues noted in this finding and should resubmit the report to THDA.

## Management's Comment

We concur with this finding. The current process for the PER development, review, and submission is being refined. In addition to the current personnel, the Department Controller assigned by Finance and Administration will review the PER for correctness and consistency. This step will replace a second review by the same staff person in an attempt to have more people review the document. Also, a report used to reconcile program income amounts will be included with the internal ECD documents used to review and verify the information included in the PER. A revised copy of the PER was submitted to THDA on January 28, 2020 for the audited year. The new process will be fully implemented for use in the new PER submission cycle.

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|---|---|
| **Finding Number** | 2019-006 |
| **CFDA Number** | 14.228 |
| **Program Name** | Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii |
| **Federal Agency** | Department of Housing and Urban Development |
| **State Agency** | Department of Economic and Community Development |
| **Federal Award Identification Number** | N/A |
| **Federal Award Year** | N/A |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Economic and Community Development did not provide adequate internal controls in one specific area increasing the risk of data loss and the inability to continue operations**

**Condition, Criteria, Cause, and Effect**

The Department of Economic and Community Development did not design and monitor internal controls related to one of the department's systems. We are reporting internal control deficiencies in one area. This condition was in violation of state policies and industry-accepted best practices.

For this area, we reviewed the Department of Economic and Community Development's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risks relating to these areas; however, the department did not have an effective control to mitigate the risks.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

Ineffective implementation and operation of internal controls increases the likelihood of errors, data loss, and the inability to continue operations. Pursuant to Standard 4.40 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated*. We provided management with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

**<u>Recommendation</u>**

Management should ensure that this condition is corrected by promptly developing and consistently implementing internal controls in this area. Management should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**<u>Management's Comment</u>**

We do not concur. We have implemented internal controls commensurate with the level of risks as determined by the subject matter experts. The subject matter experts have designed and performed tests of the controls. The tests performed did not uncover any risks that increased the likelihood of errors, data loss, or the inability to continue operations. We are constrained against providing more details under the provisions of Section 10-7-504(i), *Tennessee Code Annotated*.

**<u>Auditor's Comment</u>**

It appeared that management did not fully understand their responsibility to implement effective internal controls.

After we completed our audit procedures, we learned that department management reportedly took steps to understand and implement internal controls in this area.

| | |
|---|---|
| **Finding Number** | 2019-007 |
| **CFDA Number** | 10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367 |
| **Program Name** | Child Nutrition Cluster<br>Title I Grants to Local Educational Agencies<br>Special Education Cluster<br>Career and Technical Education – Basic Grants to States<br>Supporting Effective Instruction State Grants |
| **Federal Agency** | Department of Agriculture, Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | 201818(17)N109945, 201919N109945, S010A160042, S010A170042, S010A180042, H027A160052, H027A170052, H027A180052, H173A160095, H173A170095, H173A180095, V048A160042, V048A170042, V048A180042, S367A160040, S367A170040, and S367A180040 |
| **Federal Award Year** | 2016 through 2019 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Repeat Finding** | 2018-008 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Education did not provide adequate internal controls in three areas, all of which were noted in previous audits, increasing the risk of errors, data loss, and the inability to continue operations**

**Condition, Criteria, Cause, and Effect**

The Department of Education did not design and monitor internal controls related to five of the department's systems. We are reporting internal control deficiencies in three areas, all of which were repeated from prior audits because department management did not implement sufficient corrective action. All three conditions are repeated from the prior-year audit, and two conditions are also repeated for one system since the 2017 audit and for three systems since the 2015 audit. These conditions were in violation of state policies and industry-accepted best practices. In its response to the prior findings, management agreed that internal controls needed improvement and provided details of corrective action. However, the conditions continued to exist during the audit period.

For all three areas, we reviewed Department of Education's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risks relating to these areas; however, the department did not have an effective control to mitigate the risks.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

Ineffective implementation and operation of internal controls increases the likelihood of errors, data loss, and the inability to continue operations. Pursuant to Standard 4.40 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated*. We provided management with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

**Recommendation**

Management should ensure that these conditions are corrected by promptly developing and consistently implementing internal controls in these areas. Management should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. Corrective actions and corresponding information has been sent under separate cover in accordance with Section 10-7-504(i), *Tennessee Code Annotated*, for this finding.

Management will evaluate and continuously monitor all implemented controls to ensure the controls effectively mitigate the identified risks. The annual risk assessment will be updated to reflect the newly implemented controls and the mitigation of the identified risks.

| | |
|---|---|
| **Finding Number** | 2019-008 |
| **CFDA Number** | 10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367 |
| **Program Name** | Child Nutrition Cluster<br>Title I Grants to Local Educational Agencies<br>Special Education Cluster<br>Career and Technical Education – Basic Grants to States<br>Supporting Effective Instruction State Grants |
| **Federal Agency** | Department of Agriculture<br>Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | 201818(17)N109945, 201919N109945, S010A160042, S010A170042, S010A180042, H027A160052, H027A170052, H027A180052, H173A160095, H173A170095, H173A180095, V048A160042, V048A170042, V048A180042, S367A160040, S367A170040, and S367A180040 |
| **Federal Award Year** | 2016 and 2019 |
| **Finding Type** | Material Weakness (10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367) and Noncompliance (10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367) |
| **Compliance Requirement** | Allowable Costs/Cost Principles (Material Weakness – 10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367; Noncompliance – 10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367)<br>Cash Management (Material Weakness – 84.048)<br>Subrecipient Monitoring (Material Weakness – 84.010, 84.027, 84.173, 84.048, and 84.367) |
| **Repeat Finding** | 2018-007 |
| **Pass-Through Entity** | N/A |

**Questioned Costs**

| CFDA | Federal Award Identification Number | Amount |
|---|---|---|
| 10.555 | 185TN330N1099 | $8,407 |
| 10.555 | 195TN330N1099 | $7,096 |
| 84.010 | S010A180042 | $46,660 |
| 84.027 | H027A170052 | $2,945 |
| 84.027 | H027A180052 | $8,339 |
| 84.173 | H173A180095 | $2 |
| 84.048 | V048A170042 | $4,847 |
| 84.048 | V048A180042 | $1,326 |
| 84.367 | S367A17040 | $97,478 |

**As noted in the prior audit, department management did not have an effective key internal control for reimbursing and monitoring subrecipients for costs charged to five federal programs; as a result, management reimbursed subrecipients for costs that were unallowable or not adequately supported, resulting in $177,100 in federal questioned costs**

## Background

Department's Process for Reimbursing Subrecipients

*Education-Related Federal Program Funds*

The Department of Education is the pass-through entity for the following programs administered by the U.S. Department of Education:

- Title I Grants to Local Educational Agencies;[5]
- Special Education Cluster;[6]
- Career and Technical Education – Basic Grants to States;[7] and
- Supporting Effective Instruction State Grants.[8]

The department awards federal funds to subrecipients, including local educational agencies (LEAs). LEAs incur education-related costs, such as teacher salaries and benefits, and submit reimbursement requests to the department, using ePlan, the department's grants management system. The ePlan system has edit checks that automatically compare an LEA's reimbursement request line items to the LEA's approved budget and reject any amounts exceeding the line items' budget by 10% or more. Additionally, after the LEA submits its reimbursement request, the Director of Local Disbursement or the Executive Director of Local Finance reviews the reimbursement request to ensure that ePlan correctly calculated the amounts on the reimbursement request. Once the department approves the reimbursement request, it is processed for payment. Throughout the year, the department monitors a sample of LEAs; the monitoring includes a review

[5] Title I Grants to Local Educational Agencies (Title I) is a federal program to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.
[6] Pursuant to the federal Individuals With Disabilities Education Act (IDEA), Special Education Cluster grants ensure that all children with disabilities are provided a free, appropriate public education that emphasizes special education and related services designed to meet their unique needs; ensure that the rights of children with disabilities and their parents are protected; assist states, localities, educational service agencies, and federal agencies to provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities.
[7] The Career and Technical Education – Basic Grants to States is a federal program for states and outlying areas to develop the career, technical, and academic skills of secondary and postsecondary students.
[8] Supporting Effective Instruction State Grants (SEI) is a federal program to provide funds to state and local educational agencies to increase student achievement consistent with the state's challenging academic standards; improve the quality and effectiveness of teachers, principals, and other school leaders; increase the number of teachers, principals, and other school leaders who are effective in improving student academic achievement in schools; and provide low-income and minority students greater access to effective teachers, principals, and other school leaders.

of allowability of costs the LEAs submitted to the department for reimbursements and the department subsequently paid. This process is described further on page 44.

*Department of Education's Relationship With the Tennessee Board of Regents*

In accordance with the Carl D. Perkins Vocational and Technical Education Act of 2006, the Department of Education and the Tennessee Board of Regents (TBR) entered into a memorandum of understanding that outlines the department's delegation of certain Career and Technical Education – Basic Grants to States (CTE) program responsibilities to TBR. Under the relationship defined in this memorandum, in fiscal year 2019, the department transferred CTE funds and responsibilities for administering those funds to TBR. TBR, under the terms of the memorandum, awarded CTE funds to eligible community colleges and colleges of applied technology[9] to meet the program objectives for postsecondary students. TBR is responsible for administering the portion of CTE funds it receives and ensuring that the federal funds are used in accordance with federal requirements.

*Child Nutrition Cluster Funds*

The Department of Education is the pass-through entity for three of the four Child Nutrition Cluster[10] programs administered by the U.S. Department of Agriculture. The three Child Nutrition Cluster programs administered by the department are

- the School Breakfast Program,
- the National School Lunch Program, and
- the Special Milk Program for Children.

The department awards federal funds to school food authorities (SFAs), which are primarily local educational agencies (LEAs). SFAs submit claims monthly, based on the number of meals served, through the Tennessee: Meals, Accounting, and Claiming system (TMAC) and are reimbursed funds based on a set rate per meal served. TMAC has edit checks that automatically determine if the number of meals claimed exceed the SFA-provided number of children in attendance and if the number of operating days claimed are greater than the number of operating days for the month. Once the claim is submitted, either the department's Nutrition Services Compliance Director or the Nutrition Services Federal Reporting Specialist reviews the claim for propriety. Once the department approves the claim, it is processed for payment.

Cash Management for All Federal Program Grants

The Department of Finance and Administration is responsible for adequate cash management for all of the Department of Education's grant awards. In the cash management process, a state

[9] In fiscal year 2019, TBR awarded funds to 13 community colleges and 26 colleges of applied technology.
[10] The Child Nutrition Cluster is a federal program to provide funds to assist states in administering food services that provide healthful, nutritious meals to eligible children in public and nonprofit private schools, residential child-care institutions, and summer recreation programs; and to encourage the domestic consumption of nutritious agricultural commodities.

receives either cash advances or cash reimbursements from the federal awarding agencies that oversee federal grant programs. For those programs that operate on a cash reimbursement basis, the state incurs expenditures first and then requests federal funds to offset state spending under these programs. The request for and receipt of federal funds is called a federal cash drawdown. The Department of Finance and Administration operates all of the department's programs on a cash reimbursement basis. Programs may be 100% federally funded or funded with a combination of state and federal funds.

The Treasury State Agreement between the U.S. Department of the Treasury and the State of Tennessee establishes the methods and timing fiscal staff use to draw down funds from the federal government for the state-administered federal programs with large amounts of expenditures.[11] For federal programs with smaller amounts of expenditures, federal-state transfers are governed by Title 31, *Code of Federal Regulations* (CFR), Part 205, Subpart B.

<u>Department's Responsibilities as a Grant Administrator</u>

As a pass-through entity of federal funds, the department is responsible for providing overall program oversight, which includes, but is not limited to,

- approving only eligible subrecipients who comply with the federal program requirements and guidelines;
- providing appropriate and effective training, technical assistance, and any other necessary support to facilitate a successful program participation;
- designing effective controls to ensure subrecipients receive reimbursement payments for expenditures that are fully compliant with program requirements and guidelines; and
- monitoring subrecipients' activities to provide reasonable assurance that the subrecipients administer these federal awards in compliance with federal requirements and guidelines.

According to the department's Executive Director of Local Finance, in order to meet these responsibilities, for the Title I, Special Education Cluster, and Supporting Effective Instruction programs, the Division of Local Finance conducts risk-based joint fiscal monitoring[12] of subrecipients, including LEAs. As part of this joint fiscal monitoring, the monitors review LEAs' compliance with all three federal program requirements, including allowable costs, period of performance, and cash management.

Based on our discussions with management at the department and TBR for the CTE program, the department and TBR conduct the subrecipient monitoring. The department's Office of Career and Technical Education and the CTE consultants located at the department's regional Centers of

[11] Title I, the Special Education Cluster, and the department's programs under the Child Nutrition Cluster are covered by the Treasury State Agreement; CTE and SEI are covered by Title 31, Code of Federal Regulations, Section 205, Subpart B.

[12] The department's Division of Federal Programs and Oversight also conducts programmatic monitoring of these programs.

Regional Excellence offices perform risk-based monitoring of LEAs, including reviewing LEAs' compliance with federal requirements for program expenditures. Additionally, TBR performs risk-based monitoring of the postsecondary institutions, which includes reviewing federal program expenditures to determine compliance with federal requirements.

**Audit Results**

To determine compliance with federal requirements related to expenditures, including allowable costs/cost principles and cash management, we tested nonstatistical, random samples of reimbursements to LEAs, SFAs, and post-secondary institutions[13] under the purview of TBR. The details of these populations and samples can be found in **Table 1.**

Condition – Unallowable and Unsupported Costs

Based on our testwork, we determined that department and TBR management did not sufficiently review supporting documentation for subrecipient reimbursement requests to ensure that the department only paid subrecipients for allowable costs. As a result, management reimbursed subrecipients for unallowable and inadequately supported costs, totaling $177,100, with funds from five federal programs, which represent federal questioned costs. See **Table 1** for a summary of questioned costs.

**Table 1**
**Federal Program Population, Sample, and Questioned Costs Information**

| Program | Population Items | Population Amount | Sample Items | Sample Amount | Questioned Costs |
|---|---|---|---|---|---|
| Title I | 4,655 | $273,172,425 | 66 | $13,837,818 | $46,660 |
| Special Education Cluster | 5,443 | $228,472,746 | 92 | $17,184,810 | $11,286 |
| CTE – Education | 1,595 | $14,510,031 | 65 | $408,069 | $1,326 |
| CTE – TBR | 3 | $2,708,647 | 1 | $1,062,721 | $4,847 |
| SEI | 3,425 | $29,751,809 | 66 | $2,052,392 | $97,478 |
| Child Nutrition Cluster[14] | 5,328 | $397,083,020 | 69 | $25,138,544 | $15,503 |
| **Total** | **-** | **$945,698,678** | **-** | **$59,684,354** | **$177,100** |

Source: Information obtained from Edison, ePlan, and subrecipient records.

[13] Postsecondary institutions are the CTE-funded community colleges and colleges of applied technology that TBR reimburses.

[14] Although we are repeating the prior audit finding, the Child Nutrition Cluster's noncompliance and questioned costs is a new condition.

The questioned costs in **Table 1** were unallowable for two reasons:

- the LEAs' or postsecondary institutions' expenditures charged to the federal program were specifically unallowable under federal regulations or program guidance; or
- the LEA, SFA, or postsecondary institution did not provide complete supporting documentation to demonstrate that the costs were allowable and that the department appropriately charged the costs to federal programs.

While the questioned cost amounts for the Child Nutrition Cluster, Special Education Cluster, and CTE were less than $25,000, 2 CFR 200.516(a)(3) requires us to report known and likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. For these programs, we determined that the likely questioned costs exceeded $25,000.

**Table 2a** exhibits the department's questioned costs from **Table 1** by LEA and includes additional details about the unallowable expenditures we found. **Table 2b** exhibits TBR's questioned costs from **Table 1** by postsecondary institution and includes additional details about the unallowable expenditures we found. Because the department has delegated authority for CTE funds awarded to postsecondary institutions to TBR, TBR is responsible for ensuring that only allowable and properly supported expenditures are reimbursed to the postsecondary institutions.

Following both tables, we provide additional details about the unsupported expenditures we found.

*Unallowable LEA and Postsecondary Expenditures*

Of the questioned costs noted in **Table 1**, we identified instances of expenditures that were specifically unallowable under federal regulations or program-specific guidance from either the U.S. Department of Education or the Tennessee Department of Education. Details of these expenditures, including the unallowable cost description, can be found in **Table 2a** for LEAs and **Table 2b** for postsecondary institutions.

**Table 2a**
**Department of Education**
**Unallowable Costs the Department Reimbursed to LEAs**

| Federal Program | Reimbursement Amount | Questioned Costs | Unallowable Cost Description |
|---|---|---|---|
| Title I | $9,198,991 | $5,561 | Food and catering for parent engagement activities |
| Special Education Cluster | $264,369 | $518 | Sales tax and education activities for gifted students |
| CTE | $30,492 | $1,327 | Consumable items – paper, markers, dry erasers, tape, address labels, monthly calendars, hydraulic and transmission fluid, oil and air filters, and journals<br>Entertainment – Dolly Parton's Stampede ticket[15] |
| SEI | $1,055,789 | $1,102 | Entertainment – Devil in the White City tours;[16] snacks for professional development; and food and catering for parent engagement activities |
| **Total** | **$10,549,641** | **$8,508** | |

Source: Information obtained from Edison and ePlan as well as subrecipient records.

**Table 2b**
**Tennessee Board of Regents**
**Unallowable Costs TBR Reimbursed to Postsecondary Institutions**

| Federal Program | Reimbursement Amount | Questioned Costs | Unallowable Cost Description |
|---|---|---|---|
| CTE | $1,062,721 | $4,577 | Promotional items – backpacks, bags, caps, and coasters<br>Entertainment – live music<br>Food – catering services for students |
| **Total** | **$1,062,721** | **$4,577** | |

Source: Information obtained from Edison, TBR, and post-secondary institution records.

[15] Dolly Parton's Stampede in Pigeon Forge, Tennessee, features a live "North and South" competition, horse stunts, special effects, and music while guests enjoy a four-course feast.
[16] The Devil in the White City tour is a three-hour bus tour in Chicago, inspired by Erik Larson's best-selling novel *The Devil in the White City*.

*Unsupported LEA, SFA, and Postsecondary Institution Amounts*

Based on our review of the underlying expenditures for the reimbursements tested, we found that LEAs, SFAs, and postsecondary institutions did not always have supporting documentation for their expenditures. In these cases, the LEA, SFA, or postsecondary institution

- did not provide support for some or all of the expenditures;
- provided support that did not equal the amount included in the reimbursement; or
- duplicated the same expenditure on the reimbursement, based on the support provided.

We found questioned costs as a result of unsupported amounts for the following programs:

- Child Nutrition – $15,503;
- Title I – $41,099;
- Special Education – $10,768;
- CTE – TBR – $269; and
- SEI – $96,376.

*Risk Assessment*

We reviewed the Department of Education's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk that federal funds charged to a federal grant are not allowable under program regulations; however, the department did not have an effective control to mitigate its risk.

<u>Cause – Unallowable and Unsupported Costs</u>

*Title I, SEI, IDEA, and CTE*

The department does not require LEAs to submit documentation of expenditures when they request reimbursement. Additionally, TBR does not require postsecondary institutions to submit documentation of expenditures to them as support for the reimbursement requests TBR submits to the department. As a result, department management does not review LEAs' underlying expenditures before approving the requests. The department's Executive Director of Local Finance, Office of Career and Technical Education management, and TBR's Vice Chancellor for Student Success all stated that the department and TBR do not have sufficient resources to review all of the documentation for each reimbursement before reimbursing subrecipients. Additionally, if LEAs and post-secondary institutions are required to wait for the department and TBR to review documentation of expenditures, it could negatively affect their fiscal positions and cause cash flow issues.

According to management of both the department and TBR, subrecipient monitoring activities should include a review of LEAs' and postsecondary intuitions' expenditures to ensure they are allowable and properly supported; however, as we identified in a separate condition in this finding, had the monitors performed sufficient monitoring activities, we would reasonably expect the monitors to have found the same conditions we identified.

*Child Nutrition Cluster*

For the two meal claims submitted by one SFA, we determined that the SFA ceased operations during fiscal year 2019. When we attempted to contact the SFA and the SFA's sponsoring organization,[17] we received no response. Additionally, neither the LEA under which the SFA operated nor the department had retained the necessary documentation, and neither were able to obtain the documents after we requested them. In addition, another SFA double-counted one day of meals on its monthly meal claim request, resulting in $38 in questioned costs.

Criteria – Unallowable and Unsupported Costs

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

According to the Green Book's Principle 10 ,"Design Control Activities,"

> **10.02** Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. . . . As part of the risk assessment component, management identifies the risks related to the entity and its objectives . . . Management designs control activities to fulfill defined responsibilities and address identified risk responses.

According to 2 CFR 200.403, "costs must meet the following general criteria in order be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and . . . (g) Be adequately documented."

According to 2 CFR 200.421(e), "Unallowable advertising and public relations costs include . . . Costs of promotional items and memorabilia, including models, gifts, and souvenirs."

According to 2 CFR 200.438, "Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable."

[17] A sponsoring organization, sometimes called a charter management company, is responsible for applying for and, if approved, operating public charter schools within an LEA. The LEA is responsible for overseeing charter school operations.

According to 2 CFR 200.470(a)(1), "Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes." Federal grants cannot fund a state's sales tax.

Regarding the Child Nutrition Cluster, 7 CFR 210.8(c) states, "The Claim for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the Report of School Program Operations required . . . Such data shall include, at a minimum, the number of free, reduced price and paid lunches and meal supplements served to eligible children."

Title 20, *United States Code*, Section 300.8(a)(1) defines a student with disabilities as, "having an intellectual disability, a hearing impairment (including deafness), a speech or language impairment, a visual impairment (including blindness), a serious emotional disturbance (referred to in this part as 'emotional disturbance'), an orthopedic impairment, autism, traumatic brain injury, an other health impairment, a specific learning disability, deaf-blindness, or multiple disabilities, and who, by reason thereof, needs special education and related services." While gifted students meet the state definition of a special education activity, gifted students are not included in the federal definition.

The Tennessee Department of Education's guidance, "Using Federal Education Funds to Pay for Food," states, "Full meals for families/parents or students are not allowable . . . under any circumstances. The IRS defines a meal as, 'A quantity of food that equals a full serving of breakfast, lunch or dinner.'"

The department's Division of College, Career and Technical Education Policies state, "purchases of consumables [related to equipment] may be allowed in rare incident if these purchases will increase student success for school systems with limited resources of no more than $25,000 in total annual allocations . . . [the system] must submit a request stating the specific consumables and purchase amount . . . for approval."

<u>Condition and Cause – Cash Management</u>

*Condition*

During our review of Career and Technical Education expenditures, we found that the following three LEAs requested reimbursement for expenditures that had not yet been incurred at the time of reimbursement:

- Robertson County,
- Dyer County, and
- Moore County.

Because these reimbursements were only made at an improper time, but contained allowable costs, we have not questioned these costs.

*Risk Assessment*

We reviewed the Department of Education's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk that subrecipients may request reimbursement for costs that had not yet been incurred at the time of reimbursement and a mitigating control.

*Cause*

As previously noted for unallowable costs, the department does not require LEAs to submit documentation of expenditures when they request reimbursement. Additionally, as previously noted and reported later in this finding, if the department's monitors had performed sufficient subrecipient monitoring activities, which should include a review of LEA cash management, we would reasonably expect the monitors to have found the same conditions we identified.

<u>Criteria – Cash Management</u>

According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

According to Tennessee's 2019 Treasury-State Agreement, all federal costs requested from the federal government must have been incurred when the request for reimbursement is made.

<u>Condition and Cause – Subrecipient Monitoring</u>

*Condition – Department of Education – Joint Fiscal Monitoring and CTE Monitoring*

While we determined that the department performed risk-based monitoring for Title I, SEI, Special Education Cluster, and CTE, based on the conditions reported in this finding, we questioned the sufficiency of the department's monitoring process. When we requested documentation of the monitoring performed by the department's divisions, we found that the monitors do not document the methods used to select expenditure items for review, and they do not maintain working papers or copies of other evidence to document the work performed or to support the monitoring reports issued. As a result, we were unable to determine if the department's monitoring efforts were sufficient.

Although the monitors indicated they examined expenditures during monitoring activities, we would reasonably expect the monitors to have found the same conditions we identified. Of the 145 LEAs that received Title I, SEI, and Special Education funds, the department performed joint fiscal monitoring[18] of 15 LEAs. Four of the LEAs reported for noncompliance in this

[18] As noted in the Background section, joint fiscal monitoring includes monitoring for Title I, Supporting Effective Instruction, and Special Education.

finding were included in the 15 LEAs monitored; however, the department's monitors at these 4 LEAs did not identify similar issues during their monitoring. The four LEAs include

- Metro Nashville Public Schools,
- Shelby County,
- Campbell County, and
- Giles County.

During our audit period, of the 124 LEAs that received CTE funding, the department monitored 20 LEAs. Based on our review of the department's monitoring reports, we found that management identified expenditure noncompliance at 1 of the LEAs included in our testwork; as a result of the department's monitoring efforts, the department required the LEA to refund the department the noncompliant amount.

*Condition – TBR – CTE Monitoring*

Based on our discussion with TBR's Assistant Vice Chancellor for Student Success, TBR's monitoring procedures include performing various types of monitoring, depending on the level of risk assigned to each postsecondary institution. These monitoring activities include the following:

- Self-assessment monitoring – For postsecondary institutions identified as the lowest risk, school management completes TBR's monitoring document and submits it to TBR.
- Telephone/virtual monitoring – For postsecondary institutions identified as lower risk, TBR staff will call the school to discuss and complete the monitoring document with school staff.
- Desktop monitoring – For postsecondary institutions identified as moderate risk, TBR staff review school documentation at TBR's central office.
- On-site monitoring – For postsecondary institutions identified as high risk, TBR staff conduct on-site reviews, including reviewing school documentation.

Of the 39 postsecondary institutions that received CTE funding, TBR performed monitoring of 10 postsecondary institutions, as follows:

- one institution completed a self-assessment,
- TBR staff completed desktop monitoring for eight institutions, and
- TBR staff completed on-site monitoring for one institution.

However, during our audit period, TBR did not monitor any of the postsecondary institutions where we found questioned costs.

*Risk Assessment*

We reviewed the Department of Education's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk that the department would not conduct subrecipient monitoring visits and the risk that the department would not follow up on noncompliance found during monitoring; however, the department did not have an effective control to mitigate its risk.

Additionally, we determined that management did not identify the risk that its monitoring process may not be designed to reasonably ensure monitors will detect noncompliance and a mitigating control.

*Cause*

Based on our discussions with department and TBR management, their limited resources available for monitoring limit the number of on-site visits they can conduct. Additionally, based on our discussion with the department's Executive Director of Local Finance, the monitors documented on-site monitoring by checking off items on a monitoring checklist; they did not maintain any further documentation because they did not think it was necessary. However, the Executive Director of Local Finance stated that beginning in fiscal year 2020, the fiscal monitors will document their sample selection methodologies and expenditure items that they review during monitoring.

Criteria – Subrecipient Monitoring

According to 2 CFR 200.331, "All pass-through entities must . . . Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

Furthermore, Principle 10 of the Green Book, "Design Control Activities,"

> **10.02** Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system."

Management's Corrective Action Subsequent to Our Audit Period

In the department's six-month follow-up to the prior audit finding, management stated that they drafted a new fiscal monitoring instrument that they would begin using for fiscal year 2020 monitoring. Management also stated that they will standardize the fiscal monitoring process to include reviewing both supporting documentation for expenditures and documentation of sample selection methodologies. Because management took these fiscal monitoring actions in fiscal year 2020, after our audit period, we will examine the revised fiscal monitoring process during the next audit.

Effect

When the department does not have proper preventative or detective internal controls in place to determine if costs reimbursed to subrecipients are allowable and properly supported, the department increases the risk of reimbursing funds for unallowable costs. This could result in state refunds/reimbursements to the U.S. Department of Education and the U.S. Department of Agriculture for expenditures that are unallowable.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;
>
> (5) Requiring the non-Federal entity to obtain technical or management assistance; or
>
> (6) Establishing additional prior approvals.

Furthermore, Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending corrective action of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-

through entity, recommend such a proceeding be initiated by a Federal awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

**Recommendation**

Given the department's limited resources and number of subrecipients it reimburses from federal programs, the Commissioner should work with various programs' staff as well as monitoring staff to develop a multi-faceted approach to ensure that subrecipients comply with all federal requirements. This approach should include reviewing reimbursement documentation and sufficiently monitoring subrecipients. Program management should consider implementing procedures to assess risk for subrecipients, including LEAs. If staff determine that a subrecipient is high risk, staff should perform additional review of supporting documentation before the department reimburses the subrecipient. School Nutrition management should consider implementing policies to address retention of documentation by charter schools that close.

Management should also consider requiring subrecipients, including LEAs, to submit reimbursement requests monthly and to upload all supporting documentation for each reimbursement request in ePlan. If the documentation is readily available, monitoring staff can easily perform periodic, randomly selected reviews of the documentation to ensure that all reimbursements are properly supported and that federal funds are spent on allowable costs. Additionally, staff should document the methodology for and results of these reviews, as well as expenditure reviews conducted during onsite subrecipient monitoring activities.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Managements' Comments**

Department of Education

We concur. For FY20, the department has updated the fiscal monitoring and procedures to include a deeper look at reimbursement requests from the districts monitored. Methods used to select expenditure items for review and a list of transactions reviewed (along with supporting documentation for the reviewed transactions) are now kept as part of the monitoring work papers and documentation in ePlan. The number of transactions reviewed has been increased. The risk analysis to determine the on-site monitoring visits includes single audit findings related to reimbursements (period of availability, allowability, documentation). The fiscal monitoring process will be reviewed again over the summer of 2020, and any necessary revisions to the instrument and/or process will be made for the upcoming monitoring cycle.

The department will also provide targeted technical assistance to districts with findings in the area of allowable costs and documentation of reimbursement requests. The department provided similar technical assistance following the prior year's audit, which resulted in an approximate

50% reduction in questioned costs. General technical assistance regarding these areas will be provided to all districts through regional training events to be held in the spring of 2020.

Tennessee Board of Regents

We concur. As a result of the finding, the Tennessee Board of Regents will make appropriate adjustments. By April 30, 2020, TBR will create a campus Perkins Quarterly Reimbursement Report template which will require institutions to submit detailed listings of expenditures to TBR prior to reimbursement. By May 31, 2020, TBR will provide the campuses with technical assistance training covering the Reimbursement Report.

| | |
|---|---|
| **Finding Number** | 2019-009 |
| **CFDA Number** | 84.048 |
| **Program Name** | Career and Technical Education – Basic Grants to States |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | V048A160042, V048A170042, and V048A180042 |
| **Federal Award Year** | 2016 through 2018 |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | Matching, Level of Effort, and Earmarking |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Department of Education management did not have a formally documented key internal control to ensure staff met earmarking and matching requirements of the Career and Technical Education program**

**Background**

As a condition of receiving Career and Technical Education – Basic Grants to States funding, the Tennessee Department of Education must meet matching and earmarking requirements. To comply with the matching requirement, the department must supplement at least 50% of the grant, dollar-for-dollar, with funds from non-federal sources (such as state appropriations). The earmarking requirement stipulates that the department must reserve a portion of the grant funds for specific activities:

- *Secondary and Postsecondary Career and Technical Education Programs* – not less than 85%;
- *State Leadership Activities* – not more than 10%; and
- *State Administration* – not more than 5% or $250,000, whichever is greater.

**Condition**

Management had no documented evidence that management conducted reviews to ensure the program staff met matching and earmarking requirements for the Career and Technical Education program. Management reported that periodic supervisory reviews were the key internal control to ensure the staff met matching and earmarking requirements, but without documentation, we could not verify that the key internal control, supervisory reviews, were in place and operating effectively. Despite the lack of documented reviews, we performed calculations to verify that the department complied with these federal requirements to meet earmarking and matching requirements, and we did not find any instances of federal noncompliance with this requirement.

We reviewed Department of Education's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of not meeting matching requirements; however, the department did not have an effective control to mitigate its risk. Management did not identify the risk of not meeting earmarking requirements and a mitigating control.

**Cause**

Based on our discussion with the Senior Director of College and Career Experiences, department management had not formally documented their review process to ensure staff meet federal earmarking and matching requirements for the Career and Technical Education program. After we brought this issue to their attention, management drafted and provided us with a formal process they plan to use to document the internal controls going forward.

**Criteria**

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to the Green Book, Sections 3.09 through 3.10,

- Management develops and maintains documentation of its internal control system,
- Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where and why of internal control execution to personnel.

Best practices require that management document internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are established, identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity's management.

**Effect**

Without documenting internal controls, management is unable to effectively monitor the status of matching and earmarking requirements of Career and Technical Education grants. This increases the department's risk of noncompliance with the terms and conditions of the grant, which could cause the federal grantor to impose additional monitoring or to wholly or partly suspend or terminate the grant award.

Furthermore, failure to document effective internal controls increases the risk that only a few employees will know and understand the internal control structure, therefore increasing the risk that if the organization were to lose these individuals it would also lose the organizational knowledge of the control system. Failure to document the control system also potentially increases the risk of inaccurate communication of internal controls to external parties, such as external auditors.

## Recommendation

We recommend the department's Senior Director of College and Career Experiences establish and implement a process to document the review of matching and earmarking calculations for the Career and Technical Education program.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

## Management's Comment

We concur. Department management will implement additional internal controls to ensure earmarking and matching requirements of the CTE program are met. This will include updating CTE program policies, budget and expenditure calculations, increased internal communication, risk identification, monitoring relevant requirements and requiring additional formal documentation. The department aims to draft and implement these updated policies and internal controls no later than April 30, 2020.

| | |
|---|---|
| **Finding Number** | 2019-010 |
| **CFDA Number** | 84.048 |
| **Program Name** | Career and Technical Education – Basic Grants to States |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | V048A160042, V048A170042, and V048A180042 |
| **Federal Award Year** | 2016 through 2018 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Education management did not have an internal control to ensure the department met the state administrative funding requirement for the Career and Technical Education program**

**Background**

The Career and Technical Education – Basic Grants to States (CTE) program is designed to develop the academic knowledge, technical skills, and employability of secondary and post-secondary students. The U.S. Department of Education allocates funding to states to develop CTE programs in schools and colleges, to provide state leadership, and to cover related administrative expenditures.

**Maintenance of Effort Requirement**

As a condition of receiving federal funds, some federal programs may require a state to contribute some of its own funds toward these programs. To meet the federal "maintenance of effort" requirement, states must either provide

- a specified level of service from one period to another, or
- a specified level of expenditures from non-federal sources (such as state appropriations) or federal sources for specific activities from one period to another.

For the state's CTE program, the Tennessee Department of Education must show "maintenance of effort" for a specified level of expenditures. This means that the department must spend at least the same, if not more, state appropriations from year to year in order to meet the federal requirement. Not only does the U.S. Department of Education stipulate maintenance of effort requirements for the CTE grant as a whole, but it also requires the state department to spend a specified amount for state administration activities. In order to determine the department's compliance with the federal requirements governing maintenance of effort and the state administration funding levels, we extracted the department's CTE expenditure data for fiscal years 2017 and 2018 and calculated the total expenditures the department charged to CTE as a whole and to state administration for each year.

**Condition**

Based on our testwork, we found that the department met the overall maintenance of effort requirement for the CTE program; however, the department did not meet the requirement to maintain its CTE state administrative funding at the required level for fiscal year 2018.[19] We calculated a shortfall of $40,432 of funding in the state administration category.

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of failure to meet maintenance of effort; however, the department did not have an effective control to mitigate its risk associated with all aspects of the requirement.

**Criteria**

According to Title 20, *United States Code*, Section 2413(a), "State Administrative Costs,"

> For each fiscal year for which an eligible agency receives assistance under this chapter, the eligible agency shall provide, from non-Federal sources for the costs the eligible agency incurs for the administration of programs under this chapter, an amount that is not less than the amount provided by the eligible agency from non-Federal sources for such costs for the preceding fiscal year.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Cause**

Based on our discussions with the Chief Financial Officer and the Senior Director of College and Career Experiences, they were not aware of the federal requirement for state administration maintenance of effort because it is outlined in a separate section of the federal statute from the overall maintenance of effort requirement. Therefore, management's internal control over maintenance of effort did not specifically include review of state administration funding levels. Furthermore, the Chief Financial Officer stated that the department may have misclassified some state administration expenses as state leadership activities, which, if correctly classified, would show that the department met state administration maintenance of effort. However, management

[19] Although our audit period was fiscal year 2019, we calculated the department's maintenance of effort for fiscal year 2018 because we require complete funding information for both the preceding and subsequent fiscal years to determine compliance. Fiscal year 2018 was the most recent fiscal year for which the department had complete data for the preceding and subsequent fiscal years available.

ultimately could not identify these misclassified transactions or provide evidence to show that the department met the spending levels.

**Effect**

By not meeting requirements to maintain state fiscal effort for the CTE program, the department risks a reduction of federal funding for state administration activities in subsequent award years. This could diminish the department's capacity to provide sufficient oversight, monitoring, and technical assistance to the local educational agencies that offer CTE programs to students.

**Recommendation**

Management should implement internal controls to ensure that the department meets state administration maintenance of effort requirements each fiscal year. These controls should include formal documentation of all maintenance of effort spending.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. Department management will implement additional internal controls to ensure the required level of CTE state administrative funding is met. This will include updating CTE program policies, budget and expenditure calculations, increased internal communication, risk identification, and monitoring relevant requirements, as well as potentially requiring additional formal documentation. The department aims to draft and implement these updated policies and internal controls no later than April 30, 2020.

| | |
|---|---|
| **Finding Number** | 2019-011 |
| **CFDA Number** | 16.575 |
| **Program Name** | Crime Victim Assistance |
| **Federal Agency** | Department of Justice |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | 2016-VA-GX-0053 |
| **Federal Award Year** | 2015 and 2016 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Cost/Cost Principles (Significant Deficiency and Noncompliance)<br>Subrecipient Monitoring (Significant Deficiency) |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $593 |

**Office of Criminal Justice management reimbursed subrecipients for expenditures that were unallowable under the Crime Victim Assistance grant, resulting in federal question costs**

**Background**

The Department of Finance and Administration's (the department) Office of Criminal Justice Programs is responsible for administering the Crime Victims Assistance program, which is funded by and known as the Victims of Crime Act of 1984 (VOCA). The Office for Victims of Crime within the U.S. Department of Justice distributes crime victim assistance grants to states through annual apportionments. According to Title 28, *Code of Federal Regulations* (CFR), Part 94, Section 107(a), the Office of Criminal Justice Programs (the office) must distribute 95% of all funds through subawards to subrecipients that provide direct services to victims, such as rape treatment centers, domestic violence shelters, centers for missing children, and other community-based victim coalitions and support organizations. Furthermore, the office must prioritize funding toward services for victims of sexual assault, domestic abuse, child abuse, and underserved populations.

Under the office's grant contracts, the VOCA subrecipients expend their own organizational funds to provide direct services to victims of crime and then submit requests for reimbursement to the office either monthly or quarterly, depending on the subrecipient's preference. The reimbursement request includes totals for specific line items, such as salaries and benefits, specific assistance to individuals, travel, among other items. The department's Office of Business and Finance performs all fiscal-related duties on behalf of the Office of Criminal Justice Programs, including processing reimbursements in Edison, the state's accounting system. The Office of Criminal Justice Programs' Fiscal Manager[20] and Office of Business and Finance

[20] The Fiscal Manager reviews the reimbursement request to ensure that the budget in the request matches the budget in the grant award, that the request's date is correct, that expenditures do not exceed the budgeted amounts, and that the request is mathematically accurate.

staff do not require the subrecipients to submit supporting documentation with the reimbursement requests; as such, the Office of Criminal Justice Programs must rely on monitoring activities to determine whether subrecipients met the grant requirements.

As a key control to ensure that the office and subrecipients meet federal requirements, office management relied on their subrecipient monitoring process to ensure that the office only reimbursed allowable costs. As part of the department's annual monitoring plan, office management identifies which VOCA subrecipients to monitor, and fiscal monitors review the supporting documentation for a sample of reimbursement requests from each identified subrecipient to verify whether the expenditures were allowable. If a monitor finds any unallowable costs, they question the costs in the subrecipient's monitoring report and deduct these costs from future reimbursement payments. Additionally, that subrecipient will be considered high risk[21] in the next year's monitoring plan. However, due to the conditions noted in this finding, we cannot determine the effectiveness of the key control.

**<u>Conditions and Criteria</u>**

<u>Unallowable Costs</u>

The office awarded $45,614,025 to 228 subrecipients from July 1, 2018, through June 30, 2019. To determine if the office and its subrecipients complied with federal grant requirements, we selected a nonstatistical, random sample of 25 subrecipient reimbursement requests, totaling $528,975, from a population of 1,868 subrecipient reimbursement requests, totaling $32,724,878, and obtained supporting documentation directly from the subrecipients. Based on our testwork, we determined that for 7 of the 25 (28%) reimbursement requests tested, the office improperly reimbursed subrecipients for unallowable expenditures. See **Table 1** for more information.

**Table 1**
**Types of Unallowable Expenditures**

| Expenditure Type | Federal Questioned Costs |
|---|---:|
| Unsupported Expenditures | $220 |
| Indirect Costs | 19 |
| Travel | 249 |
| Meals | 105 |
| **Total Questioned Costs:** | **$593** |

Source: Supporting documentation obtained from Edison and subrecipients.

Because we identified $593 in federal questioned costs, 2 CFR 200.516(a)(3) requires us to report known questioned costs when known or likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.

[21] The office states that they monitor all subrecipients considered high risk in its annual monitoring plan and may monitor subrecipients classified as moderate risk, depending on whether staff discover additional information of interest after completing the monitoring plan.

*Unsupported Expenditures*

2 CFR 200.403(g) states that "costs must … [b]e adequately documented."

*Indirect Costs*

28 CFR 94.109(a) states that the office "may charge a federally-approved indirect cost rate to the VOCA grant." According to the approved agreement with the U.S. Department of Health and Human Services, the subrecipient's indirect cost rate was 43.5%, but the subrecipient improperly used 44%.

*Travel Expenses*

Office staff reimbursed three subrecipients for mileage above the approved rate, resulting in $237 of federal questioned costs. The State of Tennessee's Comprehensive Travel Regulations allow the state to reimburse mileage at $0.47/mile; however, staff approved mileage at rates greater than the allowed amount.

Office staff reimbursed one subrecipient for one night's stay in a hotel above the approved rate, resulting in $12 of federal questioned costs. The State of Tennessee's Comprehensive Travel Regulations allow the state to reimburse subrecipients for actual lodging costs plus tax incurred up to the applicable maximum amounts as indicated on the reimbursement rate schedule.

*Meals*

Office staff reimbursed two subrecipients for unallowable meals, resulting in $105 of federal questioned costs. According to the office's *OCJP Grants Manual,* "Reimbursement for a single meal for employees on a one-day travel status is not permitted."

Risk Assessment

In the department's 2018 Financial Integrity Act Risk Assessment, management addressed the risk that costs charged to a federal grant may not be allowable under program regulations. The assessment identified several control activities, including the office's fiscal and program subrecipient monitoring. However, the office's control may not be effective to mitigate its risk. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to the Green Book's Principle 7, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Cause

Because the office does not require subrecipients to submit documentation of expenditures when they request reimbursements, the office's monitoring must be sufficient to prevent and detect improper reimbursements to subrecipients. Even though subrecipients submit a one-page summary of costs by line item, such as payroll and travel, office staff did not have detailed information about the underlying expenditures when approving the subrecipients' reimbursement requests. According to office management, subrecipient monitoring activities include a review of subrecipient's expenditures that should detect unallowable costs. Given that we found that 7 of 25 subrecipients (28%) in our sample requested reimbursement for unallowable costs, we cannot conclude that management's only control to prevent and detect unallowable costs is operating effectively.

## Effect

By inadvertently approving $593 in unallowable expenditures, office management did not comply with federal cost principles that help ensure the department is a good steward of federal funds. Federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in "Remedies for noncompliance," 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in "Specific conditions," 2 CFR 200.207,

1) Requiring payments as reimbursements rather than advance payments;
2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3) Requiring additional, more detailed financial reports;
4) Requiring additional project monitoring;
5) Requiring the non-Federal entity to obtain technical or management assistance; or
6) Establishing additional prior approvals.

Furthermore, 2 CFR 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

c) Wholly or partly suspend or terminate the Federal award.

d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).

e) Withhold further Federal awards for the project or program.

f) Take other remedies that may be legally available.

**Recommendation**

Given the office's limited resources and number of subrecipients it reimburses from federal programs, the Commissioner should work with the office's Director and monitoring staff to develop a multi-faceted approach to ensure that subrecipients comply with all federal requirements and to enhance monitoring effectiveness. This approach should include re-evaluating or monitoring expenditure sampling methodologies in order to review sufficient documentation to detect unallowable costs. If monitors find unallowable costs, management should take the appropriate action, such as elevating the subrecipient to high risk, increasing monitoring frequency, and recovering questioned costs.

The Commissioner should assess all significant risks, including the risks noted in this finding, in the department's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner. The Commissioner should implement effective controls to ensure compliance with applicable requirements; assign employees to be responsible for ongoing monitoring of the risks and any mitigating controls; and act if deficiencies occur.

**Management's Comment**

We concur. OCJP has multi-faceted procedures in place to ensure that subrecipients comply with all federal requirements. Monitoring is extremely effective in determining noncompliance and recouping questioned costs. OCJP reviews agencies prior to contract award to determine risk. Varying levels of oversight are then implemented based on the pre-award risk assessment. Once the contract is fully executed, OCJP program managers complete a risk assessment within 60 days of the contract start date, and then annually in the case of multi-year contracts. Frequency of program and fiscal monitoring is determined based on this risk assessment. Sample sizes are expanded during monitoring visits at the auditor's discretion based on the potential materiality of identified issues. Additionally, agencies are monitored more frequently if significant issues are discovered. OCJP has a process to track and recoup all questioned costs that are identified. If any issues arise during the monitoring cycle, the agency's risk assessment is updated and the monitoring plan is revised as necessary within the monitoring cycle.

OCJP also has procedures in place to review all invoices submitted for reimbursement prior to processing for payment. This review helps identify areas that could lead to questioned costs. Issues found during this review result in the invoice being sent back for correction and/or additional documentation requested before the invoice will be processed for payment.

OCJP will update the department's risk assessment to account for this finding; the audit supervisor will oversee the work of all auditors as it relates to this finding and the Assistant Director of the Fiscal Unit will be responsible for overseeing the overall direction of the fiscal monitoring, monitor any risks and implement mitigating controls. The update to the risk assessment will be finalized for the fall 2020 submission.

| | |
|---|---|
| **Finding Number** | 2019-012 |
| **CFDA Number** | 16.575 |
| **Program Name** | Crime Victim Assistance |
| **Federal Agency** | Department of Justice |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | 2015-VA-GW-0018 and 2016-VA-GX-0053 |
| **Federal Award Year** | 2015 and 2016 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Management of the Office of Criminal Justice Programs has not established proper controls over report preparation and report review processes and has reported inaccurate and incomplete information to the federal grantor**

**Background**

The Department of Finance and Administration's (the department) Office of Criminal Justice Programs (the office) is responsible for administering the Crime Victims Assistance program, which is funded by and known as the Victims of Crime Act of 1984 (VOCA). While collaborating with other public and private nonprofit organizations, the office uses VOCA grants to provide services to victims of crime in Tennessee.

The U.S. Department of Justice's (DOJ) requires the Office of Criminal Justice Programs to file a Federal Financial SF-425 report quarterly for each VOCA grant. The quarterly reporting periods end December 31, March 31, June 30, and September 30. The cumulative report includes summary information on expenditures, unliquidated obligations, recipient share (match), program income, and indirect expenses for the duration of the grant. DOJ requires the office to submit the report 30 days after the end of the reporting quarter[22] through DOJ's Grants Management System.

The department's Office of Business and Finance is responsible for performing all fiscal related duties on behalf of the Office of Criminal Justice Programs, including the submission of financial reports to DOJ. At the close of each period, the Accountant II provides a trial balance for all VOCA awards and enters the VOCA program and administration expenditure totals into a spreadsheet used to track the available funds of each federal project. To calculate the current period total, the Accounting Manager subtracts the current cumulative expenditure totals from the cumulative expenditure totals reported in the previous period. The Accountant II performs further calculations for some of the information included on the SF-425 report. Specifically,

[22] Final reports are required to be submitted 90 days after the project period end date.

lines 10i, “Total Recipient share required,” and 10j, “Recipient share of expenditures,” require fiscal staff to report the subrecipient’s match of VOCA expenditures.

“Project Match Requirements,” Title 28, *Code of Federal Regulations* (CFR), Part 94, Section 118, requires subrecipients to match at least 20% of the “total cost of each project” unless subrecipients obtain exception waivers from the Office of Criminal Justice Programs to match less or not at all. DOJ allows for and grants full and partial match waivers to a portion of the office’s recipients, based on an application process. Subrecipients must submit a written request for a waiver to the office’s Senior Audit Manager, who typically considers factors such as local resources, annual budget changes, past ability to match, and whether the funding is for new or additional activities to determine whether to approve or deny the waiver request.

## Conditions and Cause

We found that Office of Business and Finance management did not have written policies and procedures for the federal reporting process to ensure staff correctly prepared and management sufficiently reviewed federal reports prior to submitting them to DOJ.

### Inaccurate Reporting

For the Accounting Manager to report information accurately in the SF-425 report, the Accountant II must identify each subrecipient’s approved matching rate and then calculate the total amount of match based on their expenditures. However, based on our review of the Office of Criminal Justice Programs’ SF-425 quarterly report for December 2018, we noted that the Accounting Manager, who compiled and submitted the reports, did not accurately report line “10i. Total recipient share required.” This line item is important as it is the basis for determining the subrecipients’ required match. In order to calculate the total recipient share required, the Accountant II excluded all full waiver recipients and assumed all other recipients matched at 20%, thereby ignoring the partial waivers granted to recipients.

We recalculated the Total Recipient Share Required by obtaining each recipient’s matching rate and multiplying by the recipient’s amount of expenditures for the period. Based on this, we determined that the state overreported the Total Recipient Share Required by $374,893.

**Table 1**
**Grant Year 2016, Quarterly Reporting Period Ending December 31, 2018**

| Report Line | Amount Reported | Actual Amount | Amount Overstated/ (Understated) |
|---|---|---|---|
| 10i. Total recipient share required | $10,550,978 | $10,176,084 | $374,893 |

According to the Accounting Manager, DOJ auditors informed Office of Business and Finance staff that they could use estimates for quarterly reports; however, fiscal staff must report actual numbers on the final report. As such, the Accounting Manager believed the Accountant II used an acceptable methodology. The Accounting Manager, however, was not able to provide any documentation of this discussion and based on our review of the reporting requirements, we could not identify guidance that permits an estimation for line 10i, total recipient share required. According to the DOJ’s *Grants Management System User Guide*, this field should include “all matching and cost sharing provided by recipients and third-party providers to meet the level required by the program."

Incomplete Reporting

Additionally, we found that the Accounting Manager did not report required financial information associated with indirect costs for lines 11a-d and 11f on the SF-425 report despite the Office of Criminal Justice Programs charging indirect costs to the grant. According to the DOJ *Grants Financial Guide,* Section 3.15, "Reporting Requirements," the state agency is required to report the type and correct indirect cost rate and/or base supplied by the cognizant federal agency.

Based on our review of the negotiated agreement between the office and the federal entity, dated May 11, 2018, DOJ approved the office to operate with a provisional indirect cost rate during the reporting period. According to the Accounting Manager, fiscal staff did not report the indirect cost information in the report because the rate was provisional, and the Office of Criminal Justice Programs was negotiating a new, final rate. Based on our interpretation of the *DOJ Grants Financial Guide*, Office of Business and Finance staff should have used the provisional rate and included the office's indirect costs in its SF-425 reports.

No Documentation of Review

Finally, due to a lack of supporting documentation, we were unable to determine whether the Accounting Manager's review of the SF-425 was adequate or complete. The Accounting Manager claimed to review the information received from the Accountant II before including the information in the report; however, the supporting documentation of this review was lost when emails were not archived and were deleted from the system.

Risk Assessment

Given the problems identified during our fieldwork, we also reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management's risk assessment addressed the risks associated with reporting inaccurate information on federal reports. The assessment identified several control activities that did not explicitly address or reduce the risk of inaccurate and incomplete information. Instead, the controls focused more on the risk of not submitting the reports timely.

**Criteria**

Inadequate and Incomplete Reporting

As stated in "Financial management," Title 2, CFR, Part 200, Section 302,

> (a) . . . the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions . . .

> (b) The financial management system of each non-Federal entity must provide for the following . . . [a]ccurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements

<u>No Documentation of Review</u>

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Sections 3.9 through 3.11 of the Green Book,

> Management develops and maintains documentation of its internal control system.
>
> Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel....
>
> Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.

<u>Risk Assessment</u>

According to Principle 7.02 of the Green Book, "Identify, Analyze, and Respond to Risks," management should identify "risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses."

**<u>Effect</u>**

Without establishing and implementing effective reporting controls, neither the office nor DOJ can properly track subrecipient match and the Office of Criminal Justice Programs' indirect costs, which may risk losing federal funds or other penalties as a result of failing to report accurate financial data. Without accurate and complete financial reporting, DOJ is unable to effectively monitor the status of VOCA funds awarded to the department.

Additionally, federal regulations address actions that may be imposed by federal agencies in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in section 200.207, "Specific conditions:"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;

(3) Requiring additional, more detailed financial reports;

(4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

**Recommendation**

The Commissioner should ensure that the Office of Business and Finance's Fiscal Director, and the Office of Criminal Justice Programs' Director implement training procedures to ensure staff are aware of all SF-425 reporting requirements. Additionally, the Fiscal Director should implement controls to review and ensure the accuracy of all submitted SF-425 data and that staff retain financial report supporting documentation in accordance with federal and state record disposition requirements.

The Commissioner should assess all significant risks, including the risks noted in this finding, in the department's documented risk assessment. In addition, the Commissioner should adequately document and approve the risk assessment and mitigating controls. The Commissioner should ensure that management implements effective controls to ensure compliance with applicable requirements; assign employees to be responsible for ongoing monitoring of the risks and any mitigating controls; and act if deficiencies occur.

**Management's Comment**

We concur. The Office of Business and Finance (OBF) has begun the process of updating and adding additional written procedures for the internal steps involved in generating the SF-425. OBF expects the procedures to be finalized and implemented by the end of March 2020. These written procedures will also address requirements for maintaining documentation of review of SF-425s prior to their submission. Additionally, staff has been retrained on the instructions for the SF-425 provided by our federal partners.

The OBF has already begun and will continue an extensive review of all significant risks associated with the SF-425 reporting requirements and will update or add identified risks to the department's risk assessment documents. Appropriate OBF staff will monitor these risks and their mitigating controls and will act to correct any deficiencies that may be identified.

The Office of Criminal Justice Programs (OCJP) requires that the financial points of contact (FPOC) successfully complete the Office of Justice Programs (OJP) financial management and grant administration training. This training fully outlines all SF-425 reporting requirements. This training is required within 120 days of being assigned as an FPOC and is reoccurring every 3 years.

| | |
|---|---|
| **Finding Number** | 2019-013 |
| **CFDA Number** | 16.575 |
| **Program Name** | Crime Victim Assistance |
| **Federal Agency** | Department of Justice |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | 2015-VA-GW-0018 and 2016-VA-GX-0053 |
| **Federal Award Year** | 2015 and 2016 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Office of Criminal Justice Programs management did not establish effective controls to ensure that Victims of Crime Act of 1984 grants were properly awarded and executed**

## Background

The Department of Finance and Administration's (the department) Office of Criminal Justice Programs (the state office) is responsible for administering the Crime Victims Assistance program, which is funded by and known as the Victims of Crime Act of 1984 (VOCA). The U.S. Department of Justice's Office for Victims of Crime awards victim assistance grants to the department annually based on the amount available within the Crime Victims Fund and the state's population. The state office must distribute 95% of all funds through subawards to subrecipients that provide direct services to victims, such as rape treatment centers, domestic violence shelters, centers for missing children, and other community-based victim coalitions and support organizations.

Under a competitive eligibility process, VOCA grant applicants (subrecipients) apply to the state office through open solicitations. According to the state office's *Internal Procedures Manual*, applicants must submit a proposed budget, project narrative detailing how the agency intends to use the grant, and a current balance sheet to demonstrate the entity's ability to provide a monetary match as part of its application.

### Selecting Eligible Subrecipients

To determine eligible applicants, the state office uses an evaluation team[23] to score the grant applicants' applications and make recommendations to management by preparing a summary memo as to which applicants should receive grant awards. The management review team, consisting of the Director, Deputy Director, Program Assistant Director, and the Program Supervisor, review the summary memo and determine the amount to be awarded for each selected applicant. The management review team documents its decisions in a funding plan,

[23] The evaluation team consist of three program managers and three to four non-state employees who are subject matter experts who serve victims of crime through their work or organizations.

which sets the maximum allowable amount for each grant award, and submits the funding plans to the Assistant Commissioner for review and approval.

Subrecipient Notification and Grant Award Tracking

After the Assistant Commissioner makes a grant applicant determination, the solicitation's program manager, who is responsible for managing the subrecipients' grants from the application to the grant award's end, sends either the acceptance or denial letter to the applicant but does not provide the grant award amount. Concurrent with the notification, the program manager enters the applicant's grant amounts into the office's subrecipient tracking spreadsheet to prepare the grant document and to create the grant record.

Final Grant Award Review and Award Determination

After notification and creation of the grant record, program managers, program supervisors, and the Senior Audit Manager review the applicants' program narratives and budget proposals to ensure that the applicants did not include unallowable costs in the proposed grant budget. According to the Director, management often makes changes to the grant award budget totals during this process, which staff document in the spreadsheet.

Once all reviewers are satisfied with the approved applicants' grant budget, the responsible program manager enters the budget numbers into the grant award. Based on our review of the state office's *Internal Procedures Manual,* the Program Manager, Program Supervisor, Programs Assistant Director (if needed), and Quality Assurance Program Manager review the prepared grant award before management sends the grant award to the subrecipient and the Commissioner for signature, thereby executing the grant award.

## Conditions and Cause

The State Office's Written Policy Did Not Include Parts of Management's Subrecipient Grant Award Process, and Management Did Not Maintain Eligibility Documentation

State office management did not include the following processes in its written policy or maintain documentation relevant to these processes. We found the following processes were missing:

- management's review of the evaluation team's recommendations;
- management's determination of funding plan amount submitted to the Assistant Commissioner for review and approval; and
- program managers, program supervisors, and the Senior Audit Manager's review of grant budgets to ensure they only contain allowable costs after a funding plan's approval.

The Director stated that management used internal documentation and approvals for all changes made to VOCA grant award amounts, but management did not formally document these review and approval processes in written policy.

From July 1, 2018, through June 30, 2019, the state office awarded 228 subrecipients total grant awards of $45,614,025. To determine if the state office complied with federal and state eligibility documentation requirements, we tested a nonstatistical random sample of 60 grants awards totaling $19,205,512. Based on our work, we found that management did not retain all required documentation in the files for the 60 grant awards tested.

Based on discussions, the Assistant Director stated that staff did not retain all required documentation to support management's decisions to award grants that provide a specific service to victims of crime, or management's decision to continue an existing grant. Missing documentation included items such as

- the evaluation team's score sheets;
- the current balance sheet if the subrecipient was a nonprofit or public agency;
- the funding plan; and
- supporting documentation for contract budget revisions after management approved the funding plan.

Risk Assessment

We reviewed the department's 2018 Financial Integrity Act risk assessment and determined that management did not identify the risk that controls over the state office's grant eligibility processes was either ineffective or was not in place to mitigate the risks.

**Criteria**

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. Principle 10.03 of the Green Book provides examples of internal control activities management may implement, including reviews at the functional or activity level and documentation of transactions and internal control. The Green Book advises that management should "compare actual performance to planned or expected results throughout the organization" and "clearly document internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination." It also states that documentation and records should be "properly managed and maintained".

The state office's *Internal Procedures Manual* outlines its grant award process and details certain documentation that should be provided by the subrecipient and/or retained by the office including

- an Intent to Apply form;
- subrecipient applications that should contain:
  - budget;
  - project narrative;

- overall project duration;
- project director;
- match share of the budget line items;
- applicant's employer identification number (EIN), data universal number system (DUNS), system for award management (SAM) number; and
- current balance sheet (non-profit and public agencies);

- score sheet; and
- funding plan.

According to Principle 7.02 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Effect**

Without effective controls over the eligibility and the matching processes, management increases the risk that it may incorrectly award subrecipients and/or incorrectly prepare and execute grant awards, which may result in noncompliance with federal program requirements. Federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in "Remedies for noncompliance," Title 2, CFR, Part 200, Section 338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or passthrough entity may impose additional conditions," including, as described in "Specific conditions," Title 2, CFR, Part 200, Section 207:

1) Requiring payments as reimbursements rather than advance payments;
2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3) Requiring additional, more detailed financial reports;
4) Requiring additional project monitoring;
5) Requiring the non-Federal entity to obtain technical or management assistance; or
6) Establishing additional prior approvals.

**Recommendation**

The Director should develop and implement proper internal controls to ensure that state office staff create, document, and implement a process for negotiation with subrecipients that provides adequate documentation for any subsequent review, as well as maintain all required supporting documentation. Furthermore, the Director and Assistant Director should ensure that all state office staff are aware of and follow established controls.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. OCJP's very detailed Internal Procedures Manual thoroughly documents many processes. However, auditors were able to identify some procedures that could be enhanced. This includes known internal procedures that were not explicitly written. For the FY2021 contracting cycle, OCJP put all process steps in writing. OCJP held an all-staff meeting on February 4, 2020 to discuss the updates and an additional training is slated for March 17, 2020.

OCJP will update the department's risk assessment to account for this finding to include outlining responsibilities for the Senior Program Manager and Program Manager during the application process. The update to the risk assessment will be finalized for the fall 2020 submission.

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| **Finding Number** | 2019-014 |
| **CFDA Number** | 16.575 |
| **Program Name** | Crime Victim Assistance |
| **Federal Agency** | Department of Justice |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | 2015VAGX0018 and 2016VAGX0053 |
| **Federal Award Year** | 2015 and 2016 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Office of Criminal Justice Programs management has not developed policies to ensure that all applicable subrecipients receive required single audits**

**Background**

The Department of Finance and Administration's (the department) Office of Criminal Justice Programs is responsible for administering the Crime Victims Assistance program, which is funded by and known as the Victims of Crime Act of 1984 (VOCA). The Office for Victims of Crime within the U.S. Department of Justice distributes crime victim assistance grants to states through annual apportionments. According to Title 28, *Code of Federal Regulations* (CFR), Part 94, Section 107(a), the Office of Criminal Justice Programs (the office) must distribute 95% of all funds through subawards to subrecipients that provide direct services to victims, such as rape treatment centers, domestic violence shelters, centers for missing children, and other community-based victim coalitions and support organizations.

**Condition and Criteria**

No Formal Process to Annually Ensure Federal Audit Requirements were Met

Under federal grant requirements when a state provides subawards to subrecipients for the purpose of providing direct services to victims, the state must provide the subrecipients with sufficient information to ensure the subrecipients can comply with all applicable federal requirements when administering their grants. One such requirement, "Audit requirements," 2 CFR 200.501(a), requires subrecipients that have expended $750,000 within their fiscal year to obtain a single audit so that the federal grantor and the state (the pass-through entity) can reasonably ensure that the subrecipients have complied with applicable requirements.

Furthermore, the office is required by "Requirements for pass-through entities," 2 CFR 200.331(f), to verify that all subrecipients that spent $750,000 or more obtained a single audit. As such, if the office's subrecipients received any audit findings related to the VOCA program, the office must issue a management decision within six months of the audit report's release, indicate whether the office sustained the finding, and describe any corrective action the subrecipient must take.[24]

Based on our discussion with office management, we found that management had not implemented a process to ensure that office staff annually reviewed subrecipients' total federal expenditures or ensured subrecipients obtained a single audit as required. Rather, office monitors only reviewed subrecipients' total federal expenditures during monitoring visits, which occur once every three years. As a result, office staff may not know whether a subrecipient met the audit threshold each year.

We identified 36 VOCA subrecipients (local governments and nonprofits) that expended at least $750,000 in federal funding during fiscal year ended June 30, 2018,[25] and thus the office was required to ensure that the subrecipients were audited and that the office obtained the audits for review. Based on our testwork, even though the subrecipients were audited, we found that for 22 of 36 subrecipients tested (61%), office staff did not obtain the subrecipients' 2018 single audits or follow up on any VOCA-related findings. To determine whether subrecipients' auditors found noncompliance with the VOCA grant, we reviewed the 22 subrecipients' single audit reports and found that the reports did not contain any VOCA-related findings.

Risk Assessment

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of noncompliance with federal audit requirements or a mitigating control. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to the Green Book's Principle 7.02, "Identify, Analyze, and Respond to Risks," management should identify "risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses."

## Cause

Based on our discussions with office management, management did not establish an annual process to verify whether subrecipients obtained a single audit as required because management believed this was the Central Procurement Office's responsibility. Instead, management only considered this federal requirement during subrecipient monitoring visits.

According to the Senior Audit Manager, she implemented a process in summer 2019 to ensure that she obtained a single audit report for all VOCA subrecipients that expended $750,000 or

[24] "Management decision," 2 CFR 200.521(d) states, "The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC [Federal Audit Clearinghouse]."

[25] In order to review the office's single audit follow-up process, we reviewed the subrecipients who expended funds prior to our audit period. The office has up to six months to follow up on any noted findings and may not have yet followed up on all single audits conducted for the fiscal year ended June 30, 2019.

more in federal funds. As a result, the Senior Audit Manager provided us copies of the 2018 single audit reports for 16 of the 22 subrecipients noted above.

**Effect**

When management does not verify that applicable subrecipients obtain single audits and perform their own required review of those audits, management increases the risk that subrecipients may, in the process of administering federal grants,

- not receive the required audit timely;
- use federal grant funds for unauthorized purposes; and/or
- fail to comply with federal statutes and regulations, as well as federal grant awards' terms and conditions.

Without staff timely reviewing the subrecipients' audit reports, office management's ability to issue management decisions for audit findings within six months of accepting the audit is more difficult. Not issuing management decisions timely or at all increases the risk of subrecipients not correcting problems with internal controls or compliance with regulations.

**Recommendation**

The office's Director should ensure that an annual process, including written policies and procedures, is developed and implemented to ensure that the office verifies that all subrecipient audits are completed every year; that program staff review the audit reports; and that management issues decisions and achieves corrective action, as applicable.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and act if deficiencies occur.

**Management's Comment**

We concur. In November 2019, OCJP was notified by the CPO that they were revising Policy 2013-007 and section D.19. of the grant contract templates to move the oversight responsibility of subrecipient Single Audits from the CPO to the Granting State Agency. At that time, OCJP began developing written procedures to track agencies that require a Single Audit. OCJP's Internal Procedures Manual has been updated to include our written process.

OCJP will receive the Notice of Audit Form and subrecipient audits as a result of the revised D.19. language in the grant templates. These forms will be submitted to an OCJP email address overseen by the OCJP fiscal manager. An Access database query has been created and has been in use since November 2019 to track the following: which subrecipients are required to have a Single Audit, whether it was received, if there were findings, and when there were findings related to OCJP funding, the subrecipient's corrective response to the finding.

OCJP will update the department's risk assessment to account for this finding, identifying the roles of the audit supervisor and fiscal manager in overseeing receipt of required subrecipient audits and tracking agency corrective responses. The Assistant Director of the Fiscal Unit will be assigned the responsibility for ongoing monitoring of these risks and mitigating controls. The update to the risk assessment will be finalized for the fall 2020 submission.

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|---|---|
| **Finding Number** | 2019-015 |
| **CFDA Number** | 93.778 |
| **Program Name** | Medicaid Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | 05-1805TN5MAP and 05-1905TN5MAP |
| **Federal Award Year** | 2017 through 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $9,499 |

**The Division of TennCare did not have an effective key internal control for determining eligibility; as a result, management paid capitation and administrative payments and claims for members who were not eligible, resulting in $14,424 in federal and state questioned costs**

**Background**

TennCare is Tennessee's Medicaid program, a federal and state funded program that provides health insurance coverage to certain groups of low-income individuals, such as pregnant women, children, caretaker relatives of dependent children, and other adults with disabilities. In general, the Division of TennCare (TennCare) makes three types of payments on behalf of its members:

- capitation or administrative[26] payments to managed care organizations who contract with TennCare to deliver services to members;
- fee-for-service claims paid directly to providers for services[27] provided to certain members, such as children enrolled in the Department of Children's Services' (DCS) foster care or adoption assistance program, or for certain costs relating to Medicare for members who are enrolled in both Medicaid and Medicare; and
- reimbursements to benefit managers for services, such as pharmacy, dental, and health services.

[26] TennCare contracts with three managed care organizations and only pays them a capitation rate per member per month to provide services to TennCare members. According to a separate contract with Blue Cross Blue Shield of Tennessee, TennCare Select is a benefits manager that manages and coordinates care as well as maintains a network of healthcare providers for a select group of TennCare members, such as undocumented immigrants needing emergency medical services. TennCare pays Blue Cross Blue Shield/TennCare Select an administrative rate per member per month and reimburses them for all services (claims) provided to TennCare members.
[27] The types of services provided include, but are not limited to, medical, behavioral health, and case management services.

## **TennCare Eligibility**

Initial Eligibility Process

*Process in place July 1, 2018, through March 31, 2019 – Prior to implementation of the TennCare Eligibility Determination System (TEDS)*

Prior to the implementation of the TennCare Eligibility Determination System (TEDS), applicants applied to TennCare in one of three ways:

- online through the Federally Facilitated Marketplace;[28]
- by phone or a paper application; or
- by visiting a Department of Human Services office for in-person assistance to apply online, by paper, or by phone.

Once an applicant submitted an application, a TennCare eligibility specialist processed the application manually to determine if the applicant was eligible under any available eligibility category.

*Process in place April 1, 2019, through June 30, 2019 – After TEDS[29] implementation*

With the implementation of TEDS beginning April 1, 2019, applicants were able to apply for eligibility using TennCare Connect, TEDS' public-facing web portal. Whether an applicant applies by phone, paper, or through TennCare Connect, the applicant's information is entered into TEDS for automated processing, thereby removing the need for human intervention in many cases. If the applicant's eligibility determination requires human intervention, a TennCare eligibility specialist is assigned to process the application manually[30] in TEDS to determine if the applicant is eligible for any available TennCare eligibility category.

Eligibility Category Assignment

When TennCare staff approve individuals for coverage, TennCare assigns the applicants (members) to eligibility categories, based on conditions that make them eligible (children, pregnant women, parents or caretakers of children, or other categories for certain adults).

*Transitional Medicaid Category*

Transitional Medicaid is authorized for members who lose Child or Caretaker Relative eligibility due to increased earnings (income thresholds). To be eligible for Transitional Medicaid, the

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[28] The federally facilitated marketplace is an organized marketplace of health insurance plans that is operated by the U.S. Department of Health and Human Services where individuals can apply for health insurance, including Medicaid.

[29] TEDS is TennCare's newly implemented system that electronically determines eligibility by capturing and processing applicant-provided data.

[30] According to TennCare management, TEDS is a task-based system where an eligibility specialist may have to manually verify information (e.g., Social Security Administration payment history or family composition) to continue processing eligibility.

members must have been eligible for and receiving benefits in their appropriate category (Child or Caretaker Relative) for at least three of six months immediately preceding the month of ineligibility. If the members are determined eligible for Transitional Medicaid, they are eligible for 12 months.

*Children in DCS Custody*

TennCare contracts with DCS to determine eligibility for children who receive Title IV-E[31] foster care or adoption assistance[32] and children with special medical needs who receive a non-Title IV-E state adoption subsidy payment. Based on the contract terms, DCS must send TennCare the following documents for each child in DCS custody:

- quarterly reports that include information such as children's eligibility determination activities;
- a report of all children entering and exiting DCS custody each business day; and
- monthly reports that provide lists of children who are incarcerated, hospitalized, or on runaway status.

Eligible DCS children can be enrolled in either the Foster Care Category, where a child member can have coverage until he or she turns 18 or, once a child reaches age 18, the child can be deemed eligible for transitional foster care coverage called the Extension of Foster Care program, if the child meets the following requirements:

- a young adult completing their high school diploma or General Education Diploma;
- a young adult enrolled in an institution that provides post-secondary or vocational education; or
- a young adult that has a serious disability that prevents them from pursuing education or full-time employment.

*Pseudo (or temporary) Social Security Numbers Category*

According to TennCare's Assistant Commissioner of Member Services, management may have to assign a pseudo (temporary) Social Security number to members when they enroll in TennCare if the member cannot provide a Social Security number at the time of application. Management assigns pseudo Social Security numbers when members meet one of the following conditions:

- a newborn who has not been issued a valid Social Security number;

[31] The Federal Foster Care program, authorized under Title IV-E of the Social Security Act, helps to provide safe and stable out-of-home care for children until the children can safely return home, placed permanently with adoptive families, or in other planned permanent arrangements.
[32] According to the Department of Children's Services website, adoption assistance is a program designed to remove barriers to adopting special needs children, by providing financial assistance and services to the adopting parents.

- a child in DCS custody who qualifies for the federal adoption assistance program and may be applying for a new Social Security number;
- an undocumented or ineligible immigrant receiving payments for emergency services;
- a person who is in the process of applying for a Social Security number; or
- a person approved by the Federally Facilitated Marketplace who has incomplete Social Security number data.

According to 42 CFR 435.910(f), TennCare cannot deny or delay services to otherwise eligible members pending issuance or verification of the member's Social Security number.

Prior to the implementation of TEDS, TennCare's system was designed to automatically send quarterly letters to members with pseudo Social Security numbers once the member had been enrolled for at least 9 months to determine if the member had ultimately obtained their social security number. Management's auto-generated letters requested the member to submit a valid Social Security Number within 90 days of the date on the letter. If management did not receive the letter within 90 days, management terminated the members' eligibility. Management ended this quarterly process after September 30, 2018, as management prepared to implement TEDS.

With TEDS, the system automatically interfaces with the Social Security Administration's database to validate members' social security numbers.

Eligibility Redetermination

Federal regulations (Title 42, *Code of Federal Regulations* [CFR], Part 435, Section 916) state that, after members' initial eligibility determination and enrollment, the Division of TennCare is required to redetermine members' TennCare eligibility annually. During our audit period, TennCare contracted with Maximus Inc., to perform TennCare's eligibility redeterminations. Under the contract, Maximus prepared and mailed renewal packets to members that TennCare scheduled for redetermination. Members were asked to complete the renewal packets with updated information, such as household size and income, attach supporting documentation, and mail the renewal packets back to Maximus. Once Maximus received the renewal packets, Maximus' staff processed the renewal packets to determine if the members were still eligible for TennCare coverage. If Maximus determined the member was no longer eligible for TennCare, staff initiated the member's termination process.

When TennCare implemented TEDS, TennCare management assumed responsibility for redetermining member eligibility and no longer contracts with Maximus for redetermination of members.

**Condition, Criteria, and Cause**

Overall Eligibility Requirements

From a population of 1,727,384 TennCare members, totaling $4,593,296,080, for whom TennCare paid capitation payments to Managed Care Organizations during fiscal year 2019, we tested a nonstatistical random sample of 86 members, totaling $111,140, to determine if

TennCare appropriately determined the members' eligibility for TennCare coverage. At this time, TennCare determined these members' eligibility prior to implementing TEDS. We found that TennCare miscategorized eligibility for 3 of 86 members tested (3%). Specifically, we found the following.

- Based on our review, we found that management incorrectly assigned one member to the incorrect eligibility category when management redetermined the member's eligibility. Management approved the member's coverage—an 8-year old boy—in the pregnancy category, rather than a category for children. Because we determined the member was still eligible for TennCare, we did not question costs. According to TennCare's Assistant Commissioner of Member Services, the redetermination contractor, Maximus, erroneously duplicated the mother's coverage (pregnancy category) on the child's eligibility information.

**TEDS Eligibility Determinations**

From a population of 8,774 members who applied for TennCare using TennCare Connect, we also tested a nonstatistical random sample of 61 members to determine if management appropriately determined the members' eligibility using TEDS. Based on our audit work, we found no problems.

- Furthermore, we found that DCS management did not inform TennCare management of a needed change to one member's TennCare coverage. The member moved from DCS custody to the Extension of Foster Care program. Because the member was eligible in the Extension of Foster Care program during the audit period, we did not question costs. However, during fieldwork, we determined that the member left the Extension of Foster Care program; at that point he was no longer eligible for TennCare. According to discussions with TennCare's Assistant Commissioner of Member Services and the DCS Program Director, DCS allowed children to participate in an extension program under certain criteria up to age 21; however, DCS did not report to TennCare members who left the Extension for Foster Care program on the DCS custody reports. Therefore, TennCare would not have known to terminate this member's eligibility category in interchange.[33]
- Finally, we found one member that received Transitional Medicaid coverage; however, management could not provide documentation demonstrating that the member's parent or caretaker relative lost TennCare coverage as a result of increased earnings. We also reviewed the member's information to determine if he may have been eligible in another category; however, we found that he was not eligible for any other eligibility category , resulting

While the questioned cost amounts for the Medicaid Cluster were less than $25,000, 2 CFR 200 516(a)(3), requires us to report known and likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. For the cluster, we determined that likely questioned costs exceeded $25,000.

[33] interChange is TennCare's claims management system.

in federal questioned costs totaling $1,504 and a remaining $783 in state questioned costs. Based on discussions with TennCare's Assistant Commissioner of Member Services, Maximus approved this member in error.

According to the *Social Security Act*, Section 1902 (5), "…the determination of eligibility for medical assistance under the plan shall be made by the State or local agency administering the State plan approved…"

Eligibility Requirements Relating to Non-U.S. Citizens

We identified the population of TennCare members who had been assigned pseudo Social Security numbers during our audit period. We specifically analyzed this population to determine TennCare's compliance with the eligibility requirements for non-U.S. Citizens and found the following errors.

*Services to Members with a Pseudo Social Security Number*

From a population of 82 members who were assigned pseudo Social Security numbers during the year ended June 30, 2019, we tested a sample of 60 members to determine if management only assigned a pseudo Social Security number to members who met the one of the categories. For 3 of 60 members tested (5%), the members did not have an eligible citizenship or immigration status in order to receive TennCare coverage. All three members initially applied for CoverKids'[34] pregnancy coverage, and they all noted on their applications that they were not U.S. citizens and thus should have only been eligible for the CoverKids pregnancy category. Apparently, these members' family members were U.S. Citizens and receiving TennCare benefits. Based on discussions with the Assistant Commissioner of Member Services, the eligibility counselor incorrectly changed the members' citizenship status, which enrolled them into TennCare. As a result, we identified federal questioned costs totaling $7,684 and remaining $3,981 in state questioned costs.

> According to 42 CFR 435(406), TennCare
>
> must provide Medicaid to otherwise eligible individuals who are (1) Citizens; or (2) Aliens lawfully admitted for permanent residence […]; (3) Aliens granted lawful temporary resident status under sections 245A and 210A of the Immigration and Nationality Act if the individual is aged, blind, or disabled […], under 18 years of age, or a Cuban Haitian entrant […]; or (4) Aliens granted lawful temporary resident status under section 210 of the Immigration and Nationality Act unless the alien would, but for the 5-year bar to receipt of [Aid to Families with Dependent Children (AFDC)[35]] contained in such section, be eligible for AFDC.

[34] Also operated by the Division of TennCare, CoverKids is the state's Children's Health Insurance Program, a federal program that provides health insurance to eligible children up to age 18 as well as eligible pregnant women.
[35] Aid to Families with Dependent Children (AFDC) is now known as Temporary Assistance for Needy Families (TANF).

*Emergency Services Provided to Undocumented or Ineligible Immigrants*

The *Social Security Act*, Section 1903(v), mandates that TennCare cover emergency services for those who are not eligible for Medicaid only because of their citizenship status. An emergency medical condition is defined as the sudden onset (unforeseen occurrence) of a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in

- placing the patient's health in serious jeopardy;
- serious impairment to bodily functions; or
- serious dysfunction of any bodily organ or part.

According to *Health Care Finance and Administration*, Policy Manual Number: 020.005, *Emergency Medical Services*, *5. Eligibility Begin and End Dates*, "Coverage will be limited to the length of time required to stabilize the emergent episode." TennCare management is responsible for paying for the administrative fees and claims specifically related to the emergency service.

From a population of 82 members who had a pseudo Social Security number during the year ended June 30, 2019, we filtered the population to identify 77 undocumented or ineligible immigrants classified as receiving emergency services. Immigrants are individuals who may or may not be in the U.S. legally; certain immigrants, such as student visa holders, legal permanent residents with this status for less than 5 years, or undocumented individuals, do not meet the immigration requirements to receive TennCare. Of the 77, we determined that TennCare paid claims for emergency services for 44 undocumented immigrants. Based on our audit work, we found that for 10 of 44 undocumented immigrants tested (23%), TennCare management paid TennCare Select administrative fees outside of the dates the individuals received emergency services. Specifically, we found the following:

- For three undocumented immigrants, TennCare did not end administrative payments to TennCare Select on the last day the individual received the emergency service, resulting in $243 in federal questioned costs and the remaining $126 in state questioned costs. According to TennCare's Assistant Commissioner of Member Services, the TennCare eligibility counselors did not enter an end date in interChange when the individual's emergency services ended.
- For seven ineligible immigrants, TennCare erroneously paid administrative payments to TennCare Select beginning on the first day of the month in which the individuals received emergency services rather than the day the individuals began receiving services, resulting in $68 in federal questioned costs and the remaining $35 in state questioned costs. According to TennCare's Assistant Commissioner of Member Services, an eligibility counselor updated the individuals' eligibility information in TEDS but did not re-run the individuals' eligibility determination process, which caused interChange to backdate the individuals' eligibility to the first day of the month rather than the date the individuals began receiving emergency service.

Risk Assessment

We reviewed the Division of TennCare's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risks of a contractor not fulfilling its contractual obligations and ineligible applicants being approved for eligibility; however, TennCare did not have an effective control to mitigate its risk. Management did not identify the risk that TennCare would pay administrative fees for undocumented immigrants outside the allowed emergency service dates and a mitigating control.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Effect**

When TennCare management inappropriately approves TennCare benefits, the division increases the risk of adding ineligible individuals to its membership rolls, thereby allowing them to receive a public benefit they are not entitled to receive and rendering related costs unallowable. Charging costs to the federal grantor based on ineligible individuals results in improper federal payments to the state, which require the state to either reduce the next federal draw of funds or reimburse the grantor directly. The U.S. Department of Health and Human Services ultimately makes the determination of and resolution for the federal share of improperly charged costs.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;
>
> (5) Requiring the non-Federal entity to obtain technical or management assistance; or
>
> (6) Establishing additional prior approvals.

Furthermore, Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending corrective action of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**Recommendation**

The Assistant Commissioner of Member Services should ensure that eligibility counselors are aware of and understand eligibility requirements for all categories in order to properly approve members under the correct category. To assist eligibility counselors when approving eligibility, management should also ensure its information system, TEDS, has the proper edit checks in place to prevent eligibility counselors from approving members for certain eligibility categories when the member's gender is not compatible with the eligibility category.

The Assistant Commissioner of Member Services should ensure that eligibility counselors enter the correct end dates for individuals receiving emergency services and carry out all systematic processes to ensure that interChange has the correct information to approve administrative payments and claims in accordance with federal requirements governing emergency services.

TennCare management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

Management concurs with this finding.

TennCare agrees that for two cases identified by auditors, the members' eligibility category was incorrect. These two decisions were made prior to the transition to the new eligibility determination system (TEDS) and were completed through manual processes. These worker errors would now be mitigated through use of the TEDS rules engine that has been programmed to determine the correct outcome and category of eligibility automatically when eligibility is run by either automated processes or through worker action.

The auditor findings related to payments for Emergency Medical Services (EMS) outside of the emergent period have also now been mitigated. Some of the issues identified were caused by worker keying errors in the manual form process that was in place prior to TEDS implementation. Those processes were discontinued in the spring of 2019 and all EMS applications are now completed in TEDS. The remainder of the cases were processed in TEDS and were caused by one of two issues. Either the worker processing the case did not run the rules and authorize the case after a correction was made to the underlying data or the case was impacted by a defect that has now been corrected. Both issues caused the transmission of EMS eligibility segments to the Medicaid Management Information System (MMIS) with a start date at the beginning of the month rather than the date that the emergency began. That defect was corrected as of October 2019. A report has also been created in TEDS to monitor cases where a change has been made but not completed by a worker.

| | |
|---|---|
| **Finding Number** | 2019-016 |
| **CFDA Number** | 93.917 and 93.994 |
| **Program Name** | HIV Formula Care Grants<br>Maternal and Child Health Services Block Grant to the States |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Health |
| **Federal Award Identification Number** | 2X09HA28331-04, 2X07HA00024-28, 5X07HA00024-29, 1B04MC30643-01, 1B04MC31518-01 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Repeat Finding** | 2018-010 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Health did not verify that subrecipient single audits were performed for the HIV and MCH programs**

**Condition**

As noted in the prior audit, the department did not verify that subrecipient single audits were performed for the HIV and MCH programs. According to the Assistant Commissioner of Compliance and Ethics, as of July 25, 2019, the Department of Health has not reviewed any subrecipients' Single Audit reports for either the HIV Formula Care Grants or Maternal and Child Health Services (MCH) Block Grant programs that were due to the Federal Audit Clearinghouse during the year ended June 30, 2019.

Management concurred with the prior audit finding and stated:

> The Assistant Commissioner of Compliance and Ethics will work with the department's contract administration division, as well as HIV and MCH program management, to develop a set of policies and procedures that will ensure that the department receives a copy of each subrecipient audit report concurrent with the subrecipient's submission of their report to the Federal Audit Clearing House

In its six-month follow-up for the prior audit finding, dated August 27, 2019, the department informed the Director of State Audit that:

> A policy that addresses the requirements of 2 CFR [Code of Federal Regulations] 200.331(f) and 2 CFR 200.521(d) has been drafted and was implemented effective July 1, 2019. . .. The policy further outlines the managing program area's responsibility to review the subrecipient's audit report and issue a management decision to the subrecipient regarding any findings within six months of the report having been filed with the Federal Audit Clearinghouse. . .. Given the cycles of the contract process, as well as audits for different

> subrecipients and their respective varying fiscal years, we anticipate seeing evidence of this policy implementation fully executed by June 30, 2020.

Regarding the assignment of duties, the policy states:

> [the] policy will require the program to review audit reports on receipt and to document a management decision of approval or disapproval with the corrective actions outlined by the grantee within six months of the completion of the report and its filing with the Federal Clearinghouse.

**Criteria**

2 CFR 200.331(f) states that "all pass-through entities must . . . verify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Section 200.501 Audit requirements."

**Cause**

In the previous audit we reported that the department had not clearly assigned responsibility for verification of subrecipient audits. Although management drafted a policy during the audit period, corrective action was not complete by the end of audit period since the policy was "implemented effective July 1, 2019."

**Effect**

When management does not verify that applicable subrecipients obtain single audits, it increases the risk that subrecipients may, in the process of administering federal grants,

- not receive the required audit timely;
- use federal grant funds for unauthorized purposes; and/or
- fail to comply with federal statutes and regulations, as well as federal grant award terms and conditions.

**Recommendation**

The department should follow the policy concerning the receipt and review of subrecipient audit reports.

**Management's Comment**

We concur. During the 2018 Single Audit of the Department of Health, this finding was noted by the Comptroller's Office and our agency developed the policy noted in the finding which required a fundamental change to our existing systems of review for subrecipient single audits. The change includes a contract requirement for grantees to provide copies of single audits to program management at the same time they are submitted to the Federal Audit Clearinghouse and for program management to review the audit report and engage the grantee regarding any findings within a six month period after the submission of the audit report to the Federal Audit Clearinghouse.

This policy required implementation that involved our division of contracts, legal counsel, and program management; the implementation across these divisions was completed by July 1, 2019. However, the successful completion of the policy's integration required a full cycle of grant contract execution, subsequent compliance by subrecipients with the single audit requirement, and review by our program management of single audits in a timely manner. Only then will we have the evidence to indicate the effectiveness of our corrective actions.

On August 27, 2019, we notified the Comptroller's Office of our progress in the implementation of this corrective action and indicated at that time that "we anticipate seeing evidence of this policy implementation fully executed by June 30, 2020." The responsible individual for monitoring the evidence of this successful implementation of this policy is the Assistant Commissioner of Compliance & Ethics. We believe that our corrective action will produce the intended results by the target date previously indicated to the Comptroller's Office.

| | |
|---|---|
| **Finding Number** | 2019-017 |
| **CFDA Number** | 10.558 and 10.559 |
| **Program Name** | Child and Adult Care Food Program<br>Child Nutrition Cluster |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 175TN331N1099, 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050 |
| **Federal Award Year** | 2017 through 2019 |
| **Finding Type** | Significant Deficiency (10.559)<br>Material Weakness (10.558)<br>Noncompliance (Subrecipient Monitoring) |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles<br>Subrecipient Monitoring<br>Other |
| **Repeat Finding** | 2018-015 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior five audits, the Department of Human Services' oversight activities for the Child and Adult Care Food Program and Summer Food Service Program for Children continue to lack sufficient follow-up actions to address repeated sponsors' noncompliance and fraud risk factors, resulting in payments to sponsors that repeatedly violate federal requirements**

**Background**

The Department of Human Services (DHS), in partnership with the U.S. Department of Agriculture and local organizations, operates the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program for Children (SFSP) to provide free, reduced-price, and paid meals to eligible participants. CACFP is a year-round program, and SFSP operates during the summer months when school is out. DHS contracts with subrecipients, who administer the programs and deliver the meals to eligible participants. DHS reimburses the subrecipients to cover the administrative costs and the costs of meals served.

DHS's Responsibilities as a Grant Administrator

As a pass-through entity for federal funds, DHS is responsible for providing overall program oversight, which includes, but is not limited to,

- approving only eligible subrecipients who comply with the federal program requirements and guidelines;
- providing appropriate and effective training, technical assistance, and any other necessary support to facilitate successful program participation;

- designing effective controls to ensure subrecipients claim the correct number of meals and receive reimbursement payments for meals that are fully compliant with program requirements and guidelines;
- monitoring subrecipients' activities to provide reasonable assurance that the subrecipients administer these federal awards in compliance with federal requirements and guidelines; and
- maintaining the integrity of the food programs by taking appropriate and prompt actions to address subrecipients' unwillingness and/or inability to comply with the federal requirements and guidelines, which may include performing stricter oversight of the noncompliant subrecipients and, if necessary, terminating them from the program.

History of Single Audit Report Results for Food Programs

Since 2014, we have reported to management the inadequacy of the food programs' administration and recommended the need for a robust program overhaul, with an emphasis on strengthening controls within the monitoring and oversight activities. In the prior five audits, we have reported the following number of findings, outlined in **Table 1**, both for CACFP and SFSP, with corresponding questioned costs:

**Table 1**
**CACFP and SFSP Findings – Overall Perspective**

| Single Audit Year | Number of New Findings | Number of Repeat Findings | Number of Total Findings | Total Questioned Costs Reported |
|---|---|---|---|---|
| 2014 | 8 | 4 | 12 | $1,862,521 |
| 2015 | 10 | 5 | 15 | $11,481,981 |
| 2016 | 5 | 12 | 17 | $12,058,618 |
| 2017 | 0 | 10 | 10 | $6,205,794 |
| 2018 | 1 | 7 | 8 | $1,918,307 |
| 2019 | 0 | 6 | 6 | $390,648 |

History of Repeated Noncompliance/Fraud Indicators in the Food Programs

From our site reviews of subrecipients, we found fraud indicators and questionable practices at subrecipients and their feeding sites. We have repeatedly communicated to management that until DHS enhances its efforts to identify sponsors with high fraud risk factors and takes aggressive action to ensure sponsors comply or are terminated from the programs, management will continue to pay high risk sponsors that submit questionable billings and/or that do not serve meals to children.

We have reported in the annual *Single Audit Report* the following number of findings (listed in **Table 2)** that included subrecipients with fraud indicators and the corresponding questioned costs:

**Table 2**
**CACFP and SFSP Findings – Perspective on Reporting Fraud Indicators**

| Single Audit Year | Findings Where We Reported Subrecipients with Fraud Indicators | Number of Subrecipients Reported in the Findings | Questioned Costs Reported in the Findings |
|---|---|---|---|
| 2014 | 2 | 3 | $576,630 |
| 2015 | 2 | 2 | $98,407 |
| 2016 | 5 | 15 | $3,059,152 |
| 2017 | 2 | 5 | $837,313 |
| 2018 | 3 | 10 | $547,774 |
| 2019 | 3 | 11 | $223,582 |

It is important to note that in a majority of instances, we identified improper payments resulting from fraud risk indicators based on samples of transactions we randomly selected for our testwork, suggesting that fraud and corresponding questioned costs are likely higher than we reported in our current and prior years' *Single Audit Reports.*

Management's Steps to Address Prior-year Findings

In response to our prior-year findings, management took the following steps to improve management's oversight of the programs:

1) To improve processes within the Audit Services section during monitoring reviews, in May 2017 DHS implemented the Audit Command Language software,[36] which replaced the previous pen-and-paper review system. The new system provides electronic access to the working papers from any location and allows staff to retain program records electronically.
2) During fiscal year 2018, management filled vacant positions of auditors, monitors, and investigators assigned to the food programs so that staffing levels remained reasonably consistent. In addition, we found consistent retention levels, with no significant turnover, for key management positions directly responsible for overseeing the administration of the food programs.

Despite these improvements, management has not yet sufficiently improved internal control processes to identify and follow up on sponsors with fraud risk factors so that management can gain sponsor compliance or promptly remove sponsors that are unable or unwilling to comply with program requirements.

**Condition A:** *DHS Did Not Adequately Address the Continuous Noncompliance and Repeat Weaknesses in Internal Controls*

[36] The Audit Command Language platform was renamed HighBond in 2019.

Our current audit results include repeated material weaknesses and significant deficiencies in internal controls over compliance with program requirements, as discussed in detail in separate findings in this audit report (see **Table 3**). These findings, when considered both individually and collectively, indicate that, despite DHS's continuous efforts to address deficiencies, management still has work to do to establish the oversight necessary to identify sponsors that continue to exhibit an unwillingness to comply with the requirements, as evidenced by our audit results and DHS's routine monitoring reviews.

All six of the food program findings reported in the current audit report are repeat findings. Management's corrective action was not sufficient to significantly reduce sponsor noncompliance or to correct control deficiencies at both the department and the subrecipient levels. During our discussions with management, we asked why management has been unable to correct the conditions noted, but management did not provide any comments for the majority of the findings by the time we finalized our audit.

**Table 3**
**Summary of CACFP and SFSP Repeated Findings Reported in the *Single Audit Report* for Fiscal Year 2019**

| Program | Finding | Finding Number | Questioned Costs |
|---|---|---|---|
| CACFP | **Repeat** – For the seventh year, the Department of Human Services did not ensure that Child and Adult Care Food Program subrecipients claimed meals only for eligible participants; accurately determined participant eligibility; and maintained complete and accurate eligibility documentation as required by federal regulations | 2019-020 | $6,584 |
| CACFP | **Repeat** – For the fifth year, the Department of Human Services did not ensure that the Child and Adult Care Food Program subrecipients maintained accurate and complete supporting documentation for meal reimbursement claims and that subrecipients received reimbursements in accordance with federal guidelines | 2019-019 | $65,407 |
| SFSP | **Repeat** – For the sixth consecutive year, the Department of Human Services did not ensure that Summer Food Service Program for Children subrecipients served and documented meals according to established federal regulations | 2019-022 | $13,927 |
| SFSP | **Repeat** – As noted in the prior five audits, the Department of Human Services did not ensure that Summer Food Service Program for Children sponsors maintained complete and accurate supporting documentation for meal reimbursement claims and/or that sponsors claimed meals and received reimbursements in accordance with federal guidelines | 2019-021 | $304,730 |

| Program | Finding | Finding Number | Questioned Costs |
|---|---|---|---|
| CACFP/SFSP | **Repeat –** As noted in the prior audit, the Department of Human Services has inadequate internal controls over subrecipient monitoring of the Child and Adult Care Food Program and Summer Food Service Program for Children and did not perform monitoring reviews in accordance with program requirements | 2019-018 | $0 |
| CACFP/SFSP | **Repeat –** As noted in the prior five audits, the Department of Human Services' oversight activities continue to lack sufficient follow-up actions to address repeated sponsors' noncompliance and fraud risk factors, resulting in payments to sponsors that repeatedly violate federal requirements | 2019-017 | $0 |
| | | **Total** | **$390,648** |

**Condition B:** *Repeat Offenders Continue to Participate in the Food Programs and Submit False Claims*

Despite our numerous prior findings on repeat offenders and fraud indicators, DHS has not yet developed and implemented effective preventive and detective controls to prevent ill-intended subrecipients from participating in the food programs and submitting false claims. During our current audit, we identified numerous subrecipients who continued to exhibit questionable reporting, including submitting false claims by inflating meals on reimbursement requests; photocopying or altering documentation; or claiming meals at fake sites and receiving reimbursement payments for meals not served to children.

**Condition C:** *Risk Assessment*

We reviewed DHS's December 2018 Financial Integrity Act risk assessment and determined that management listed the risk of subrecipients submitting claims without supporting documentation; however, DHS did not have an effective control to mitigate its risk.

**Cause**

We identified the following key contributing factors for the repeat findings shown in this report:

Management's Opinion That Meeting Minimum Federal Requirements Is Sufficient

Since 2014, we have communicated to DHS that the food programs need a robust overhaul of oversight to address continuous weaknesses. Despite management's attempts to strengthen the oversight for subrecipients who are unwilling or unable to correct repeat program noncompliance, management has still not improved the process to identify sponsors exhibiting fraud risks or to increase scrutiny of subrecipients that are identified as risky. Management is responsible for maintaining the programs' integrity and therefore should pursue and follow up on the subrecipients until they implement corrective action and achieve compliance. Until these processes are in place and operating effectively, management will continue to pay high risk sponsors that submit questionable billings and/or that do not serve meals to children.

Management continues to justify its current level of oversight efforts by stating DHS meets or exceeds minimum requirements established by the federal program. However, merely meeting or even exceeding certain federal requirements is not sufficient management oversight action to actively seek out subrecipients who are submitting questionable meal reimbursement claims. As the grantor and the pass-through entity of the federal funds, it is ultimately management's responsibility, under the programs' authority, to ensure that only sponsors who are willing and capable to comply with program rules and regulations participate in the programs.

<u>Management's Narrow Focus and Inability to Design and Implement Effective Enhanced Controls Within the Programs' Riskiest Areas</u>

We have reported subrecipients with fraud indicators in our findings for six consecutive years, and management continually fails to examine and scrutinize questionable reporting practices that we consider to be the riskiest and the most vulnerable to fraud. As a result, repeat offenders continue submitting false claims, year after year, by one or a combination of the following methods:

- <u>tampering with program documentation,</u>
- <u>incorrectly reporting meals,</u>
- <u>billing for meals never served,</u> and
- <u>misusing program funds.</u>

Even though DHS monitors have observed similar inconsistencies during their monitoring reviews, management has not implemented enhanced processes to follow up on unreasonable patterns occurring in the food programs. Management's narrow focus is based on a checklist of procedures rather than on gathering evidence of improper billings so that these subrecipients can be removed from the programs. Management apparently believes that effective monitoring is measured by the number of site visits performed or the number of questions answered on its monitoring checklists, instead of results-based reviews that ensure subrecipients comply or are promptly removed from program participation. Management continues to rely heavily on subrecipients' integrity for accurate self-reporting of meals and does not adequately follow up on inconsistencies, such as questionable meal reporting patterns, based on its own monitoring results or audit results shared through our findings.

<u>Management Has Yet to Achieve and Sustain Program Integrity and Standards</u>

Management stated in their comments to prior audit findings that program integrity is imperative but, at the same time, it must be balanced within the context of the practical operation of the programs, including inherent challenges of the programs' design. We believe oversight for the food programs is not operating at an acceptable level, as evidenced by continuous and repeat findings noted during our current audit.

Training Concerns

Despite all available tools to train subrecipients and strengthen their knowledge on program requirements, both we and DHS monitors continue to observe violations in operations of the food programs, year after year, in some cases for the same subrecipients. These entities have received training and technical assistance and were required to submit numerous corrective action plans from prior-year monitoring noncompliance, yet their violations continue. Although management continues to offer training, either the training is ineffective or the subrecipients' intent is to steal or not to comply. In either case, DHS should closely watch sponsors who repeatedly violate the program rules and should remove consistent offenders from the program. Without stiffer penalties for repeat offenders, management continues to foster an environment characterized by sub-standard performance and dishonest behaviors.

Continuous Information Systems Design Deficiencies, Under-utilized Technology, and Lack of Basic Analytical Procedures

Even after implementing the Tennessee Information Payment System (TIPS) and HighBond, which management believed would help resolve these long-standing findings, we continue to identify similar conditions of noncompliance and control deficiencies in both SFSP and CACFP. While TIPS's edit checks detect when sponsors claim meals over the maximum approved numbers, the subrecipients' failure to accurately calculate meals and maintain accurate and complete documentation to support the reimbursement claims continues to be an issue for the subrecipients and DHS.

In addition, management does not use TIPS to its full potential. Despite TIPS having the capability of retaining meal count documentation electronically, during our current audit we have noted instances of missing or lost meal count documentation, resulting in questioned costs. Furthermore, DHS does not consistently perform analytical procedures to analyze the meal claims for reasonableness prior to approving all sponsors' claims for reimbursements, stating that such tasks would be too time-consuming to implement and sustain. In fact, DHS does not even open most claims for review. Management states that it relies on monitoring to review claim documentation, but monitoring staff typically only review subrecipients every few years and for only one selected month. Management has not yet developed historical data and systematic procedures using the available technology, institutional knowledge, and experience with the programs, which could help detect questionable patterns and/or identify irregularities.

## Criteria

Condition A

According to "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 331, the pass-through entity's monitoring of subrecipients must include

> Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

In addition, 2 CFR 200.62 states,

> Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity [DHS] designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> a. Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
>
> b. Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other federal statutes and regulations that are identified in the Compliance Supplement; and
>
> c. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), Section OV2.14 on management's role states,

> Management is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity's internal control system. Managers' responsibilities vary depending on their functions in the organizational structure.

Section OV3.05 of the Green Book, regarding design and implementation of internal control, also states,

> When evaluating design of internal control, management determines if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks. When evaluating implementation, management determines if the control exists and if the entity has placed the control into operation. A control cannot be effectively implemented if it was not effectively designed. A deficiency in design exists when (1) a control necessary to meet a control objective is missing or (2) an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in implementation exists when a properly designed control is not implemented correctly in the internal control system.

Principle 9.04 of the Green Book, on analysis of and response to change, continues,

> As part of risk assessment or a similar process, management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system. Changes in conditions affecting the entity and its

> environment often require changes to the entity's internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions. Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness.

<u>Condition B</u>

According to 7 CFR 225.15(c),

> Sponsors shall maintain accurate records justifying all meals claimed . . . The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.

In addition, according to the 2016 *Administration Guide – Summer Food Service Program*,

> Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . [m]eals that were not served.

According to 7 CFR 226.10(c),

> Claims for Reimbursement shall report information in accordance with the financial management system established by the State agency, and in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the final Report of the Child and Adult Care Food Program (FNS 44) required under §226.7(d). In submitting a Claim for Reimbursement, each institution shall certify that the claim is correct and that records are available to support that claim.

<u>Condition C</u>

According to Principle 7, "Identify, Analyze, and Respond to Risks," of the Green Book,

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**<u>Effect</u>**

Because DHS management has not addressed weaknesses noted in the CACFP and SFSP programs' prior findings, management's lack of sufficient oversight continues to threaten the integrity of the programs. Without implementing sufficient follow-up processes to address repeat offenders in the future, DHS will continue to

- make improper reimbursements to subrecipients;

- provide meals to ineligible participants;
- not detect noncompliance or fraud timely; and
- jeopardize federal funding because of noncompliance.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, “If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions,” including, as described in Section 200.207, “Specific conditions,”

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;
>
> (5) Requiring the non-Federal entity to obtain technical or management assistance; or
>
> (6) Establishing additional prior approvals.

Furthermore, Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**Recommendation**

The Commissioner should pursue actions afforded to DHS as the pass-through agency to ensure that subrecipients, and DHS, comply with the federal requirements. The Commissioner, the Director of Child and Adult Care Food Program and Summer Food Service Program, and the Director of Audit Services should ensure that staff implement stronger controls that address all deficiencies and should recover overpayments to subrecipients. The Commissioner should analyze and improve control processes affecting DHS and its subrecipients to ensure compliance with all federal requirements. The Commissioner should seek to establish better oversight to identify high-risk subrecipients and to follow up when staff find billing schemes. With proper oversight, management is more likely to have reasonable assurance that both staff and subrecipients have reasonably complied with federal regulations.

If subrecipients continue to not comply with federal guidelines, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.207 and 200.338.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

As in the previous audit, the state auditors are repeating the summary of what they reported as findings on the food programs without regard to the requirements of the *Government Auditing Standards* (GAS) and Title 2 of the *Code of Federal Regulations*, Part 200, which must be followed in conducting the Single Audit. We believe it is time for the state auditors to acknowledge the actions the department has taken and report in a fair and reasonable manner as required by the *Government Auditing Standards*.

In a recent investigative report that the Comptroller's Office released on November 4, 2019, the investigators cited the department's monitoring work that showed the adequacy and effectiveness of the department's administrative and monitoring operation, contrary to the state auditors' current assertion that the department's monitoring is "inadequate."

For the last three years the department has consistently taken extensive actions to boost internal controls and monitoring of the food programs through increasing the number of food program management staff, increasing monitoring staff, providing training to staff and sponsors' staff, revising the monitoring procedures, increasing the number of sponsors and feeding sites monitored, following up on noncompliant sponsors, and removing noncompliant sponsors from the food programs. We believe it is time for the state auditors to acknowledge the actions the department has taken and report in a fair and reasonable manner free from personal and professional bias.

The department's payroll costs to administer and monitor the food programs in FFY2019 was $2,481,956.43 of the total food programs expenditures of $72,674,315.72. It is worth noting that the majority of these administrative costs are incurred as a result of monitoring. This amount does not take into consideration dollars paid to the Comptroller's Office for their continued work in this program area.

We believe our costs to administer and monitor the Food Programs are reasonable and prudent and our efforts are in material compliance with federal requirements. In fact, the United States Department of Agriculture, which regulates these dollars, has closed each of the Comptroller's previous findings (2014-2017) without issue and with no disallowed costs. The department remains at the will of the legislature should a decision be made to spend additional state dollars and monitor this program above the requirements of the federal law.

The department's monitoring reports are a matter of public record and are posted on the department's website (www.tn.gov/humanservices) under DHS Office of Inspector General. https://www.tn.gov/humanservices/dhs-program-integrity.html.

**Auditor's Comment**

Our finding focuses on management's lack of sufficient oversight activities specifically related to sponsors with fraud risks and questionable billing patterns and is not merely a summary of food program findings. Our audit results are clearly described in Conditions A through C along with the applicable federal criteria and recommendations.

According to 2 CFR 200.303

> The non-Federal entity [DHS] must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Contrary to management's statement, we acknowledge when applicable, management's improvements and corrective action in each of the food program findings.

*Federal Management Decision*

In accordance with 2 CFR 200.521 a federal grantor must follow up on findings of the non-federal entity and issue management decisions. The U.S. Department of Agriculture (USDA), the federal grantor, reviewed the department's USDA program findings resulting from Single Audits occurring prior to the 2019 Single Audit and issued a Notification of Closure letter which sustained our prior audit findings and accepted the department's correction action plan for Single Audits through 2017; in doing so, the USDA closed the file without issue. At the time of our report, the department is working with USDA to achieve audit resolution for the 2018 Single Audit findings and final action (management decision) is due in September 2020. The federal grantor's management decision (closure letter) of prior findings does not relate to the auditor's conclusions and findings from the current 2019 Single Audit of the department's programs. Based on our 2019 *Single Audit* of DHS, we found that management had not fully implemented corrective action which they communicated to the federal grantor following the 2018 Single Audit.

| | |
|---|---|
| **Finding Number** | 2019-018 |
| **CFDA Number** | 10.558 and 10.559 |
| **Program Name** | Child and Adult Care Food Program<br>Child Nutrition Cluster |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Significant Deficiency (10.559)<br>Material Weakness (10.558)<br>Noncompliance – Subrecipient Monitoring |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles<br>Eligibility<br>Subrecipient Monitoring |
| **Repeat Finding** | 2018-016 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior audit, the Department of Human Services has inadequate internal controls over subrecipient monitoring of the Child and Adult Care Food Program and Summer Food Service Program for Children and did not perform monitoring reviews in accordance with program requirements**

**Background**

The Child and Adult Care Food Program (CACFP) and the Summer Food Service Program for Children (SFSP) are funded by the U.S. Department of Agriculture and administered on the state level by the Department of Human Services (DHS). As a pass-through entity for CACFP and SFSP funds, DHS is responsible for providing sufficient qualified consultative, technical, and managerial personnel to administer the program and for monitoring performance to ensure that subrecipients comply with program rules and regulations.

Subrecipients, through approved feeding sites where actual meal services take place, provide meals and supplements to eligible participants. To receive reimbursement payments for meals served to children, subrecipients submit reimbursement requests to DHS through the Tennessee Information Payment System, an online platform for the food programs' administration. Subrecipients self-report the number of meals claimed on reimbursement requests based on daily meal count documentation that site personnel prepare during each meal service. Subrecipients are required to retain all program records for at least three years and to provide records to authorities performing monitoring reviews or audits.

DHS is required to monitor subrecipients' activities to obtain reasonable assurance that the subrecipients administer federal awards in compliance with federal and state requirements. Given that DHS has limited front-end control in place to prevent improper payments to subrecipients, DHS uses the Audit Services Unit (ASU) to provide a detective control through its monitoring process, which is DHS's only control for determining the accuracy of the reimbursement claims.

Audit Services Unit Monitoring Process

Monitors document their reviews in HighBond,[37] an online platform that DHS implemented in May 2017 to improve and streamline the monitoring processes during monitoring reviews. HighBond provides electronic access to the working papers from any location and allows management to maintain monitoring records in electronic formats.

ASU monitors perform the following types of monitoring reviews:

1) Site Reviews. Monitors visit feeding sites where the actual meal services take place and perform meal service observations to assess whether feeding site personnel comply with applicable rules and regulations. Federal regulations for each program outline the minimum required number of site reviews that monitors must perform.
2) Sponsor Reviews. Subsequent to the site reviews, monitors perform an administrative review of the subrecipients to assess their compliance with the administrative requirements over the program operations. Monitors also review the subrecipients' meal count documentation to verify it matches the reimbursement requests submitted for meals served.
3) Vendor Reviews, applicable to SFSP only. If the subrecipients obtain meals to serve to children from a food vendor, instead of self-preparing meals, monitors visit the food vendor's facilities to evaluate the vendor's compliance with applicable program rules.

In HighBond, monitors document the results of the reviews on the applicable electronic site guide, sponsor guide, and vendor guide. Once the monitors complete the applicable reviews, they discuss their monitoring results with program staff to determine how the noncompliance should be reported and addressed. This multi-level review also serves as management's quality assurance process to ensure monitoring activities are sufficient, documented, and support the final monitoring reports. During this multi-level review, program staff determine whether the identified noncompliance rises to the level of a serious deficiency or is reportable as a finding.

Upon completing the review, ASU releases the monitoring report, which includes details of the noncompliance; all corresponding disallowed meal costs, if any; and instructions for corrective action. The instructions specifically inform the subrecipient to submit a corrective action plan, outlining steps to address and prevent the noncompliance from occurring in the future, and how to submit payment for disallowed meal costs. Once the subrecipient submits the corrective action plan, DHS's food program staff assess the plan for adequacy and track the recovery of disallowed meal costs.

[37] The Audit Command Language (ACL) platform was renamed HighBond in 2019.

Serious Deficiency Process

As outlined in the federal regulations, DHS is required to identify and classify a subrecipient's more serious program violations as serious deficiencies. The serious deficiency process requires DHS to begin actions to terminate the sponsor from the program, including denying the subrecipient's future applications and program participation, unless the subrecipient takes appropriate corrective actions to address the serious deficiencies and repays all disallowed costs. Once a subrecipient is determined seriously deficient in the food program operations, DHS must perform monitoring reviews during the subsequent program year if the subrecipient is permitted to participate.

Current Testwork

For our CACFP testwork, from a population of 127 monitoring reports ASU issued between July 1, 2018, and June 30, 2019, we randomly selected a sample of 60 monitoring reports and reviewed the supporting monitoring files. For our SFSP testwork, we reviewed all 30 monitoring reports ASU issued during state fiscal year 2018 and the supporting monitoring files.

As noted in the prior audit, we reported that DHS's subrecipient monitoring was insufficient and that management did not ensure monitors performed and documented complete and accurate reviews of subrecipients. DHS management concurred in part with the prior finding. In its six-month follow-up report to the Comptroller, management stated that

> Additional training to staff was provided in May 2019 to address proper completion of the working papers, addressing issues such as:
>
> - signing off when the monitors complete the work and are ready for review;
> - documenting conclusions in the proper section within ACL;
> - uploading the documents obtained from the subrecipients in the specific section;
> - documenting the conclusion when documents were reviewed/observed and not required to be uploaded into ACL;
> - identify risks and follow up on potential fraud; and
> - technical assistance to subrecipients.
>
> Audit Services updated the monitoring guide for SFSP that was utilized during the summer of 2019 and the CACFP monitoring guide is currently being updated to reflect the new federal requirements and will be completed in time for the FFY [federal fiscal year] 2020 CACFP monitoring of the sponsoring organizations.

These efforts were implemented during or after state fiscal year 2019. The errors noted during our current testwork, which covers the period July 1, 2018, through June 30, 2019, occurred prior to management's corrective action; therefore, we do not know if management's corrective action is working. We will evaluate the corrective action during the next Single Audit. For the audit period ended June 30, 2019, we noted that DHS's subrecipient monitoring was insufficient and found continued issues related to monitors not performing and documenting complete and accurate reviews of subrecipients.

**<u>Condition A and Criteria:</u>** *Insufficient Subrecipient Monitoring*

Various program-specific guides in both CACFP and SFSP require DHS to implement an adequate monitoring system with sufficient monitoring steps, effective follow-up processes, and adequate review practices to obtain reasonable assurance about subrecipients' performance and accountability of program funds. In addition, according to Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 62,

> *Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> (a) Transactions are properly recorded and accounted for, in order to:
>
> (1) Permit the preparation of reliable financial statements and Federal reports;
>
> (2) Maintain accountability over assets; and
>
> (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
>
> (b) Transactions are executed in compliance with:
>
> (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
>
> (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
>
> (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

During the performance of our testwork, we noted several areas within the monitoring process that were not sufficient and that contributed to ongoing noncompliance.

<u>Inadequate/Flawed Multi-Level Review Process</u> – As described above, ASU and program staff consult with each other after monitoring reviews are completed to discuss the status of a subrecipient's compliance with federal requirements. Based on evidence and auditor judgment we found that the multi-level review (which also serves as the quality review process for monitoring activities, documentation, and reporting) was not sufficiently designed to achieve quality monitoring and subrecipient compliance. Instead, we found that the multi-level reviews failed to detect monitoring deficiencies. The majority of the noncompliance noted in Condition B below stems from monitors' inadequate and inconsistent monitoring activities and insufficient documentation.

Lack of Consistent Procedures and Guidance During Monitoring Reviews – We noted that DHS management has not developed sufficient procedures and guidelines to ensure that monitors perform consistent and uniform reviews. Based on our review of the monitoring files, we found instances where monitors may have misunderstood and inadequately assessed compliance requirements that they were responsible for verifying. DHS's monitoring review guides include approximately 350 questions to assess subrecipients' compliance, but they do not provide any explanation or refer to additional details of the underlying federal requirements. Considering the programs' complexity, unique characteristics, and pre-established deadlines to complete the reviews, the monitors do not have adequate information and resources to perform quality reviews. Instead, the monitors appeared to use the guides as a checklist without expanding monitoring activities to address questionable billing practices or other fraud and compliance risks. Additionally, we noted inconsistencies in the guides we reviewed.

Demanding and Deadline-Driven Workloads – With approximately 400 subrecipients sponsoring thousands of meal feeding sites statewide, it is difficult for the 22 ASU monitors to adequately perform reviews to obtain reasonable assurance of subrecipients' compliance and/or to follow up on irregularities. To accomplish the activities they do, monitors have pre-established deadlines to submit monitoring files for further review, regardless of what they may find during the monitoring reviews. To achieve the subrecipient monitoring requirements of both programs, management toggles the programs by only performing monitoring reviews of SFSP subrecipients during the summer months (May through August) and placing CACFP monitoring reviews on hold until SFSP monitoring reviews are complete. Additionally, we noted that 29 SFSP subrecipients participated in more than 1 month and 1 subrecipient only participated in 1 month; however, ASU's site visits and monitoring reviews focused on the same month for 23 of the 29 monitoring reviews. ASU did not perform site visits and did not review documentation for the remaining months of the SFSP program. Even though management has been able to keep positions for food program monitors, auditors, and investigators filled, we question whether the current number of positions is adequate given the continuing problems and risks associated with the food programs.

Inadequate Follow-up Procedures for Inconsistencies and Red Flags – DHS management has not yet developed effective enhanced monitoring processes to follow up on questionable subrecipient billing practices and fraud schemes, such as claiming the same number of meals for long periods or claiming more meals on days when monitors were not present compared to days when monitors observed the meal service. See Finding 2019-017 for additional details on fraud indicators in the food programs that DHS could have detected had it developed targeted follow-up and enhanced processes to address questionable subrecipient billing patterns.

Not Utilizing Serious Deficiency Process Effectively – The federal regulatory guidance on what constitutes a serious deficiency is not completely defined, and management has a certain degree of discretion to identify the subrecipient as seriously deficient in the food program administration. However, once DHS identifies a subrecipient as seriously deficient, DHS is required to provide stricter oversight and more frequent monitoring than it does for subrecipients that are not classified as seriously deficient. We found instances where the subrecipient's noncompliance met or could meet the regulatory definition of a serious deficiency; however, food program staff did not elevate the issue to the serious deficiency level, essentially allowing the subrecipient to continue participating without any increased scrutiny from monitors. In fact, based on the current monitoring process and schedule, monitors would not visit the subrecipients again until three years has passed.

**<u>Condition B and Criteria:</u>** *Noncompliance Noted During CACFP and SFSP Monitoring Reviews*

<u>CACFP Monitoring Reviews</u>

Based on our review of CACFP monitoring files, we noted that DHS either did not assess or did not adequately assess the subrecipient's compliance with operating the program in accordance with federal requirements. According to 7 CFR 226.6(m),

> (3) *Review content.* As part of its conduct of reviews, the State agency must assess each institution's compliance with the requirements of this part pertaining to:
>
> (i) Recordkeeping;
>
> (ii) Meal counts;
>
> (iii) Administrative costs;
>
> (iv) Any applicable instructions and handbooks issued by FNS [Food and Nutrition Service] and the Department to clarify or explain this part, and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part;
>
> (v) Facility licensing and approval;
>
> (vi) Compliance with the requirements for annual updating of enrollment forms;
>
> (vii) If an independent center, observation of a meal service;
>
> (viii) If a sponsoring organization, training and monitoring of facilities;
>
> (ix) If a sponsoring organization of day care homes, implementation of the serious deficiency and termination procedures for day care homes and, if such procedures have been delegated to sponsoring organizations in accordance with paragraph (l)(1) of this section, the administrative review procedures for day care homes;
>
> (x) If a sponsoring organization, implementation of the household contact system established by the State agency pursuant to paragraph (m)(5) of this section;
>
> (xi) If a sponsoring organization of day care homes, the requirements for classification of tier I and tier II day care homes; and
>
> (xii) All other Program requirements.
>
> (4) *Review of sponsored facilities.* As part of each required review of a sponsoring organization, the State agency must select a sample of facilities,

> in accordance with paragraph (m)(6) of this section. As part of such reviews, the State agency must conduct verification of Program applications in accordance with §226.23(h) and must compare enrollment and attendance records (except in those outside-school-hours care centers, at-risk afterschool care centers, and emergency shelters where enrollment records are not required) and the sponsoring organization's review results for that facility to meal counts submitted by those facilities for five days.

We noted the following during our review of the monitoring files.

<u>Meal Count Documentation</u> – We noted that for 7 of 60 monitoring files we reviewed (12%), ASU monitors did not compare the number of meals served to the attendance records, did not identify that subrecipients claimed more meals than the number of children in attendance, and did not note any issues when the subrecipients failed to maintain documentation to support the meal reimbursement claims.

<u>Administrative Costs</u> – We noted that for 3 of 5 monitoring files we reviewed for subrecipients classified as sponsoring organizations (60%), the ASU monitors did not perform the necessary reviews and did not calculate the amount of administrative costs billed to the program to ensure the subrecipients complied with the requirement that administrative costs do not exceed 15% of meal reimbursements.

<u>Facility Licensing</u> – We noted that for 16 of 60 monitoring files we reviewed (27%), ASU monitors either did not review the subrecipient's license, or the completed monitoring guide did not include a question to instruct the monitor to review the license or documentation of alternate approval to participate in the program.

<u>Eligibility Documentation</u> – We noted that for 12 of 55 monitoring files we reviewed (22%), ASU monitors did not always review the eligibility applications or enrollment forms and did not include findings in the monitoring report when the subrecipient did not maintain the eligibility documentation.

<u>Training and Monitoring</u> – We noted that for 20 of 20 monitoring files we reviewed for sponsoring organizations (100%), ASU monitors either did not perform procedures to assess the subrecipient's compliance with training personnel and monitoring of its feeding site's requirements because the monitor thought the question was not applicable; did not identify the subrecipient's noncompliance with the training and monitoring requirements; or did not include identified training and monitoring noncompliance in its monitoring report.

<u>Serious Deficiency Process</u> – We noted that for 3 of 3 monitoring working papers we reviewed (100%), DHS did not assess the sponsoring organizations of homes' compliance with implementation of the serious deficiency policy.

Household Contact System[38] – DHS had not developed a written household contact system policy to guide subrecipients in how to conduct household contacts during the monitoring of its sites. We noted that for 20 of 20 monitoring files reviewed where the subrecipient was required to have a household contact system in place (100%), the ASU monitor answered the monitoring guide questions "not applicable" and/or added comments that the household contact system was not needed, which is a clear violation of federal requirements.

Tiering Classification of Day Care Homes – We noted that for 2 of 3 monitoring working papers we reviewed (67%), DHS did not keep documentation to support its assessment of the sponsoring organizations' compliance with tiering classification for day care homes.

Five-Day Reconciliations – We noted that for 10 of 20 monitoring files we reviewed for sponsoring organizations (50%), ASU monitors did not perform the required 5-day reconciliations of meals and attendance; did not always reconcile the meals to attendance; performed 5-day reconciliations that did not reconcile to supporting documentation; or performed reconciliations that included less than 5 days.

*SFSP Monitoring Reviews*

Based on our review of SFSP monitoring files, we noted that DHS either did not assess or did not adequately assess the subrecipients' compliance with operating the program in accordance with federal requirements. According to the 2017 *Summer Food Service Program State Agency Monitor Guide*,

> The State agency must review sufficient records to determine whether the sponsor is in compliance with Program requirements as detailed in regulations. . . . These records include, but are not limited to:
>
> - Program agreement
> - Program application (and supporting documents)
> - Documents to support the sponsor's eligibility
> - Tax exempt status documentation to support nonprofit food status
> - Training documentation (provided to and attended by staff)
> - Sponsor site monitoring records (such as preoperational site visits, first week visits, and reviews conducted within the first four weeks)

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[38] According to 7 CFR 226.6(m)(5), "*Household contacts.* As part of their monitoring of institutions, State agencies must establish systems for making household contacts to verify the enrollment and attendance of participating children. Such systems must specify the circumstances under which household contacts will be made, as well as the procedures for conducting household contacts. In addition, State agencies must establish a system for sponsoring organizations to use in making household contacts as part of their review and oversight of participating facilities. Such systems must specify the circumstances under which household contacts will be made, as well as the procedures for conducting household contacts." DHS management implemented household contact procedures in September 2019.

- Accounting records, bank statements, check ledgers, and credit card statements
- Invoices and receipts
- Meal count records
- Menus and other food service records
- Meal delivery receipts
- Documentation of the nonprofit food service account
- Health and safety inspections
- FSMC [Food Service Management Companies] contracts, if applicable
- Documentation of corrective action taken to correct any Program violations.

According to 7 CFR 225.7(d)(6),

> As part of the review of any vended sponsor which contracts for the preparation of meals, the State agency shall inspect the food service management company's facilities.

Meal Count Records – For 19 of 30 monitoring files we reviewed (63%), we noted that although the ASU monitors performed procedures to assess the subrecipients' compliance with maintaining accurate and complete meal count records, the ASU monitors did not always identify all meal service violations. We noted that the ASU monitors did not identify and did not report in the monitoring report that subrecipients claimed meals outside of the subrecipients' approved dates of operation; that subrecipients served meals in excess of the site's approved serving limits; that subrecipients' documentation indicated that the subrecipient did not take point-of-service meal counts[39] during the meal observations; and subrecipients' site supervisors did not sign the meal count forms that were submitted to DHS for reimbursement.

Food Service Management Companies – We noted that for 2 of 5 subrecipients who contracted with vendors to provide meals (40%), the monitors did not perform vendor review guides of the vendors' facilities. Without these guides, we are unable to determine if monitors performed vendor reviews.

Additionally, while the ASU monitors indicated on the monitoring guides that they performed procedures to assess the subrecipients' compliance with program requirements, the monitoring files did not include documentation to support their assessment. Without the documentation, we could not be sure whether the ASU monitors reviewed or correctly assessed the subrecipients' compliance with program requirements. Specifically, we noted the monitoring files did not include documentation of the following:

[39] The 2016 *Administration Guide* for the Summer Food Service Program states, "Each site must take a point-of-service meal count every day." Subrecipients should note point of service on the meal count form by crossing off numbers as children receive meals.

- preoperational visit for 1 of 13 monitoring files of new subrecipients reviewed (8%);
- subrecipient's monitoring of its feeding sites for 1 of 30 monitoring files reviewed (3%);
- invoices and receipts used to assess the subrecipient's nonprofit food service program for 2 of 30 monitoring files reviewed (7%);
- accounting records, bank statements, check ledgers, or credit card statements used to assess the subrecipient's compliance with allowable costs for 18 of 30 monitoring files reviewed (60%); and
- meal delivery receipts for 1 of 5 monitoring files reviewed for vended subrecipients (20%).

**Condition C and Criteria:** *Risk Assessment*

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of noncompliance with monitoring reviews and a mitigating control. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7, of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Cause**

We believe DHS's inadequate review process, incomplete and inconsistent monitoring guides, current staffing level, lack of follow-up procedures on red flags, and ineffective use of the serious deficiency process could have contributed to the conditions noted in this finding. See Finding 2019-017 for further details on issues related to the subrecipient monitoring process.

**Effect**

When top management does not ensure monitoring activities are sufficiently performed, documented, and reported, there is an increased risk that ASU monitors will fail to properly identify subrecipient noncompliance; that ASU and program staff will fail to recover improper payments to subrecipients; and ultimately that subrecipients will be allowed to continue participating in the food programs even though they repeatedly violate federal requirements because of lack of training or intentional fraudulent actions.

Federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;
>
> (5) Requiring the non-Federal entity to obtain technical or management assistance; or
>
> (6) Establishing additional prior approvals.

Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**Recommendation**

The Commissioner of DHS should ensure that the Audit Services Director implements controls to ensure the subrecipient monitoring process consistently complies with federal regulations. These controls should ensure that Audit Services staff fully understand all federal requirements; complete all review guides for all required monitoring activities; and prepare accurate monitoring reports that include all findings or issues noted during the monitoring review.

The Commissioner should assess all significant risks, including the risks noted in this finding, in DHS's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented. The Commissioner should implement effective controls to ensure compliance with applicable requirements; assign employees to be responsible for ongoing monitoring of the risks and any mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We do not concur.

We do not concur that the department has inadequate internal control over the subrecipient monitoring of the Child and Adult Care Food Program and Summer Food Service Program for Children and did not perform monitoring reviews in accordance with program requirements.

The food programs management contracts with over 350 sponsoring organizations to feed children in over 3,800 feeding sites throughout the State of Tennessee. The department's monitoring procedures direct staff to review and obtain, as necessary, thousands of documents such as meal count sheets, enrollment information, sponsors' staff training and monitoring, and food cost receipts. Procedures also include, among other requirements, civil rights, nondiscrimination, appeal rights, and compliance with the USDA meal pattern requirements. We follow up with unannounced visits to feeding sites with red flags, provide technical assistance and training to feeding sites and sponsors' staff.

In accordance with State's law, we conduct our monitoring as unannounced visits to sponsoring organizations and feeding sites. In FFY 2018 (SFY 2019), we conducted unannounced monitoring of 30 of the 58 SFSP (52%) sponsoring organizations and over 360 feedings sites during the summer of 2018. We also conducted unannounced monitoring to 113 of the 310 CACFP (36%) sponsoring organizations and over 450 feedings sites. For some of those sponsoring organizations, the monitoring was a follow up due to red flags, irregular billing, or material noncompliance. We are far exceeding the federal requirements outlined in the 7 CFR and Central Procurement Office policy that requires 33.33% monitoring of contracts. The monitoring process and reporting are to be completed within 30 business days of the sponsoring organization's unannounced on-site visit. Our monitoring reports were issued within this timeframe.

The Single Audit must be conducted and concluded in accordance with the *Government Auditing Standards* and the requirements of the Office of Management and Budget that govern the Single Audit process. The errors noted in this finding are at best misleading with unsupported projection to the actual immaterial errors.

The department's monitoring working papers consist of thousands of procedures and documents that are uploaded into the audit software. The state auditors review consisted of less than 1% of those working papers and concluded if one procedure was not completed properly or a document was not retained, that our monitoring of that sponsoring organization was inadequate regardless of the proper overall conclusion and reporting.

The department's monitoring of the food programs was conducted in accordance with Title 7 of the *Code of Federal Regulations* Parts 225 & 226, *Office of Management and Budget*, the State's Central Procurement Office, *Policy 2013-007,* and the State Public Chapter 798. Our monitoring of the food programs was and continues to be in material compliance with applicable laws and regulations. We do not agree that the errors noted in this finding rise to the state auditors' assertion of "inadequate internal controls over subrecipient monitoring …."

The state auditors' assertion that the department's monitoring is an "*Inadequate/Flawed Multi-Level Review Process"* is incorrect and inflammatory. The state auditors are repeating this inflammatory information from the prior year's finding almost word for word without regard to federal standards. In fact, the United States Department of Agriculture, which regulates these dollars, has closed each of the Comptroller's previous findings (2014-2017) without issue and with no disallowed costs. The department remains at the will of the legislature should a decision be made to spend additional state dollars and monitor this program above the requirements of the federal law.

The Director of Audit Services thoroughly reviews the monitoring reports for accuracy and completeness to ensure that the findings are supported by appropriate evidence that would sustain an appeal before a hearing officer or judicial review. The department's monitoring reports are unbiased, and concluded based on fairness, without personal preference.

The department's Audit Services staff are experienced and knowledgeable of the food programs' requirements, and over 18 of them are Certified Fraud Examiners. Several staff within Audit Services have experience in Single Audit, Performance Audit, Internal Audit, Monitoring, and Investigation. The Director of Audit Services is in regular communication with USDA-FNS personnel and OIG investigators on matters affecting the food programs. The department's Audit Services under the Director's leadership experienced extensive improvement in auditing and monitoring of the programs that the department administers.

The department's monitoring reports are posted on the Department of Human Services website for public review. In accordance with the *State Public Chapter 798*, we provide the Legislature and the Comptroller's Office with a confidential quarterly report on the department's monitoring efforts. In addition, we provide the Comptroller's Office with the monitoring reports as they are released.

The department continues to improve the monitoring process by utilizing technology and providing staff with training and technical skills.

**Auditor's Comment**

We audit in accordance with *Government Auditing Standards* and Title 2, *Code of Federal Regulations*, Part 200—*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Our conclusions about management's compliance with subrecipient monitoring of the food programs were based on whether audit services' monitors performed the required monitoring procedures and whether they reached appropriate conclusions about the subrecipients' compliance with program requirements.

According to 2 CFR 200.303,

> The non-Federal entity [DHS] must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

*Federal Management Decision*

In accordance with 2 CFR 200.521 a federal grantor must follow up on findings of the non-federal entity and issue management decisions. The U.S. Department of Agriculture (USDA), the federal grantor, reviewed the department's USDA program findings resulting from Single Audits occurring prior to the 2019 Single Audit and issued a Notification of Closure letter which sustained our prior audit findings and accepted the department's correction action plan for Single Audits through 2017; in doing so, the USDA closed the file without issue. At the time of our report, the department is working with USDA to achieve audit resolution for the 2018 Single Audit findings and final action (management decision) is due in September 2020. The federal grantor's management decision (closure letter) of prior findings does not relate to the auditor's conclusions and findings from the current 2019 Single Audit of the department's programs. Based on our 2019 *Single Audit* of DHS, we found that management had not fully implemented corrective action which they communicated to the federal grantor following the 2018 Single Audit.

| | |
|---|---|
| **Finding Number** | 2019-019 |
| **CFDA Number** | 10.558 |
| **Program Name** | Child and Adult Care Food Program |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles<br>Subrecipient Monitoring |
| **Repeat Finding** | 2018-018 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $65,407 |

**For the fifth year, the Department of Human Services did not ensure that the Child and Adult Care Food Program subrecipients maintained accurate and complete supporting documentation for meal reimbursement claims and that subrecipients received reimbursements in accordance with federal guidelines, resulting in $65,407 of questioned costs**

**Background**

The Child and Adult Care Food Program (CACFP) is a year-round food program for eligible participants at child care centers, day care homes, afterschool care programs, emergency shelters, and adult day care centers. CACFP is funded by the U.S. Department of Agriculture and administered on the state level by the Department of Human Services (DHS). As a pass-through entity for the CACFP, DHS is responsible for ensuring that subrecipients are eligible to participate in the program and that the subrecipients comply with federal requirements. To receive payment for the meals they provide to eligible participants, subrecipients submit meal reimbursement claims to DHS through the Tennessee Information Payment System. DHS management is responsible for monitoring the subrecipients' activities to provide assurance that the subrecipients administer federal awards in compliance with federal requirements.

Because management does not review supporting documentation for meal reimbursement claims before issuing payments to the subrecipients, management must rely on its Audit Services Unit to ensure subrecipients comply with federal program requirements and spend grant funds accordingly. Audit Services is required to monitor at least 33.3% of all subrecipients each year. Generally, Audit Services reviews one meal reimbursement claim, representing one month of the program year, at each subrecipient. Audit Services staff perform regular monitoring visits at each subrecipient once every two or three years, depending on the type of institution. When staff find a serious deficiency during a monitoring visit, they increase the frequency of monitoring visits to once a year until the subrecipient has corrected the serious deficiency.

As noted in the four prior audits, we reported that CACFP staff had not ensured subrecipients maintained accurate supporting documentation for meal reimbursement claims and that CACFP staff had paid the subrecipients based on inaccurate claims for meal reimbursement. DHS management concurred in part with the most recent prior finding. In its six-month follow-up report to the Comptroller, management stated that for the subrecipients identified in the prior audit finding, DHS, in conjunction with U.S. Department of Agriculture's Food and Nutrition Service, would conduct monitoring visits and would pursue any disallowed costs identified during the monitoring visits. Based on our current work, however, we once again noted noncompliance for state fiscal year 2019.

Because monitoring is DHS's only control to ensure subrecipients' compliance with program requirements, we tested the department's monitoring process and identified subrecipient monitoring process deficiencies, which we have reported in detail in Finding 2019-017 regarding overall management oversight. In that finding, we note that the monitoring process is not sufficient to identify and properly respond to fraud indicators and to address the underlying causes of subrecipients' noncompliance. We also found other CACFP federal noncompliance as described below in this finding.

To determine whether DHS's CACFP subrecipients complied with program requirements for proper meal reimbursement, we selected a nonstatistical, random sample of 60 subrecipients. We tested 1 meal reimbursement claim for each of the 60 subrecipients, for a total sample of 60 subrecipients' claims. To select the claim month, we haphazardly selected 1 month during the state fiscal year ended June 30, 2019. To select the feeding site(s) to review for the claim, we haphazardly selected sites based on the following methodology. If the subrecipient had

- 1 to 25 feeding sites, we selected up to 3 sites;
- 26 to 50 feeding sites, we selected 5 sites; and
- 51 or more feeding sites, we selected 10 sites.

When deemed necessary, due to questionable meal reimbursement documentation, we expanded our testwork to additional months and/or sites. Based on our review of the subrecipients' claims, we determined that DHS reimbursed subrecipients for inaccurate claims.

**Condition A and Criteria:** *Meal Reimbursement Documentation Was Inaccurate*

Based on our testwork, we noted that for 27 of 60 claims reviewed (45%), the subrecipients did not maintain documentation to accurately support the number of meals requested on the meal reimbursement claim. We noted that for the 27 claims reviewed,

- 15 subrecipients did not maintain accurate meal count documentation;
- 6 subrecipients did not maintain accurate attendance documentation; and
- 6 subrecipients did not maintain both accurate meal count and attendance documentation.

The subrecipients submitted their claim for reimbursement for either more meals served than they had documentation to support or for fewer meals served than they had reported on supporting documentation. As such, DHS reimbursed subrecipients based on inaccurate meal reimbursement claims, leading to overpayments to the subrecipients totaling $9,420.

We expanded our review of four subrecipients and reviewed an additional five claim months. Based on our expanded testwork, we noted that all the subrecipients (100%) did not maintain accurate meal count and attendance documentation for the additional months reviewed, resulting in $10,665 in overpayments to the subrecipients based on inaccurate claims. See **Tables 1** and **2** for details of inaccurate documentation and questioned costs by subrecipient.

**Table 1**
**Results of Testwork for Inaccurate Meal Count Documentation (*Initial Sample*)**

| Subrecipient No. | Error(s) Noted | | | Questioned Costs* |
|---|---|---|---|---|
| | Overclaim | Underclaim | Daily Attendance (more meals claimed than attendance records support) | |
| 1 | ✓ | | | $13 |
| 2 | ✓ | | | $12 |
| 3 | | ✓ | | $0 |
| 4 | | | ✓ | $21 |
| 5 | ✓ | | ✓ | $23 |
| 6 | ✓ | ✓ | | $303 |
| 7 | ✓ | ✓ | | $281 |
| 8 | ✓ | | ✓ | $69 |
| 9 | ✓ | | | $1,197 |
| 10 | ✓ | ✓ | | $4 |
| 11 | ✓ | | | $4 |
| 12 | | ✓ | | $0 |
| 13 | | | ✓ | $5 |
| 14 | ✓ | ✓ | | $1,065 |
| 15 | | | ✓ | $2 |
| 16 | ✓ | ✓ | | $0 |
| 17 | ✓ | | ✓ | $8 |
| 18 | | | ✓ | $4 |
| 19 | ✓ | | | $246 |
| 20 | | | ✓ | $4 |
| 21 | | ✓ | | $0 |
| 22 | ✓ | | ✓ | $4,099 |
| 23 | | | ✓ | $18 |
| 24 | ✓ | | ✓ | $2,042 |
| 25 | ✓ | | | $1 |
| 26 | ✓ | ✓ | | $0 |
| 27 | ✓ | ✓ | ✓ | $0 |
| | | | **Total Questioned Costs** | **$9,421** |

*Subrecipients without questioned costs indicate that the review found that the subrecipient had underclaimed meals.

**Table 2**
**Results of Testwork for Inaccurate Meal Count Documentation (*Expanded Sample*)**

| Subrecipient No. | Errors Noted | | | Questioned Costs |
|---|---|---|---|---|
| | Overclaim | Underclaim | Daily Attendance (more meals claimed than attendance records support) | |
| 1 | ✓ | ✓ | ✓ | $2,648 |
| 2 | | | ✓ | $3,644 |
| 9 | ✓ | ✓ | ✓ | $755 |
| 14 | ✓ | ✓ | ✓ | $3,618 |
| | | | **Total Questioned Costs** | **$10,665** |

Risk Assessment

We reviewed DHS's 2018 Financial Integrity Act risk assessment and determined that management listed the risk of subrecipients submitting unsupported claims; however, DHS did not have an effective control to mitigate its risk.

According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 10(c),

> Claims for Reimbursement shall report information in accordance with the financial management system established by the State agency, and in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the final Report of the Child and Adult Care Food Program (FNS 44) required under §226.7(d). In submitting a Claim for Reimbursement, each institution shall certify that the claim is correct and that records are available to support that claim.

In addition, 7 CFR 226.15(e)(4) states,

> At a minimum, the following records shall be collected and maintained: . . .
>
> Daily records indicating the number of participants in attendance and the daily meal counts, by type (breakfast, lunch, supper, and snacks), served to family day care home participants, or the time of service meal counts, by type (breakfast, lunch, supper, and snacks), served to center participants.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**<u>Condition B and Criteria:</u>** *Meal Reimbursement Documentation Included Fraud Indicators*

Based on our initial and expanded testwork results, we determined that the department still has not developed effective enhanced monitoring activities to identify and follow up on fraud indicators. Based on our testwork, we noted that 3 of 60 subrecipients (5%) submitted meal reimbursement claims that included the following fraud indicators:

- the same number of meals served each operational day of the claim month (block claiming), in essence claiming that the exact same number of children were served each day, which is improbable; and
- claims that indicated all children eligible to be served had perfect attendance for multiple months, again which is improbable.

We questioned $45,321 for the subrecipients' claims that included the fraud indicators. See **Table 3**.

**Table 3**
**Results of Testwork for Fraud Indicators (*Original and Expanded Sample*)**

| Subrecipient No. | Questioned Cost* |
|---|---|
| 1 | $11,536 |
| 2 | $8,630 |
| 3 | $25,155 |
| **Total Questioned Cost** | **$45,321** |

*We questioned the remainder of the reimbursements made for these claims in Condition A of this finding.

According to 7 CFR 226.10(c),

> Claims for Reimbursement shall report information in accordance with the financial management system established by the State agency, and in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the final Report of the Child and Adult Care Food Program (FNS 44) required under §226.7(d). In submitting a Claim for Reimbursement, each institution shall certify that the claim is correct and that records are available to support that claim.

According to 2 CFR 200.404,

> A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

> (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
>
> (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
>
> (c) Market prices for comparable goods or services for the geographic area.
>
> (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
>
> (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

**Cause**

Based on our discussion with management, DHS does not require the subrecipients to provide supporting documentation for each meal reimbursement claim before payment. DHS instead relies on Audit Services to review supporting documentation for meal reimbursement claims during monitoring visits. Audit Services routinely reviews only a very small sample of claims during a monitoring visit, which does not provide management with an effective preventative or detective control. DHS did not provide any additional information as to how they plan to address the subrecipients' inaccurate claim reporting.

According to 7 CFR 226.6(a)(5), as part of its pass-through responsibilities, DHS agrees to ensure that participating subrecipients effectively operate the program. Also, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," 2 CFR 200.62, states,

> *Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> a. Transactions are properly recorded and accounted for, in order to:
>
> (1) Permit the preparation of reliable financial statements and Federal reports;
>
> (2) Maintain accountability over assets; and
>
> (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

b. Transactions are executed in compliance with:

   (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and

   (2) Any other federal statutes and regulations that are identified in the Compliance Supplement; and

c. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

**Effect**

Federal regulations address actions that federal agencies may impose in cases of noncompliance by a non-federal entity, in this case DHS. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207(b), "Specific conditions,"

(1) Requiring payments as reimbursements rather than advance payments;

(2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;

(3) Requiring additional, more detailed financial reports;

(4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

**<u>Questioned Costs</u>**

Our testwork included a review of a nonstatistical random sample of 60 subrecipient meal reimbursement claims which resulted in $9,420 of known questioned costs, expanded testwork on 4 subrecipients which resulted in $10,665 of known questioned costs, and our expanded work for fraud indicators for 3 subrecipients which resulted in $45,321 of known questioned cost. We selected the nonstatistical, random sample of 60 meal reimbursement claims, totaling $939,840, from a population of 7,592 claims and adjustments, totaling $66,809,536, for the period July 1, 2018, through June 30, 2019 (the state's fiscal year). For major programs, 2 CFR 200.516(a) requires auditors to report known and likely questioned costs greater than $25,000 for a type of compliance requirement. According to 2 CFR 200.84,

> *Questioned cost* means a cost that is questioned by the auditor because of an audit finding:
>
> (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
>
> (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
>
> (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

**<u>Recommendation</u>**

DHS should accept full responsibility as the pass-through entity, as described in the federal regulations, and mandate accurate claims for reimbursement. If subrecipients continue to not maintain adequate meal reimbursement documentation, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.207 and 200.338. We recommend that DHS take action on findings that we present and enforce the federal guidelines and for subrecipients with enhanced fraud risks, should request sufficient documentation to support claims for reimbursement before approving reimbursements to the subrecipients. Additional steps like this may be necessary to ensure that subrecipients are only paid for actual meals served to children rather than allowing the subrecipients to continue intentionally or unintentionally overbilling the state for federal reimbursement. Only relying on subrecipient monitoring to review a small portion of the total amount of claims is not enough to prevent or detect inaccurate claims for reimbursement or fraud from occurring in the CACFP. For more recommendations concerning the issues discussed in this finding, see Finding 2019-017 on overall management oversight.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

Monitoring is not the department's only control over subrecipient compliance with program requirements. The department utilizes claim reviews prior to payment, onsite technical assistance and training visits, desk reviews, system controls and edit checks as additional controls over subrecipient compliance.

We believe our costs to administer and monitor the Food Programs are reasonable and prudent and our efforts are in material compliance with federal requirements. In fact, the United States Department of Agriculture, which regulates these dollars, has closed each of the Comptroller's previous findings (2014-2017) without issue and with no disallowed costs. The department remains at the will of the legislature should a decision be made to spend additional state dollars and monitor this program above the requirements of the federal law.

**Condition A:** *Meal Reimbursement Documentation Was Inaccurate*

We concur in part.

Ten of the subrecipients identified as having inaccurate documentation underclaimed meals. We do not concur that unclaimed meals should be identified as errors. There is no federal requirement that subrecipients must claim all meals served. Including underclaimed meals as part of a notice of noncompliance misrepresents the scope and scale of the issue and is contrary to federal requirements. Additionally, the state auditors identified underclaims as error, but did not take the underclaim in consideration when calculating questioned costs. This approach maximizes the questioned cost and the number of identified sponsors with errors instead of accurately representing the amount of money that would be recoverable by the department. 20 of the 27 subrecipients with identified questioned costs were below the department threshold and would not be pursued for recovery.

The department continues to evaluate findings identified in this report and in our own internal monitoring and has created training sessions to mitigate the identified programmatic weaknesses. All CACFP trainings are developed and conducted in conjunction with USDA FNS.

**Condition B:** *Meal Reimbursement Documentation Included Fraud Indicators*

We concur in part.

The state auditors reviewed documentation for the months of December 2018 and February 2019 for Subrecipient Number 1, and the department monitored Subrecipient Number 1 for the month of January 2019. As a result of the department's monitoring Subrecipient Number 1 was declared Seriously Deficient, was required to submit corrective action, returned the identified overpayment and completed additional training. It is notable that the state auditors reviewed the month prior to and after the month of review completed by the department. Similar issues were identified and corrected by the sponsor; however, the department's monitoring was not considered in this report since the state auditors reviewed different months.

We do not concur that block claiming and perfect attendance are sufficient to question costs. USDA FNS has provided guidance to the department that block claims and perfect attendance are potential issues to be followed up on with monitoring and verification. DHS will follow up on the information provided and will work to recover any supported disallowed meal costs contingent on the receipt of necessary documentation from state auditors in support of their conclusions.

**Auditor's Comment**

*Condition A*

Title 7, C*ode of Federal Regulations* (CFR), Part 226.10(c) states that in submitting a claim for reimbursement, each subrecipient shall certify that the claim is correct and that records are available to support that claim. Therefore, inaccurate claim reporting of meals served—both underclaimed and overclaimed—violate program requirements. Additionally, DHS management seems to suggest that auditors should not take issue with sponsors that underclaim meals; however, Audit Services' monitors included underclaimed meals as errors in their monitoring reports.

*Condition B*

As we have noted in the finding, and as defined in 2 CFR 200.084, we are required to question costs that appear unreasonable. It is illogical and thus unreasonable for a subrecipient to submit an identical claim (block claim) or a claim suggesting perfect attendance for three consecutive months.

*Federal Management Decision*

In accordance with 2 CFR 200.521 a federal grantor must follow up on findings of the non-federal entity and issue management decisions. The U.S. Department of Agriculture (USDA), the federal grantor, reviewed the department's USDA program findings resulting from Single Audits occurring prior to the 2019 Single Audit and issued a Notification of Closure letter which sustained our prior audit findings and accepted the department's correction action plan for Single Audits through 2017; in doing so, the USDA closed the file without issue. At the time of our report, the department is working with USDA to achieve audit resolution for the 2018 Single Audit findings and final action (management decision) is due in September 2020. The federal grantor's management decision (closure letter) of prior findings does not relate to the auditor's conclusions and findings from the current 2019 Single Audit of the department's programs. Based on our 2019 *Single Audit* of DHS, we found that management had not fully implemented corrective action which they communicated to the federal grantor following the 2018 Single Audit.

| | |
|---|---|
| **Finding Number** | 2019-020 |
| **CFDA Number** | 10.558 |
| **Program Name** | Child and Adult Care Food Program |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility<br>Subrecipient Monitoring |
| **Repeat Finding** | 2018-019 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $6,584 |

**For the seventh year, the Department of Human Services did not ensure that Child and Adult Care Food Program subrecipients claimed meals only for eligible participants; did not accurately determine participant eligibility; and did not maintain complete and accurate eligibility documentation as required by federal regulations, resulting in $6,584 in federal questioned costs**

**Background**

The Child and Adult Care Food Program (CACFP), a year-round program, is federally funded by the U.S. Department of Agriculture (USDA) and administered on the state level by the Department of Human Services (DHS). As a pass-through entity for CACFP, DHS is responsible for ensuring that subrecipients are eligible and comply with federal requirements. Because management does not review supporting documentation for meal reimbursement claims before issuing payments to the subrecipients, management must rely on its Audit Services section to ensure subrecipients comply with federal program requirements and spend grant funds accordingly. To ensure subrecipients' compliance, Audit Services staff perform monitoring visits at a subrecipient or feeding site. Monitors follow a DHS-provided review guide, which is a checklist that covers all federal requirements for the program, including ensuring subrecipients maintain participants' eligibility applications when required and properly determine participants' eligibility.

A subrecipient is referred to as an institution; however, if the subrecipient is administratively responsible for two or more feeding sites, it is classified as a sponsoring organization. Sponsoring organizations can sponsor either homes (residential) or centers (non-residential). Feeding sites are actual locations where the institutions or sponsoring organizations (subrecipients) serve meals to participants in a supervised setting. Although these subrecipients receive federal cash reimbursement for all meals served, they receive higher levels of reimbursement for meals served to participants who meet the income eligibility criteria published by the USDA's Food and Nutrition Service for meals served free or at a reduced price.

Subrecipients must determine the enrolled participant's eligibility for free and reduced-price meals in order to claim reimbursement for the meals served to that individual at the correct rate. Subrecipients may establish a participant's eligibility using either a household application or proof of participation in another federal program, such as the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, or Food Distribution Program on Indian Reservations. Additional federal requirements apply to sponsoring organizations that sponsor child care centers or institutions that operate as independent child care centers; as such, these subrecipients must complete an eligibility addendum to document when and what meals a participant will eat while at the feeding site.

As noted in the six prior audits, DHS did not ensure that subrecipients determined and properly documented individual eligibility for participants. DHS management did concur in part with the prior finding. They stated,

> The Department adopted the use of [the CACFP Meal Benefit Income Eligibility (Child Care) Form prototype document], notified subrecipients, and made it available for immediate use on June 21, 2018. . . .
>
> Child and Adult Care Food Program (CACFP) sponsors are trained by the Department at least annually through in-person and online means. Further, the Program Specialists began conducting on-site, in-person technical assistance visits to subrecipients starting in January 2019. In addition, beginning June 2019, Family Day Care Home subrecipients, independent centers, and sponsors will have the opportunity to attend one of many regional training sessions to be offered each month that will include income eligibility applications, recordkeeping requirements, and other program requirements. . . .
>
> The Audit Services monitoring findings recalculate and report the disallowed meal costs by reclassifying the individuals to free, reduced-price, or paid as necessary. The errors and disallowed meal costs are resolved through the corrective action and Serious Deficiency process, which includes the sponsors' full Due Process rights through appeal as required by Federal law.

During our current testwork, we concluded that these training and monitoring efforts were insufficient to correct the continuing issues related to subrecipients not maintaining complete and accurate eligibility documentation.

**<u>Condition and Criteria</u>**

From a population of 319 CACFP subrecipients, we selected a nonstatistical, random sample of 60 subrecipients. For each subrecipient selected, we haphazardly selected a total of 663 unique participants to review. We tested the eligibility applications to ensure the subrecipients correctly determined participants' eligibility and claimed the correct amount for meals served to participants as defined by federal regulations. We noted the following problems.

**Condition A:** *Age Requirement Errors*

For the 663 participants selected, the 60 subrecipients were required to keep documentation of 638 participants' ages. We noted errors for 6 of the 60 subrecipients (10%), including errors for 79 of the 638 participants (12%) who required documentation of age. Specifically, 3 subrecipients did not maintain any documentation of participants' ages for 55 participants, and 3 subrecipients did not document ages on the maintained documentation for 24 participants.

The subrecipients claimed the participants were children; however, the eligibility applications were missing the participants' birth date and/or age, and none of the subrecipients provided any other supporting documentation of the children's ages when we requested the data. Therefore, we could not determine if the participants met the program's definition of a child.

Title 7, *Code of Federal Regulations* (CFR), Section 226, Part 2, defines a child participant for the CACFP program as

(a) Persons age 12 and under;

(b) Persons age 15 and under who are children of migrant workers;

(c) *Persons with disabilities* as defined in this section; [emphasis in original]

(d) For emergency shelters, persons age 18 and under; and

(e) For at-risk afterschool care centers, persons age 18 and under at the start of the school year.

Since the subrecipients did not maintain documentation of the participants' age, we reclassified the participants' eligibility category as "paid" and questioned the difference in the reimbursement rates. See **Table 1** for a summary of questioned costs.

**Condition B:** *Subrecipients Did Not Maintain Eligibility Applications or Did Not Maintain Complete Applications*

For the 663 participants we selected, the 60 subrecipients were required to keep eligibility documentation for 633 participants. We noted errors for 23 of the 60 subrecipients (38%), including errors for 102 of the 633 participants (16%) who required eligibility documentation. We noted that 1 subrecipient did not maintain any eligibility applications for all 52 program participants; 1 subrecipient did not maintain eligibility applications for 5 participants; and 21 subrecipients did not maintain complete applications for 40 participants and did not maintain eligibility applications for 5 participants. Either the applications were not updated annually, or they were missing one or more of the following required components:

- all household members,
- income information,
- the last four digits of the participant's Social Security number, or
- the signature of the participant's guardian.

According to 7 *CFR* 226.2 under the definition of documentation,

> The completion of the following information on a free and reduced-price application: (1) Names of all household members. . .

7 CFR 226.10(d) states,

> All records to support the claim shall be retained for a period of three years after the date of submission of the final claim for the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the end of the three-year period as long as may be required for the resolution of the issues raised by the audit. All accounts and records pertaining to the Program shall be made available, upon request, to representatives of the State agency, of the Department, and of the U.S. Government Accountability Office for audit or review, at a reasonable time and place.

In addition, 7 CFR 226.15(e)(2) states,

> Documentation of the enrollment of each participant at centers (except for outside-school-hours care centers, emergency shelters, and at-risk afterschool care centers). All types of centers, except for emergency shelters and at-risk afterschool care centers, must maintain information used to determine eligibility for free or reduced-price meals in accordance with §226.23(e)(1). For childcare centers, such documentation of enrollment must be updated annually, signed by a parent or legal guardian, and include information on each child's normal days and hours of care and the meals normally received while in care.

Since the subrecipients did not maintain applications that supported free and reduced-price meal reimbursement, we reclassified the participants' eligibility category as "paid" and questioned the difference in the reimbursement rates. See **Table 1** for a summary of questioned costs.

**<u>Condition C:</u>** *Subrecipients Did Not Maintain Documentation of Meals, Hours, and Days*

For the 663 participants we selected, the 60 subrecipients were required to keep enrollment documentation for 633 participants. We noted errors for 18 of the 60 subrecipients (30%), including errors for 121 of the 633 participants (19%) who required enrollment documentation. We noted that 1 subrecipient did not maintain any enrollment documentation for all 52 program participants; 7 subrecipients did not always maintain documentation of meal, hours, and days for 42 participants; and 10 subrecipients did not always maintain documentation of each child's normal meals and normal days and hours of care for 11 participants, and the documentation they did maintain was not complete and/or updated annually for 16 participants.

As stated above in 7 CFR 226.15(e)(2), subrecipients should maintain and annually update enrollment documentation regarding the participants' days and hours of care and meals received while in care. We did not question costs for the documentation errors noted above because the errors we noted did not negate the participants' eligibility for the program.

**<u>Condition D:</u>** *Subrecipients Incorrectly Determined the Category of Meal Status for Their Participants*

For the 663 participants we selected, the 60 subrecipients were required to document the category of meal status for 643 participants. We noted errors for 15 of the 60 subrecipients (25%). We noted that the subrecipients did not keep information needed to classify the eligibility meal status (free, reduced-price, or paid) or incorrectly determined the eligibility meal status for 69 participants.

We also found the following:

- Information needed to classify the child for free or reduced-price eligibility was missing for 54 participants (8%).
- Based on the information provided for the remaining participants, subrecipients incorrectly determined the eligibility meal status for 15 participants (2%).

7 CFR 226.23(e)(4) states,

> The institution shall take the income information provided by the household on the application and calculate the household's total current income. When a completed application furnished by a family indicates that the family meets the eligibility criteria for free or reduced-price meals, the participants from that family shall be determined eligible for free or reduced-price meals. . . . When information furnished by the family is not complete or does not meet the eligibility criteria for free or reduced-price meals, institution officials must consider the participants from that family as not eligible for free or reduced-price meals, and must consider the participants as eligible for "paid" meals.

For the errors noted, we reclassified the participants' eligibility to the correct category and questioned the difference in the reimbursement rates. See **Table 1** for a summary of questioned costs.

**<u>Condition E:</u>** *Risk Assessment*

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of subrecipients incorrectly determining eligibility requirements or maintain the documentation to support eligibility and a mitigating control.

## <u>Cause</u>

During our discussions, DHS management did not provide a specific cause for the issues. Based on the number and type of errors we found in our testwork, as well as management's partial concurrence with the prior-year findings, either DHS's training of subrecipients on properly completing and maintaining individual eligibility documentation is ineffective or the subrecipients are unwilling to comply with program regulations.

According to 7 CFR 226.6(a)(5), as part of its pass-through entity responsibilities, DHS agrees to ensure participating subrecipients effectively operate the program. Also, 2 CFR 200.62, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," states,

> Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> a. Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
>
> b. Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other federal statutes and regulations that are identified in the Compliance Supplement; and
>
> c. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

**Effect**

Because the Director of CACFP and the Summer Food Service Program (SFSP) did not ensure subrecipients correctly determined the meal status of participants and maintained proper documentation to support eligibility determinations, DHS improperly reimbursed subrecipients for participants whose eligibility was unsupported. Until the current management implements sufficient controls and ensures corrective action at all levels, DHS will continue to have an increased risk of improperly reimbursing subrecipients in the program.

Federal regulations address actions that federal agencies and non-federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;
>
> (5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**Questioned Costs**

We questioned costs totaling $6,584 for the conditions noted above. Meal reimbursement claims are calculated using a combination of reimbursement rates established by the USDA and a percentage of participants classified in the free, reduced-priced, or paid categories. Because the errors noted above required us to reclassify participants into the paid category, we determined the questioned costs for each subrecipient after considering all errors we noted. See a summary of the known questioned costs in **Table 1**.

**Table 1**
**Summary of Questioned Costs**

| Subrecipient | Questioned Costs* |
|---|---|
| Subrecipient 1 | $802 |
| Subrecipient 2 | $100 |
| Subrecipient 3 | $671 |
| Subrecipient 4 | $100 |
| Subrecipient 5 | $80 |
| Subrecipient 6 | $71 |
| Subrecipient 7 | $36 |
| Subrecipient 8 | $0 |
| Subrecipient 9 | $142 |

| Subrecipient | Questioned Costs* |
|---|---|
| Subrecipient 10 | $80 |
| Subrecipient 11 | $788 |
| Subrecipient 12 | $0 |
| Subrecipient 13 | $97 |
| Subrecipient 14 | $99 |
| Subrecipient 15 | $181 |
| Subrecipient 16 | $225 |
| Subrecipient 17 | $284 |
| Subrecipient 18 | $72 |
| Subrecipient 19 | $109 |
| Subrecipient 20 | $105 |
| Subrecipient 21 | $61 |
| Subrecipient 22 | $31 |
| Subrecipient 23 | $85 |
| Subrecipient 24 | $87 |
| Subrecipient 25 | $51 |
| Subrecipient 26 | $24 |
| Subrecipient 27 | $175 |
| Subrecipient 28 | $497 |
| Subrecipient 29 | $43 |
| Subrecipient 30 | $47 |
| Subrecipient 31 | $433 |
| Subrecipient 32 | $147 |
| Subrecipient 33 | $861 |
| **Total** | **$6,584** |

*Subrecipients with no questioned costs indicates that the subrecipients were underpaid based on the participants' reclassification.

Our testwork included a review of a nonstatistical, random sample of 60 subrecipient meal reimbursement claims, which resulted in $6,584 of known questioned costs. We selected the nonstatistical, random sample of 60 meal reimbursement claims, totaling $693,958, from a population of 7,592 claims and adjustments, totaling $66,809,536, for the period July 1, 2018, through June 30, 2019 (the state's fiscal year). 2 CFR 200.516(a)(3) requires us to report known and likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. According to 2 CFR 200.84,

> *Questioned cost* means a cost that is questioned by the auditor because of an audit finding:
>
> (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
>
> (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

**Recommendation**

The Commissioner and the Director of CACFP and SFSP should ensure all subrecipients are properly trained to perform required eligibility determinations and maintain proper documentation to support eligibility determinations. In addition, management should ensure sufficient controls are in place and corrective action is taken at all levels.

If subrecipients continue to not maintain supporting documentation or correctly determine participant eligibility, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.207 and 200.338.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We believe our costs to administer and monitor the Food Programs are reasonable and prudent and our efforts are in material compliance with federal requirements. In fact, the United States Department of Agriculture, which regulates these dollars, has closed each of the Comptroller's previous findings without issue and with no disallowed costs.

The state auditors identified $6,584 of questioned costs represents a less than 1% error rate for the reimbursement claims sampled. Additionally, 19 of the 33 sample subrecipient questioned costs were below the state's threshold for recoupment. The department continues to evaluate findings identified in this report and in our own internal monitoring and has created training sessions to mitigate programmatic weaknesses including training subrecipients on participant eligibility and documentation. All CACFP trainings are developed and conducted in conjunction with USDA -FNS.

**Condition A:** *Age Requirement Errors*

We do not concur.

The state auditors reviewed "eligibility applications to ensure that the subrecipients correctly determined participant's eligibility and claimed the correct amount for meals served to participants as defined by federal regulations." There is no federal requirement that the child's age be included on the eligibility application. The updated *CACFP Meal Benefit Income Eligibility (Child Care)* form provided by USDA for Child Care programs to use for CACFP does not include a location for the child's age to be recorded. The eligibility applications were not incomplete because they were missing the participants' birth date and/or age; the applications do not require age information under federal law.

The state auditors indicated that they could not determine if the participants met the program's definition of a child. The ages and birthdates of individuals attending childcare are maintained in multiple locations, including, but not limited to, the classroom rosters which are separated by age group; the meal counts, which are separated by age group; Head Start enrollment information; the individual information maintained on each child by the child care institution; and State licensing documentation.

**<u>Condition B:</u>** *Subrecipients Did Not Maintain Eligibility Applications or Did Not Maintain Complete Applications*

We concur in part.

The state auditors found error with eligibility applications due to all household member names not being listed. We concur that this is an error on the *CACFP Meal Benefit Income Eligibility (Child Care)* form provided by USDA for Child Care programs to use for CACFP. We do not concur that this is a State error. The USDA provided form does not require that all household member names be listed. The USDA form requires that all children in the day care and all adult household members be named on the form. This number can differ from the total number of household members if there are additional children in the home that do not attend the child care.

We agree that income eligibility applications are complicated and that errors with income information, partial Social Security numbers and guardian signatures are frequent findings identified in our monitoring process. USDA continues to evaluate the income eligibility application templates used for CACFP and DHS is continuing to provide training and technical assistance specific to this area. The *Eligibility Manual for School Meals Determining and Verifying Eligibility*, issued by USDA on July 18, 2017 states that, "when no income is provided for any of the adult household members, the application is still considered complete." Income information and the last four digits of the participant's Social Security number are not required for individuals who are eligible based on participation in Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Food Distribution Program on Indian Reservation (FDPIR). Children are determined Other Source Categorically Eligible if they are homeless, migrant, runaway, foster child or enrolled in Head Start and guardians are not required to report any additional information on these children.

The identified sponsor that did not provide eligibility applications for all 52 program participants has not participated in CACFP since July 2018. This represents over half of the identified errors.

**<u>Condition C:</u>** *Subrecipients Did Not Maintain Documentation of Meals, Hours, and Days*

We do not concur.

The state auditors indicated documentation of the enrollment of each participant at centers that such documentation of enrollment must be updated annually and include information on each child's normal days and hours of care and the meals normally received while in care. A USDA Memo released on March 11, 2005, *CACFP Policy #02-05: Collection of Required Enrollment Information by Child Care Centers and Day Care Homes*, states, "State licensing agencies in a number of States require parents to sign their children in and out of child care facilities each day. This satisfies the requirement to collect the normal days and hours in care on each child's enrollment form provided that: the sign-in sheet captures the time the children arrive at and depart from the child care facility; and each day, the sign-in and sign-out times are signed or initialed by a parent or guardian."

Further, as indicated in USDA Memo CACFP 15-2013, "The Food and Nutrition Service (FNS) discourages state agencies from requiring a specific form to document enrollment for the purposes of CACFP. Instead, we encourage State agencies to accept other types of forms that centers and homes may already use in order to capture the required information." Therefore, CACFP specific documentation of enrollment of each participant at centers and day care homes is not a Federal requirement and state audit seems to be requiring more stringent reporting than is necessary and compliant with federal law.

The identified sponsor that did not provide eligibility applications for all 52 program participants has not participated in CACFP since July 2018.

**Condition D:** *Subrecipients Incorrectly Determined the Category of Meal Status for Their Participants*

We concur.

We agree that income eligibility applications are complicated and that errors with determining the category of meal status for their participants is a frequent finding identified in our monitoring process. USDA continues to evaluate the income eligibility application templates used for CACFP and DHS is continuing to provide training and technical assistance specific to this area. The *Eligibility Manual for School Meals Determining and Verifying Eligibility*, issued by USDA on July 18, 2017 states that, "when no income is provided for any of the adult household members, the application is still considered complete." Income information and the last four digits of the participant's Social Security number are not required for individuals who are eligible based on participation in Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Food Distribution Program on Indian Reservation (FDPIR). Children are determined Other Source Categorically Eligible if they are homeless, migrant, runaway, foster child or enrolled in Head Start and guardians are not required to report any additional information on these children. Income eligibility is updated annually by USDA and distributed to CACFP sponsors.

The sponsor that did not provide eligibility applications for all 52 program participants has not participated in CACFP since July 2018. This represents 96% of the identified errors.

**Condition E:** *Risk Assessment*

The department conducts the state-required annual *Financial Integrity Act Risk Assessment* within the state adopted Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework including the optional toolkit forms provided by the Department of Finance and Administration.

The forms are a management tool used to document significant organizational risks and key internal controls to mitigate risks within management's risk tolerance. Management determines the effectiveness of its own controls and its risk tolerance. If risks are not sufficiently mitigated, management can implement a plan of action to modify or create new internal controls. In cases where the inherent risk cannot be sufficiently mitigated by the department's internal controls alone, for example, regulatory restraints or dependency on other organizations, management can only accept or avoid the risk.

**<u>Auditor's Comment</u>**

*Conditions A, B, and C*

The basis of this finding is that neither the department nor the sponsors provided us with required eligibility documentation at the time of our audit fieldwork or subsequently. We reviewed and accepted any form of documentation provided to us that was sufficient evidence to conclude that the department or the sponsor met eligibility requirements. We can only presume that the department did not provide us all documentation we requested because they could not locate it either.

We discussed the issues in this finding with the Director of CACFP and SFSP on December 17, 2019. From the date of that conversation, the department's management and staff had until February 21, 2020, to provide us with any outstanding documentation to resolve these conditions; however, they did not provide any form of documentation for enrollment, including proof that the participant was a child (such as age or birth date); normal days, hours of care; household members; and the meals normally received while in care.

In addition, the sponsor that did not provide any eligibility documentation participated in CACFP during the audit period and their lack of documentation resulted in questioned costs.

As noted above, we identified individual eligibility noncompliance for 33 of the 60 subrecipients we sampled (55%). Given that the sample resulted in known federal questioned costs and likely questioned costs that exceed $25,000, we are required to report these issues as a finding.

| | |
|---|---|
| **Finding Number** | 2019-021 |
| **CFDA Number** | 10.559 |
| **Program Name** | Child Nutrition Cluster |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 175TN331N1099, 185TN331N1099, and 195TN331N1099 |
| **Federal Award Year** | 2017 through 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Repeat Finding** | 2018-021 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $304,730 |

**As noted in the prior five audits, the Department of Human Services did not ensure that Summer Food Service Program for Children sponsors maintained complete and accurate supporting documentation for meal reimbursement claims and/or that sponsors claimed meals and received reimbursements in accordance with federal guidelines, resulting in $304,730 of questioned costs**

**Background**

The Summer Food Service Program for Children (SFSP) is funded by the U.S. Department of Agriculture and administered on the state level by the Tennessee Department of Human Services (DHS). As a pass-through entity for SFSP funds, DHS is responsible for providing sufficient qualified consultative, technical, and managerial personnel to administer the program and monitor performance to ensure that subrecipients, known as sponsors, comply with program rules and regulations.

SFSP operates during the summer months. Because the state operates on a July 1 through June 30 fiscal year, our audit of SFSP crossed two state fiscal years. Our audit scope was July 1, 2018, through June 30, 2019, and our SFSP review included the following periods:

- summer 2018 (May through August 2018, with the months of July through August falling within our audit scope); and
- summer 2019 (May through August 2019, with the months of May and June falling within our audit scope).

DHS uses the Tennessee Information Payment System (TIPS) to document approvals of meal services at individual sites and to process reimbursement payments to sponsors for meals served to children. DHS does not require sponsors to submit supporting documentation when filing claims; however, federal regulations require sponsors to maintain all documentation to support their claims and to comply with federal guidelines during the meal reimbursement process. In addition, as the non-federal entity, DHS must implement internal controls over compliance requirements for federal awards designed to provide reasonable assurance that its subrecipients achieve compliance with the federal grantor's regulations.

As part of DHS's internal control process, DHS management established a sponsor application process to provide oversight and accountability for sponsors' operations. During the application process and before sponsors can begin in the program, DHS staff approves various information pertaining to the sponsors' meal services before the sponsors can serve meals and claim reimbursement through the reimbursement request process. The information that DHS approves includes, but is not limited to,

- the physical locations of where actual meal services take place—sponsors are expected to serve SFSP meals at these locations during approved dates;
- the maximum number of meals sponsors can serve during individual meal services, known as the capacity;
- the meal types the sponsors serve; and
- the approved dates of operation, when site personnel serve meals to children.

Sponsors can request to change previously approved information on the application to accommodate summer program operations. Once DHS has approved the changes, sponsors must abide by the newly approved information in order to claim meals for reimbursement.

Sponsors use meal count forms to document the number of meals served to children during each meal service. Sponsors use these forms to calculate reimbursement requests.

DHS provides federal reimbursements to sponsors for eligible meals served to individuals who meet age and income requirements based on a combined rate, which covers meals and administrative components. The meal component of the combined reimbursement rate is applicable to all sponsors and their sites. The administrative component of the combined rate depends on whether sponsors self-prepare their own meals or obtain meals from a food vendor. If the sponsor obtains meals from a food vendor, then the geographical location of the feeding site, which can be either urban or rural, determines the administrative component of the combined reimbursement rate.

Based on our understanding of the federal regulations, the federal grantor expects sponsors to administer the program with high integrity and to accurately claim only reimbursable meals served to children and in compliance with program guidance. The federal grantor also expects DHS to monitor the sponsors to obtain reasonable assurance that sponsors comply with federal and state regulations, and to follow up on program violations and inconsistencies.

DHS approved 58 sponsors for the 2018 Summer Food Service Program. Based on the results of our 2018 Single Audit, because we have already questioned meal reimbursement claims for 3 of the sponsors in the 2018 Single Audit, we did not include these 3 sponsors in our population for our current testwork. We haphazardly selected for testwork 1 meal reimbursement claim for each of the remaining 55 sponsors and 1 additional meal reimbursement claim for the 5 largest sponsors. We also selected a nonstatistical, haphazard sample of 60 meal reimbursement claims, totaling $4,664,822, from the population of 109 SFSP sponsors' meal reimbursement claims paid during state fiscal year 2019, totaling $9,247,016.

Based on our review of the sponsors' claims, we determined that DHS reimbursed sponsors for inaccurate meal reimbursement claims. Specifically, we found that

A. sponsors did not maintain or could not provide complete and accurate supporting documentation for meal claims submitted to DHS for reimbursement;

B. sponsors claimed meals above the approved serving limits;

C. sponsors claimed meals outside the approved dates;

D. DHS reimbursed sponsors using incorrect administrative rates;

E. one sponsor claimed more than the allowed meal types per day;

F. sponsors provided questionable meal count forms to support reimbursement payments; and

G. sponsors did not use compliant meal count forms.

As reported in findings in the five prior audits, we found that sponsors had not complied with established federal regulations required to support the meal reimbursement claims. DHS management concurred in part with the prior audit finding and stated, "The Department's continuous effort of increasing and improving its training to food program sponsors can mitigate the risk of future noncompliance but does not act as a complete preventive control."

We believe that management's current control environment is ineffective because management does not adequately scrutinize repeat violators and/or questionable meal reporting practices in the program's riskiest areas. As a result, management continues to allow sponsors to participate in the program and be reimbursed for meals served in violation of program requirements and, in some cases, for meals not served at all. Since 2014, we have continued to see the same or similar program noncompliance, often by the same sponsors. These sponsors have been identified repeatedly by our audits and even by the department's Audit Services unit for noncompliance even though these very sponsors have had years of training and consultative assistance on program operations. Given the inherent risk of improper payments in SFSP and DHS's less aggressive approach to address repeated sponsor noncompliance, we continue to find sponsors that ignore the federal and state regulations and, in some cases, exhibit dishonest behavior. See Finding 2019-017 for further information on management's oversight responsibilities.

**Condition A and Criteria:** *Claims Were Incomplete and/or Based on Inaccurate Meal Counts*

Based on our review of the DHS TIPS reimbursement payments to sponsors and corresponding supporting meal count documentation obtained from the sponsors, we noted that for 52 of 60 claims reviewed (87%) for 47 sponsors, DHS staff did not ensure the sponsors maintained complete or accurate documentation to support meal reimbursement claims filed with DHS.

The sponsors submitted claims for reimbursement for more meals served than the sponsors had documentation to support. In some cases, the sponsors submitted claims for fewer meals served than were reported on supporting documentation.

According to Title 7*, Code of Federal Regulations* (CFR), Part 225, Section 15(c),

> Sponsors shall maintain accurate records which justify all meals claimed . . . The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.

<u>Questioned Costs for This Condition</u>

See **Table 1** for details of questioned costs for this condition.

**Table 1**
**Results of Testwork and Questioned Costs for Unsupported Claims**

| Sponsor | Claim Number | Questioned Costs*† | Number and Type of Meals Represented in Questioned Costs |
|---|---|---|---|
| Sponsor 1 | 1 | $288 | 129 Breakfasts |
| Sponsor 2 | 1 | $94 | 24 Lunches |
| Sponsor 3 | 1 | $890 | 158 Breakfasts<br>74 Lunches<br>67 Suppers |
| Sponsor 4 | 1 | $386 | 63 Breakfasts<br>61 Lunches<br>7 Snacks |
| Sponsor 5 | 1 | $999 | 191 Breakfasts<br>146 Lunches |
| Sponsor 6 | 1 | $813 | 48 Breakfasts<br>182 Lunches |
| Sponsor 7 | 1 | $6,187 | 424 Breakfasts<br>1,187 Lunches<br>628 Snacks |
| Sponsor 8 | 1 | $212 | 54 Lunches |
| Sponsor 9 | 1 | $648 | 2 Breakfasts<br>167 Lunches |
| Sponsor 10 | 1 | $12 | 3 Lunches |
| Sponsor 11 | 1 | $0 | - |
| Sponsor 12 | 1 | $369 | 30 Breakfasts<br>77 Lunches |
| Sponsor 13 | 1 | $2,662 | 6 Breakfasts<br>661 Lunches<br>60 Snacks |
| | 2 | $917 | 127 Breakfasts<br>162 Lunches |
| Sponsor 14 | 1 | $976 | 97 Breakfasts<br>101 Lunches<br>97 Suppers |

| Sponsor | Claim Number | Questioned Costs*† | Number and Type of Meals Represented in Questioned Costs |
|---|---|---|---|
| Sponsor 15 | 1 | $6 | 1 Breakfast<br>1 Lunch |
| Sponsor 16 | 1 | $2,291 | 165 Breakfasts<br>419 Lunches<br>344 Snacks |
| | 2 | $3,177 | 159 Breakfasts<br>677 Lunches<br>239 Snacks |
| Sponsor 17 | 1 | $330 | 53 Breakfasts<br>54 Lunches |
| Sponsor 18 | 1 | $926 | 236 Lunches |
| Sponsor 19 | 1 | $397 | 139 Breakfasts<br>22 Lunches |
| | 2 | $2,733 | 212 Breakfasts<br>576 Lunches |
| Sponsor 20 | 1 | $0 | - |
| Sponsor 21 | 1 | $755 | 59 Breakfasts<br>159 Lunches |
| Sponsor 22 | 1 | $431 | 3 Breakfasts<br>55 Lunches<br>62 Snacks<br>40 Suppers |
| Sponsor 23 | 1 | $1 | 1 Snack |
| Sponsor 24 | 1 | $1,542 | 115 Breakfasts<br>219 Lunches<br>24 Snacks<br>103 Suppers |
| Sponsor 25 | 1 | $195 | 5 Breakfasts<br>47 Lunches |
| Sponsor 26 | 1 | $0 | - |
| Sponsor 27 | 1 | $329 | 40 Lunches<br>44 Suppers |
| Sponsor 28 | 1 | $118 | 30 Lunches |
| | 2 | $49 | 22 Breakfasts |
| Sponsor 29 | 1 | $82 | 1 Breakfast<br>86 Snacks |
| | 2 | $768 | 107 Breakfasts<br>134 Lunches<br>1 Supper |
| Sponsor 30 | 1 | $8 | 2 Lunches |
| Sponsor 31 | 1 | $118 | 30 Lunches |
| Sponsor 32 | 1 | $0* | - |
| Sponsor 33 | 1 | $8 | 2 Lunches |

| Sponsor | Claim Number | Questioned Costs*† | Number and Type of Meals Represented in Questioned Costs |
|---|---|---|---|
| Sponsor 34 | 1 | $1,208 | 308 Lunches |
| Sponsor 35 | 1 | $0 | - |
| Sponsor 36 | 1 | $1,229 | 213 Breakfasts<br>192 Lunches |
| Sponsor 37 | 1 | $19 | 7 Breakfasts<br>1 Lunch |
| Sponsor 38 | 1 | $2,029 | 424 Lunches<br>432 Snacks |
| Sponsor 39 | 1 | $75 | 19 Suppers |
| Sponsor 40 | 1 | $247 | 54 Lunches<br>34 Snacks<br>1 Supper |
| Sponsor 41 | 1 | $318 | 70 Breakfasts<br>29 Lunches<br>52 Snacks |
| Sponsor 42 | 1 | $114 | 29 Lunches |
| Sponsor 43 | 1 | $1 | 1 Snack |
| Sponsor 44 | 1 | $8,985 | 1,217 Breakfasts<br>1,139 Lunches<br>459 Suppers |
| Sponsor 45 | 1 | $2,236 | 570 Lunches |
| Sponsor 46 | 1 | $4 | 2 Breakfasts |
| Sponsor 47 | 1 | $0 | - |
| **Total** | | **$46,182** | **14,974 meals** |

*Sponsors without questioned costs indicate that the review found the sponsor had underclaimed meals.

†We calculated the amounts of questioned costs for selected claims by reviewing supporting documentation, or lack thereof, for 10 sites, or all sites if the sponsor served and claimed meals during selected claims at less than 10 sites.

**<u>Condition B and Criteria:</u>** *Sponsors Served and Claimed Meals Above the Approved Serving Limits*

Based on our review of DHS's approved information in TIPS pertaining to serving limits and our review of the meal count documentation obtained from the sponsors, we noted that for 16 of 60 claims reviewed (27%), 15 sponsors claimed meals above the maximum number of approved meals for the sponsors' feeding sites.

According to the 2016 *Administration Guide – Summer Food Service Program,*

> **Non-Reimbursable Meals**
>
> Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . [m]eals over the cap[.]

Questioned Costs for This Condition

See **Table 2** for details of questioned costs for this condition.

**Table 2**
**Results of Testwork and Questioned Costs for Serving and Claiming Meals Above Capacity Amounts**

| Sponsor | Site Number | Claim Number | Questioned Costs | Overall Number and Type of Meals Claimed Above Approved Limits |
|---|---|---|---|---|
| Sponsor 6 | Site 1 | Claim 1 | $103 | 4 Breakfasts |
| | Site 2 | Claim 1 | | 1 Breakfast |
| | Site 3 | Claim 1 | | 42 Breakfasts |
| Sponsor 12 | Site 1 | Claim 1 | $78 | 20 Lunches |
| Sponsor 13 | Site 1 | Claim 1 | $134 | 29 Lunches |
| | Site 2 | Claim 2 | | 5 Lunches |
| Sponsor 16 | Site 1 | Claim 2 | $23 | 6 Lunches |
| Sponsor 17 | Site 1 | Claim 1 | $12 | 3 Lunches |
| Sponsor 20 | Site 1 | Claim 1 | $587 | 100 Breakfasts<br>54 Lunches |
| | Site 2 | Claim 1 | | 6 Breakfasts |
| | Site 3 | Claim 1 | | 149 Snacks |
| Sponsor 21 | Site 1 | Claim 1 | $34 | 1 Breakfast<br>8 Lunches |
| Sponsor 22 | Site 1 | Claim 1 | $39 | 10 Lunches |
| Sponsor 26 | Site 1 | Claim 1 | $1,012 | 258 Lunches |
| Sponsor 33 | Site 1 | Claim 1 | $165 | 46 Breakfasts |
| | Site 2 | Claim 1 | | 16 Lunches |
| Sponsor 34 | Site 1 | Claim 1 | $43 | 5 Lunches |
| | Site 2 | Claim 1 | | 7 Breakfasts<br>2 Lunches |
| Sponsor 38 | Site 1 | Claim 1 | $2,693 | 190 Lunches<br>174 Snacks |
| | Site 2 | Claim 1 | | 126 Lunches<br>156 Snacks |
| | Site 3 | Claim 1 | | 243 Lunches<br>260 Snacks |
| Sponsor 39 | Site 1 | Claim 1 | $63 | 1 Lunch |
| | Site 2 | Claim 1 | | 15 Lunches |
| Sponsor 45 | Site 1 | Claim 1 | $145 | 37 Suppers |
| Sponsor 48 | Site 1 | Claim 1 | $0* | 20 Lunches<br>17 Snacks |
| **Total** | | | **2,011 meals** | **$5,131** |

*We did not question costs associated with this sponsor because DHS disallowed the meals in the 2018 monitoring report for lack of menu documentation.

**<u>Condition C and Criteria</u>:** *Sponsors Served and Claimed Meals Outside the Approved Dates of Operation*

Based on our review of DHS's approved operation days in TIPS and our review of the meal count documentation obtained from sponsors, we noted that for 11 of 60 claims reviewed (18%), 10 sponsors served and claimed meals prior to DHS approval or claimed meals before or after the approved dates of operation.

According to the 2016 *Administration Guide – Summer Food Service Program,*

> **Non-Reimbursable Meals**
>
> Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . [m]eals served outside of approved timeframes or approved dates of operation[.]

In addition, 7 CFR 225.9(d) states,

> *Reimbursements*. Sponsors shall not be eligible for meal reimbursements unless they have executed an agreement with the State agency. All reimbursements shall be in accordance with the terms of this agreement. Reimbursements shall not be paid for meals served at a site before the sponsor has received written notification that the site has been approved for participation in the Program.

<u>Questioned Costs for This Condition</u>

See **Table 3** for details of questioned costs for this condition.

**Table 3**
**Summary of Questioned Costs for Claiming Meals Outside Approved Dates**

| Sponsor | Claim Number | Questioned Costs | Number and Type of Meals Claimed Outside Approved Dates |
|---|---|---|---|
| Sponsor 3 | Claim 1 | $1,241 | 112 Breakfasts<br>132 Lunches<br>126 Suppers |
| Sponsor 13 | Claim 1 | $2,640 | 12 Breakfasts<br>615 Lunches<br>216 Snacks |
| | Claim 2 | $193 | 50 Lunches |
| Sponsor 19 | Claim 1 | $1,904 | 180 Breakfasts<br>383 Lunches |
| Sponsor 26 | Claim 1 | $59 | 15 Lunches |
| Sponsor 31 | Claim 1 | $59 | 15 Lunches |
| Sponsor 37 | Claim 1 | $802 | 118 Breakfasts<br>141 Lunches |
| Sponsor 38 | Claim 1 | $42 | 46 Snacks |
| Sponsor 39 | Claim 1 | $123 | 55 Breakfasts |

| Sponsor | Claim Number | Questioned Costs | Number and Type of Meals Claimed Outside Approved Dates |
|---|---|---|---|
| Sponsor 40 | Claim 1 | $121 | 25 Snacks<br>25 Suppers |
| Sponsor 48 | Claim 1 | $0* | 286 Lunches<br>206 Snacks |
| **Total** | | **$7,184** | **2,758 meals** |

*We did not question costs associated with this sponsor because DHS disallowed the meals in the 2018 monitoring report for lack of menu documentation.

**<u>Condition D and Criteria:</u>** *DHS Reimbursed Sponsors Using Incorrect Administrative Rates*

Based on our review of meal reimbursement information in TIPS, we noted that for 3 of 60 meal reimbursement claims tested (5%), DHS reimbursed 3 sponsors using incorrect administrative reimbursement rates, resulting in overpayments of $368.

<u>Site Locality Discrepancy (Rural Versus Urban Locality)</u>

Our review found that DHS reimbursed 3 sponsors for 6 feeding sites using the higher administrative rate applicable to vended sites located in a rural area. However, we found that the sites were actually located in an urban area, requiring the sponsors to be reimbursed at the lower administrative rate.

According to the 2016 *Administration Guide – Summer Food Service Program,*

> The SFSP has two different levels of administrative reimbursement rates. The higher reimbursement rates are for sponsors of sites that prepare or assemble their own meals and for sponsors of sites located in rural areas. The lower rate is for all other sponsors.

<u>Questioned Costs for This Condition</u>

See **Table 4** for details of questioned costs for this condition.

**Table 4**
**Results of Testwork and Questioned Costs for Reimbursing Sponsors Using Incorrect Rates**

| Sponsor | Claim Number | Questioned Costs* | Number and Type of Meals Reimbursed Using Incorrect Administrative Rate |
|---|---|---|---|
| Sponsor 3 | 1 | $138 | 748 Breakfasts<br>897 Lunches<br>732 Suppers |
| Sponsor 13 | 1 | $22 | 331 Suppers |
| Sponsor 43 | 1 | $208 | 2,480 Lunches<br>2,354 Snacks |
| **Total** | | **$368** | **7,542 meals** |

*The administrative component of sponsors' reimbursement is calculated using the number of meals served times the administrative rate. Questioned costs in this table represent the difference between the amount of reimbursement DHS paid the sponsor and the amount DHS should have reimbursed the sponsor using the correct administrative rate.

**Condition E and Criteria:** *Sponsor Claimed More Than the Allowed Meal Types per Day*

Based on our review of the TIPS reimbursement payments DHS paid to sponsors and corresponding supporting meal count documentation obtained from the sponsors, we noted that for 1 of 60 claims reviewed (2%), 1 sponsor claimed 4 meal types on 1 day. This site is classified as an open site and is only allowed to claim a maximum of 2 meals types per day.

According to 7 CFR 225.16(b)(3),

> *Restrictions on the number and types of meals served.* Food service sites other than camps and sites that primarily serve migrant children may serve either: (i) One meal each day, a breakfast, a lunch, or snack; or (ii) Two meals each day, if one is a lunch and the other is a breakfast or a snack.

Questioned Costs for This Condition

See **Table 5** for details of questioned costs for this condition.

**Table 5**
**Results of Testwork and Questioned Costs for Claiming Four Meal Types in One Day**

| Sponsor | Claim Number | Questioned Costs | Number and Type of Meals Claimed |
|---|---|---|---|
| Sponsor 40 | 1 | $0* | 25 A.M. Snacks<br>25 Lunches<br>25 P.M. Snacks<br>25 Suppers |

*For Sponsor 40, we questioned $121 for these meals based on another program violation. See Condition C.

**Condition F and Criteria:** *Sponsors Provided Questionable Meal Count Forms to Support Reimbursement Payments*

Our review of the meal count documentation revealed that for 7 of 60 meal reimbursement claims tested (12%), 7 sponsors provided questionable meal count forms and displayed the following questionable practices:

- photocopied meal count forms (exact or partial replicas of the same forms with only the dates or names changed);
- block claiming (claiming the same number of meals served each day); and
- altered meal count forms (names, dates, and meal totals differ from version provided to DHS).

We found that three sponsors photocopied meal count forms (exact or partial replicas of the same forms with only the dates or names changed), which suggests the meal count documentation was not properly prepared during the actual meal services as required by federal regulations and which also heightens the risk of potential fraudulent activity. We do not believe, nor would any prudent person believe, that photocopied meal count forms represent adequate documentation to support meal reimbursement payments.

We noted that three sponsors block claimed most of the meal counts we selected for review. The sponsors claimed that they served the same number of meals each day with little or no variance during the claim period. Given our experience with SFSP, we believe that these meal service outcomes are unlikely and that the number of meals claimed is questionable.

We found that one sponsor altered meal count forms. At DHS's request to facilitate monitoring, the sponsor provided DHS meal count forms in 2018; however, when we requested the meal count forms in 2019 for review, we compared the forms provided to DHS in 2018 with the forms we requested for the same dates of services, and many of the meal count forms had changed. Site supervisors' names, meal count dates, and meal count totals were different on some days. The altered forms suggest the meal count documentation was not properly prepared during the actual meal service as required by federal regulations; they also heighten the risk of potentially fraudulent activity.

According to 7 CFR 225.15(c),

> Sponsors shall maintain accurate records justifying all meals claimed . . . The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.

The 2016 *Administration Guide – Summer Food Service Program* states, "Daily meal count sheets are required." The guide also states, "Each site must take a point-of-service meal count every day."

Also according to the program guide,

> Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . [m]eals that were not served[.]

<u>Questioned Costs for This Condition</u>

See **Table 6** for details of questioned costs for this condition.

**Table 6**
**Results of Testwork and Questioned Costs for Questionable Meal Count Forms**

| Sponsor | Claim Number | Questionable Activity | Questioned Costs | Number and Type of Meals Included in the Questionable Activity | Number of Sites Involved in the Questionable Activity |
|---|---|---|---|---|---|
| Sponsor 9 | 1 | Block Claiming | $71,852 | 9,407 Breakfasts<br>13,286 Lunches | 10 |
| Sponsor 18 | 1 | Altered Meal Count Forms | $4,275 | 848 Lunches<br>1,020 Snacks | 1 |
| Sponsor 24 | 1 | Photocopying | $14,065 | 1,933 Breakfasts<br>2,388 Lunches<br>411 Snacks | 3 |
| Sponsor 25 | 1 | Block Claiming | $28,365 | 4,569 Breakfasts<br>4,631 Lunches | 10 |
| Sponsor 28 | 1 | Block Claiming | $45,247 | 3,705 Breakfasts<br>7,642 Lunches<br>7,527 Snacks | 7 |
| Sponsor 33 | 1 | Photocopying | $747 | 94 Breakfasts<br>137 Lunches | 1 |
| Sponsor 49 | 1 | Photocopying | $1,664 | 168 Breakfasts<br>168 Lunches<br>168 Suppers | 1 |
| **Total** | | | **$166,215** | **58,102 meals** | **33 sites** |

**Condition G and Criteria**: *Sponsors Did Not Use Compliant Meal Count Forms*

Based on our review of the meal count documentation obtained from sponsors, we noted that for 4 of 60 claims reviewed (7%), 4 sponsors did not use an allowable meal count form. We noted the following noncompliance in the meal count forms:

- no site supervisor signatures on any meal count forms or signature lines; and
- no point-of-service daily meal count form and no point-of-service documented on the form.

For three sponsors, the meal count forms did not contain any site supervisor signatures, nor did they contain a line for a site supervisor to sign. For one sponsor, the sponsor uses a weekly meal count form instead of a daily meal count form and does not document point-of-service on the weekly form. Furthermore, in Finding 2019-022, we noted that point-of-service counts were not taken at two sites we observed for this sponsor.

According to the 2016 *Administration Guide – Summer Food Service Program,*

> Daily meal count sheets are required; however, the weekly consolidated meal count form is not.

In addition, according to the guide,

> Each site must take a point-of-service meal count every day. . . . The site supervisor must sign and date the meal count form.

Questioned Costs for This Condition

See **Table 7** for details of questioned costs for this condition.

**Table 7**
**Results of Testwork and Questioned Costs for Noncompliant Meal Count Forms**

| Sponsor | Claim Number | Noncompliant Meal Count Form | Questioned Costs |
|---|---|---|---|
| Sponsor 3 | 1 | No Site Supervisor Signatures | $5,792 |
| Sponsor 14 | 1 | No Site Supervisor Signatures | $23,302 |
| Sponsor 34 | 1 | No Point-of-Service Daily Meal Count Forms | $50,556 |
| Sponsor 44 | 1 | No Site Supervisor Signatures | $0* |
| **Total** | | | **$79,650** |

*For Sponsor 44, we questioned $8,985 based on another program violation. See Condition A.

**Condition H and Criteria:** *Risk Assessment*

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of subrecipients submitting claims that are not supported by documentation; however, DHS did not have an effective control to mitigate its risk.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Cause**

Because DHS does not require subrecipients to provide supporting documentation for each meal reimbursement claim before payment, management and staff instead rely on the Audit Services unit to review supporting documentation during monitoring visits and to train sponsors about the federal program requirements. We discussed the issues presented in this finding with DHS management; however, DHS did not provide a cause for the issues we found. In our discussions with sponsors, they said the causes for the errors noted in the conditions above were human errors and the lack of an adequate sponsor review. Sponsors also stated that additional training from DHS would help reduce these errors.

“Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” 2 CFR 200.62, states,

> *Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> a. Transactions are properly recorded and accounted for, in order to:
>
> (1) Permit the preparation of reliable financial statements and Federal reports;
>
> (2) Maintain accountability over assets; and
>
> (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
>
> b. Transactions are executed in compliance with:
>
> (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
>
> (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
>
> c. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

**Effect**

As a pass-through entity for SFSP, DHS is responsible for ensuring that sponsors comply with federal and state requirements. When DHS management and staff do not establish and implement properly designed controls to comply with federal requirements, management will continue to reimburse sponsors for unallowable expenditures resulting from errors, noncompliance, fraud, waste, and abuse.

Additionally, federal regulations address actions that federal agencies and non-federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, “If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions,” including, as described in Section 200.207, “Specific conditions,”

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**<u>Summary of Questioned Costs for All Conditions</u>**

See **Table 8** for a summary of questioned costs for all conditions.

**Table 8**
**Summary of Questioned Costs for All Conditions**

| Conditions | Questioned Costs |
|---|---|
| **Condition A:** Claims were incomplete and/or based on inaccurate meal counts. | $46,182 |
| **Condition B:** Sponsors served and claimed meals above the approved serving limits. | $5,131 |
| **Condition C:** Sponsors served and claimed meals outside the approved dates of operation. | $7,184 |
| **Condition D:** DHS reimbursed sponsors using incorrect administrative rates. | $368 |
| **Condition E:** Sponsor claimed more than the allowed meal types per day. | $0* |

| Conditions | Questioned Costs |
|---|---|
| **Condition F:** Sponsors provided questionable meal count forms to support reimbursement payments. | $166,215 |
| **Condition G:** Sponsors did not use compliant meal count forms. | $79,650† |
| **Total Questioned Costs** | **$304,730** |

*For Sponsor 40, we questioned $121 based on another program violation.
†For Sponsor 44, we questioned $8,985 based on another program violation.

This finding, in conjunction with Finding 2019-022, resulted in total known federal questioned costs exceeding $25,000 for federal programs that were audited as major programs. When known questioned costs are greater than $25,000 for a type of compliance requirement for a major program, 2 CFR 200.516(a)(3) requires us to report those costs.

According to 2 CFR 200.84, questioned costs are costs an auditor questions because the costs either (a) resulted from a violation or possible violation of federal requirements, (b) were not supported by adequate documentation, or (c) were unreasonable.

**Recommendation**

The Commissioner and the Director of Operations for the Child and Adult Care Food Program (CACFP) and SFSP should pursue actions to ensure both subrecipients and DHS comply with the federal requirements. The Director of Operations for CACFP and SFSP should develop stronger preventive and detective controls over SFSP. These controls should ensure that all sponsors maintain complete and accurate documentation to support the meals served and claimed for reimbursements and that sponsors follow federal guidelines when claiming meals on their meal reimbursements.

When subrecipients continually fail to maintain adequate meal reimbursement documentation, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.207 and 200.338.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

The questioned cost does not mean the cost is not allowed or a misuse of funds. The department and federal agency will determine the allowability of the cost in accordance with federal law.

We believe our costs to administer and monitor the Food Programs are reasonable and prudent and our efforts are in material compliance with federal requirements. In fact, the United States Department of Agriculture, which regulates these dollars, has closed each of the Comptroller's previous findings (2014-2017) without issue and with no disallowed costs. The department remains at the will of the legislature should a decision be made to spend additional state dollars and monitor this program above the requirements of the federal law.

**Condition A:** *Claims Were Incomplete and/or Based on Inaccurate Meal Counts*

We concur in part.

The department agrees that incomplete meal claims and inaccurate meal counts occur in the SFSP program due to inherent risk in the manual process of completing the meal counts. The department's monitors already identified this type of issue during the monitoring process and provided the Comptroller's Office with monitoring reports. The department monitored 24 of the 47 sponsors identified in this condition. Out of the 24 monitored sponsors, the department noted the same or similar instances of noncompliance in 21 of the issued reports, and the sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. The department's monitoring was not taken into consideration during the audit process because the review month or feeding sites selected varied from the state auditors' selection.

The department does not concur with the identified noncompliance for six sponsors noted in this finding. The identified noncompliance was that the sponsor did not claim enough meals. There are no federal regulations that require a sponsor to claim all eligible meals and to report underclaimed meals in a finding of sponsor noncompliance is disingenuous and against federal regulations. It is important to note that 12 of the 41 remaining claims resulted in questioned costs that are below the federal regulation and department's threshold for collection.

**Condition B:** *Sponsors Served and Claimed Meals Above the Approved Serving Limits*

We concur in part.

The department agrees that claiming meals above the approved serving limits occurs in the SFSP program, and as noted above, this issue was identified by the department's monitors. The department monitored 6 of the 16 sponsors identified in this condition. Out of the 6 monitored sponsors, the department noted the same or similar instances of noncompliance in all 6 of the issued reports, and the sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. The department's monitoring was not taken into consideration during the audit process because the review month or feeding sites selected varied from the state auditors' selection.

It is important to note that 8 of the 16 sponsors with questioned costs are below the department's threshold for collection.

The department continued with its effort of increasing and improving its training to food program sponsors and provided additional technical support to mitigate the risk of future noncompliance.

**Condition C:** *Sponsors Served and Claimed Meals Outside the Approved Dates of Operation*

We concur in part.

The department agrees that serving and claiming meals outside the approved dates of operation occurs in the SFSP program, and this issue was identified by the department's monitors. The department monitored 5 of the 11 sponsors identified in this condition. Out of the 5 monitored sponsors, the department's monitors noted the same or similar instances of noncompliance in the issued reports, and the sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. The department's monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection.

It is important to note that 4 of the 11 sponsors with questioned costs are below the department's threshold for collection.

The department continued with its effort of increasing and improving its training to food program sponsors technical support to mitigate the risk of future noncompliance.

**Condition D:** *DHS Reimbursed Sponsors Using Incorrect Administrative Rates*

We concur.

In the summer of 2018 SFSP administrative reimbursement rates were determined in the application based on county selection of the applicant. This process created an opportunity for human error, as occurred in these three instances. The department has since changed the system to determine geographic location based on the address of the summer feeding sites removing the opportunity for this error to occur.

It is important to note that 1 of the 3 sponsors with questioned costs is below the department's threshold for collection.

**Condition E:** *Sponsor Claimed More Than the Allowed Meal Types per Day*

We concur.

The department communicated to the sponsor explaining that only two meals are allowable per child per day under the SFSP. The department agrees that our monitoring process can result in disallowance of meal costs similar to what the state auditors noted in this condition.

The department continued with its effort of increasing and improving its training to food program sponsors to mitigate the risk of future noncompliance.

**Condition F:** *Sponsors Provided Questionable Meal Count Forms to Support Reimbursement Payments*

We concur.

The department monitored 3 of the 7 sponsors identified in this condition. Out of the 3 monitored sponsors, the department's monitors noted similar instances of noncompliance in the issued reports. The sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. One of the sponsors identified was declared Seriously

Deficient and has not continued participation in the SFSP program. The department's monitoring was not taken into consideration during the audit process because the review month or feeding sites selected varied from the state auditors' selection.

The department will continue to provide technical assistance and training to the sponsors in question and monitor sponsors in accordance with the federal regulations.

The department continued with its effort of increasing and improving its training to food program sponsors to mitigate the risk of future noncompliance.

**Condition G:** *Sponsors Did Not Use Compliant Meal Count Forms*

We concur.

The department agrees that our monitoring process can result in disallowance of meal costs similar to what the state auditors noted in this condition. Compliant meal count forms are provided to all SFSP sponsors in the mandatory SFSP training and specific meal count training is available to all SFSP sponsors and feeding site supervisors. Additionally, meal count forms are found in the back of the USDA SFSP Administrative Guide that is available to the public.

The department continued with its effort of increasing and improving its training to food program sponsors to mitigate the risk of future noncompliance.

**Condition H:** *Risk Assessment*

The department conducts the state-required annual *Financial Integrity Act Risk Assessment* within the state adopted Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework including the optional toolkit forms provided by the Department of Finance and Administration.

The forms are a management tool used to document significant organizational risks and key internal controls to mitigate risks within management's risk tolerance. Management determines the effectiveness of its own controls and its risk tolerance. If risks are not sufficiently mitigated, management can implement a plan of action to modify or create new internal controls. In cases where the inherent risk cannot be sufficiently mitigated by the department's internal controls alone, for example, regulatory restraints or dependency on other organizations, management can only accept or avoid the risk.

**Auditor's Comment**

In addition to this finding and as noted in findings 2019-017, 2019-018, and 2019-022, DHS's monitoring activities and efforts do not include sufficient next steps to address sponsors exhibiting fraud risk patterns and/or that submit meal claims when meals are not served. As a result, management continues to pay sponsors for meals served in violation of program requirements and, in some cases, for meals not served at all.

*Federal Management Decision*

In accordance with 2 CFR 200.521 a federal grantor must follow up on findings of the non-federal entity and issue management decisions. The U.S. Department of Agriculture (USDA), the federal grantor, reviewed the department's USDA program findings resulting from Single Audits occurring prior to the 2019 Single Audit and issued a Notification of Closure letter which sustained our prior audit findings and accepted the department's correction action plan for Single Audits through 2017; in doing so, the USDA closed the file without issue. At the time of our report, the department is working with USDA to achieve audit resolution for the 2018 Single Audit findings and final action (management decision) is due in September 2020. The federal grantor's management decision (closure letter) of prior findings does not relate to the auditor's conclusions and findings from the current 2019 Single Audit of the department's programs. Based on our 2019 *Single Audit* of DHS, we found that management had not fully implemented corrective action which they communicated to the federal grantor following the 2018 Single Audit.

*Condition A*

Title 7, *Code of Federal Regulations* (CFR), Part 225, Section 9(d) states that in submitting a claim for reimbursement, each sponsor shall certify that the claim is correct and that records are available to support this claim. Therefore, inaccurate claim reporting of meals served—both underclaimed and overclaimed—violate program requirements. Additionally, DHS management seems to suggest that auditors should not take issue with sponsors that underclaim meals; however, Audit Services' monitors included underclaimed meals as errors in their monitoring reports.

*Conditions A, B, C, and D*

The department's threshold for collecting overpayments from sponsors has no relevance to the auditor's determination of questioned costs. 2 CFR 200.84 defines questioned costs as costs an auditor questions because the costs either (a) resulted from a violation or possible violation of federal requirements, (b) were not supported by adequate documentation, or (c) were unreasonable. Once an auditor reports questioned costs based on the audit, the federal grantor then determines whether these costs are disallowed and what amounts should be recovered. Also 2 CFR 200.516(a)(3) requires us to report likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. Because we have identified a total of $318,657 in questioned costs related to the Allowable Costs/Cost Principles compliance requirement, we are bound by the federal regulations to report these costs in our Single Audit report.

| | |
|---|---|
| **Finding Number** | 2019-022 |
| **CFDA Number** | 10.559 |
| **Program Name** | Child Nutrition Cluster |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 195TN331N1099 |
| **Federal Award Year** | 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Repeat Finding** | 2018-022 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | FY2020: $13,927 |

**For the sixth consecutive year, the Department of Human Services did not ensure that Summer Food Service Program for Children subrecipients served and documented meals according to established federal regulations, resulting in $13,927 of federal questioned costs**

**Background**

General Information

The Summer Food Service Program for Children (SFSP) is funded by the U.S. Department of Agriculture and administered on the state level by the Tennessee Department of Human Services (DHS). As a pass-through entity for SFSP funds, DHS is responsible for providing sufficient qualified consultative, technical, and managerial personnel to administer the program and monitor performance to ensure that subrecipients, known as sponsors, comply with program rules and regulations.

Sponsors may operate the program at one or more feeding sites. DHS requires sponsors to count meals served and record this number on a daily meal count form. Sponsors can claim reimbursement requests only for meals that comply with program guidance, such as meals served with all required components and within DHS-approved timeframes. Site personnel then submit the meal count forms to the sponsor, who calculates monthly totals and submits reimbursement requests to DHS.

DHS uses the Tennessee Information Payment System (TIPS) to process reimbursement payments to sponsors. DHS does not require sponsors to submit supporting documentation when filing claims; however, federal regulations require sponsors to maintain all documentation to support their claims and to comply with federal guidelines during the meal reimbursement process. DHS monitors subrecipients to obtain reasonable assurance that both sponsors and site personnel comply with state and federal requirements.

When DHS monitors identify that subrecipients have not complied with federal requirements, DHS addresses these meal service violations by requiring subrecipients to submit a corrective action plan, which outlines actions and steps to prevent the noncompliance from occurring in the future. More serious violations, outlined in the federal guidelines, result in a process called a serious deficiency, which requires DHS to start terminating the sponsor from the program and disapprove the subrecipient's application from future program participation unless the subrecipient takes appropriate corrective actions to prevent the recurrence of the deficiencies.

SFSP operates during the summer months (May through August). Because the state operates on a July 1 through June 30 fiscal year, our audit of SFSP, including meal observation and subsequent follow-up claim review testwork, crossed two state fiscal years:

- 2019 (July 1, 2018, through June 30, 2019, with the months of May and June falling during our review period); and
- 2020 (July 1, 2019, through June 30, 2020, with the months of July and August falling during our review period).

Follow-up on Prior Audit Findings

We reported in the prior five audits that subrecipients had not complied with established federal regulations required for meal service at feeding sites and had not maintained accurate meal reimbursement documentation. DHS management concurred in part with the prior audit finding and acknowledged that noncompliance and errors occur in administering the SFSP. Management stated that they remain committed to efforts to make improvements and to continue to provide federally required monitoring and training opportunities to sponsors; however, management also commented that no monitoring plan or training activities can ensure complete compliance with all requirements.

As noted in our prior audit findings and again in this finding, we continue to find that the same sponsors have not complied with the federal requirements. Even though we have reported these sponsors to management, we do not see sufficient evidence that management has used our audit results to further investigate and address repeatedly identified noncompliant sponsors.

**Overall Condition**

We found that 16 of 21 sponsors noted in this finding had participated in the SFSP program in the past and were returning to participate as sponsors for the 2019 SFSP program year; they have participated in SFSP for 4 or more years, and therefore have received repeated training on compliance requirements. Given the fact that these sponsors have multiple years of experience and an established relationship with DHS in this program, we believe that management has not effectively analyzed the causes for the sponsors' continued noncompliance and that the following may contribute to sponsors' continuous program violations:

- DHS has either not provided sponsors training or has provided insufficient or ineffective training;
- DHS has not identified the sponsors' continued noncompliance as serious deficiencies requiring corrective action;
- DHS has not identified that sponsors are incapable of administering the program in accordance with requirements; or

- DHS is incapable or unwilling to react to fraud risk factors for sponsors that may have nefarious motives.

We also found that even though DHS may place sponsors into a serious deficiency status based on its monitoring process and begin actions to terminate the sponsors from program participation, the serious deficiency process has its weaknesses. One such weakness involves sponsors with a history of repeat violations that continue to submit corrective action plans year after year but either are unable to correct noncompliance issues or have no real intent to correct noncompliance issues. On paper, the corrective action as described may seem sufficient to solve noncompliance issues; however, the sponsors continue to not follow the rules of the program or implement corrective action. As such, DHS's monitoring and serious deficiency processes have not been sufficient to enforce or to ensure that habitually noncompliant sponsors come into compliance or are effectively removed from program participation.

Conditions A, B, and C noted in this finding are repeated from the prior year. It is also important to note that DHS approved approximately 1,900 feeding sites statewide, under 53 participating sponsors, to serve meals during 2019 SFSP. The 34 meal services we observed or attempted to observe represents only a small fraction of SFSP operations. As such, given the numerous deficiencies we found in our limited sample review, we believe the deficiencies are pervasive throughout the entire program and sponsor population.

Current Testwork Plan

Using a combination of systematic and haphazard selection methods, we selected 25 of the 53 sponsors that DHS approved for the 2019 program. We observed 25 meal services at 25 different sites, operated by the 25 different sponsors. In addition, for 4 of the 25 sponsors, we expanded our testwork. We attempted 9 meal observations at 5 sites and were able to observe 3 meal services at 3 sites. For the remaining 6 attempts, the sponsor did not serve meals on the day we attempted to observe the meal service.

After the 2019 SFSP meal service program ended, we subsequently followed up with all 25 sponsors to ensure they claimed the correct number of meals on the reimbursement claims submitted to DHS for the 28 meal services we observed and the 6 meal services we attempted to observe. These 34 meal service follow-ups consisted of 30 monthly claims the sponsors submitted.

We noted meal service noncompliance during our meal observations (see Condition A). Based on our follow-up reviews, we also noted that subrecipients did not claim the correct number of meals for the day of our observation and attempted observation (see Condition B); did not maintain accurate meal reimbursement documentation for all meals for the month we reviewed (see Condition C); and did not use daily point-of-service meal count forms (see Condition D). See details in the Condition sections as follows.

**Condition A:** *Meal Service Noncompliance*

Overall, we noted 8 different types of meal service noncompliance at 15 of 25 meal services observed (60%), ranging from 1 to 5 SFSP violations per site. For our expanded testwork, we noted 6 different types of meal service noncompliance at 3 of 3 meal services observed (100%), ranging from 2 to 3 SFSP violations per site.

In our sample testwork, we observed the types of noncompliance with the SFSP program requirements noted in **Table 1**.

**Table 1**
**Instances of Meal Service Noncompliance**

| | Sponsor (Site) | Meal Count Form Was Not Signed | Incomplete First Meal Components | Meals Consumed Off-Site | Incorrect Count of Meals Served | No Point of Service Taken During Meal Service | Meals Served Outside of the Approved Time | Incomplete Second Meal Components | Second Meals Counted as First Meals |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Sponsor 1 (Site A) | | ✓ | | | | | | |
| 2 | Sponsor 2 (Site A) | | | | ✓ | | | | |
| 3 | Sponsor 3 (Site A) | ✓ | | | | | | | |
| 4 | Sponsor 4 (Site A) | | ✓ | | ✓ | ✓ | | ✓ | ✓ |
| 5 | Sponsor 5 (Site A) | ✓ | | | | | | | |
| 6 | Sponsor 6 (Site A) | | ✓ | | | | | | |
| 7 | Sponsor 7 (Site A) | ✓ | | | | | | | |
| 8 | Sponsor 8 (Site A) | | | ✓ | | | | | |
| 9 | Sponsor 9 (Site A) | ✓ | | | | | ✓ | | |
| 10 | Sponsor 10 (Site A) | | | ✓ | | | ✓ | | |
| 11 | Sponsor 11 (Site A) | | | | ✓ | ✓ | | | |
| 12 | Sponsor 12 (Site A) | | ✓ | | ✓ | | | | |
| 13 | Sponsor 13 (Site A) | | | | | ✓ | ✓ | | |
| 14 | Sponsor 14 (Site A) | | | ✓ | | | | | |
| 15 | Sponsor 15 (Site A) | | | ✓ | | | | | |

In our expanded testwork, we observed the types of noncompliance with the SFSP program requirements noted in **Table 2**.

**Table 2**
**Instances of Meal Service Noncompliance – Expanded Testwork**

| | Sponsor (Site) | No Point of Service Taken During Meal Service | Meals Served Outside of the Approved Time | Incomplete First Meal Components | Incorrect Count of Meals Served | Meals Consumed Off-Site | Second Meals Counted as First Meals |
|---|---|---|---|---|---|---|---|
| 1 | Sponsor 3 (Site B) | | ✓ | | | ✓ | |
| 2 | Sponsor 8 (Site B) | ✓ | ✓ | ✓ | | | |
| 3 | Sponsor 13 (Site B) | ✓ | | | ✓ | | ✓ |

The above-mentioned instances of noncompliance substantiate grounds to disallow program payments. We discussed each instance of noncompliance and its allowability for program reimbursement with sponsors' personnel at the time of or subsequent to our site visit, and the personnel agreed to correct the meal count forms and document only reimbursable meals. See Conditions B and C for the results of our follow-up review.

Additionally, during one meal observation, we found that two sponsors (Sponsor 1 and Sponsor 3) were serving the same children more than the maximum two meals per day. Different sponsors may serve meals at the same site, but the maximum number of meals allowed for the same child is two meals. DHS approved and reimbursed Sponsor 1 for lunch and snacks and Sponsor 3 for breakfast and snacks. Sponsor 3 was the second sponsor approved for this site; therefore, we questioned all costs DHS paid to Sponsor 3 for this site, totaling $2,730.

## Criteria

See **Table 3** for applicable noncompliance criteria.

**Table 3**
**Meal Service Observations Criteria**

| Type of Noncompliance | Applicable Criteria From the Summer Food Service Program's 2016 *Administration Guide*[40] |
|---|---|
| Meal Count Form Was Not Signed | The site supervisor must sign and date the meal count form. |
| Incomplete First Meal Components | For a lunch or supper to be a reimbursable meal, it must contain:<br>• One serving of milk (whole, low-fat, or fat-free);<br>• Two or more servings of vegetables, fruits, or full-strength juice;<br>• One serving of a grain; and<br>• One serving of meat or meat alternate. |

[40] The Summer Food Service Program's 2016 *Administration Guide* is a publication of federal requirements for sponsors set forth by the U.S. Department of Agriculture's Division of Food and Nutrition Service, which administers SFSP.

| Type of Noncompliance | Applicable Criteria From the Summer Food Service Program's 2016 *Administration Guide*[40] |
|---|---|
| Meals Consumed Off-Site | Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . Meals consumed off-site. |
| Incorrect Count of Meals Served | Reimbursement may not be claimed for . . . Meals that were not served. |
| No Point of Service Taken During Meal Service | It is critical that site personnel and monitors understand the importance of accurate point-of service meal counts. Only complete meals served to eligible children can be claimed for reimbursement. Therefore, meals must be counted at the actual point of service, i.e., meals are counted as they are served, to ensure that an accurate count of meals served is obtained and reported. Counting meals at the point of service also allows site personnel to ensure that only complete meals are served. |
| Meals Served Outside of the Approved Time | Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . Meals served outside of approved timeframes or approved dates of operation. |
| Incomplete Second Meal Components | Reimbursement may not be claimed for . . . Meals missing/inadequate component. |
| Second Meals Counted as First Meals | Based on records that are regularly submitted by the sites, sponsors must report the number and type of first and second meals served to all children . . . The total number of second meals claimed cannot exceed two percent of the number of first meals, for each type of meal served during the claiming period. |
| Multiple Sponsors Served the Same Children More Than the Maximum Two Meals per Day | Sponsors may serve one or two meals a day at open, restricted open, and enrolled sites. With State agency approval, sponsors may serve two meals (including snacks) each day. . . .<br><br>Meal services can be operated by different sponsors at the same site; however, the maximum number of meals allowed at a site under the regulations [7 CFR 225.16(b)] must not be exceeded (two meals for open, restricted open, and enrolled sites . . .). |

According to Title 7, *Code of Federal Regulations* (CFR), Part 225, Section 16(b)(3),

> *Restrictions on the number and types of meals served.* Food service sites other than camps and sites that primarily serve migrant children may serve either: (i) One meal each day, a breakfast, a lunch, or snack; or (ii) Two meals each day, if one is a lunch and the other is a breakfast or a snack.

**Condition B:** *Incorrect Number of Meals Claimed for the Day of Our Meal Service Observations and Attempted Observations*

Meal Service Observations

Our sample testwork revealed that for 6 of 25 meal services observed (24%), 6 sponsors did not claim the correct number of meals that we physically observed during our observation. Our expanded testwork revealed that for 1 of 3 meal services observed (33%), 1 sponsor did not claim the correct number of meals that we physically observed during our observation. See **Table 4** for details of the noncompliance and the questioned costs for the meal service observations.

**Table 4**
**Follow-up: Noncompliance for the Day of Our Meal Observation**

| | Sponsor | Site | Meal Service Observed | Number of Meals the Sponsor Claimed on the Meal Count Form* | | Number of Reimbursable Meals We Observed | | Difference | Questioned Costs† |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 1st Meals | 2nd Meals | 1st Meals | 2nd Meals | | |
| 1 | Sponsor 3 (Expanded) | Site B | Snack | 140 | 0 | 46 | 0 | 94 – 1st Meals | $90 |
| 2 | Sponsor 4 | Site A | Supper | 88 | 0 | 40 | 24 | 48 – 1st Meals & (24) – 2nd Meals | $193 |
| 3 | Sponsor 5 | Site A | Breakfast | 26 | 0 | 2 | 0 | 24 – 1st Meals | $55 |
| 4 | Sponsor 10 | Site A | Lunch | 59 | 0 | 0 | 0 | 59 – 1st Meals | $238 |
| 5 | Sponsor 12 | Site A | Breakfast | 16 | 0 | 22 | 0 | (6) – 1st Meals | $0 |
| 6 | Sponsor 13 | Site A | Snack | 125 | 0 | 0 | 0 | 125 – 1st Meals | $119 |
| 7 | Sponsor 16 | Site A | Lunch | 37 | 0 | 9 | 0 | 28 – 1st Meals | $113 |
| | Total Questioned Costs for This Condition | | | | | | | | $808 |

* Subsequent to our meal service observations and after 2019 SFSP ended, we followed up to determine whether the sponsor claimed the correct number of reimbursable meals for the day of our meal observation on the claim submitted to DHS.

† Sponsors without questioned costs indicate that the review found the sponsor had underclaimed meals.

<u>Attempted Meal Service Observations</u>

Our expanded testwork revealed that for the six attempted meal services observations, two sponsors claimed meals that they did not serve. At one sponsor, we observed locked doors and signs posted stating that the facility would be closed. Site personnel later stated that the site was closed on the date of the attempted breakfast and lunch meal service observations and no children were fed. On an additional attempted lunch meal service observation, all children were away on a field trip and site personnel stated no lunch would be taking place. At the other sponsor, we attempted to observe three lunch meal services at two sites and found no children present for meals. See **Table 5** for the details of the noncompliance and the questioned costs for these two sponsors.

**Table 5**
**Follow-up: Noncompliance for the Day of Our Attempted Meal Observation**

| | Sponsor | Site | Meal Service Observation Number | Number of Children Observed at Site | Number of Meals the Sponsor Claimed on the Meal Count Form | Questioned Costs |
|---|---|---|---|---|---|---|
| 1 | Sponsor 8 | Site B | 1 | 0 | 239 Lunches | $948 |
| 2 | | | 2 | 0 | 227 Breakfasts | $522 |
| 3 | | | 3 | 0 | 241 Lunches | $956 |
| 4 | Sponsor 10 | Site A | 2 | 0 | 55 Lunches | $222 |
| 5 | | Site B | 1 | 0 | 30 Lunches | $121 |
| 6 | | Site B | 2 | 0 | 28 First Lunches; 2 Second Lunches | $121 |
| | **Totals** | | | **0** | **822 Meals** | **$2,890** |

In addition to questioning the costs for the days we did not observe any children, we questioned all the meals, totaling $2,839, for Sponsor 10, Site B, because we did not see any meals served at this site.

<u>**Condition C:**</u> *Meal Reimbursement Documentation Was Inaccurate for the <u>Month</u> of Our Meal Service Observations and Attempted Observations*

In addition to verifying the day of our meal service observations, we also verified the number of meals the sponsor claimed for the entire corresponding month for the feeding sites where we performed and attempted to perform our meal observations. Our testwork revealed that for 16 of 30 monthly claims reviewed (53%), 15 sponsors did not maintain correct documentation to support the meal reimbursement claim submitted for the meal type for the month. See **Table 6** for details of the noncompliance.

**Table 6**
**Follow-up: Noncompliance for the Corresponding Month of Our Meal Observation and Attempted Observation Day**

| | Sponsor | Site | Claim Count per Sponsor | Number and Type of Meals Represented in Questioned Costs | Questioned Costs* |
|---|---|---|---|---|---|
| 1 | Sponsor 1 | Site A | 1 | - | $0 |
| 2 | Sponsor 2 | Site A | 1 | 84 Breakfasts | $193 |
| 3 | Sponsor 3 | Site B | 1 | 3 Snacks | $3 |
| 4 | Sponsor 4 | Site A | 1 | 23 Suppers | $93 |
| 5 | Sponsor 5 | Site A | 1 | 40 Breakfasts | $92 |
| 6 | Sponsor 8 | Site B | 1 | - | $0 |
| 7 | Sponsor 10 | Site A | 1 | 345 Lunches | $1,391 |
| 8 | | Site B | 1 | 155 Lunches | $625 |
| 9 | Sponsor 11 | Site A | 1 | 1 Snack | $1 |
| 10 | Sponsor 12 | Site A | 1 | 6 Breakfasts | $14 |

| | Sponsor | Site | Claim Count per Sponsor | Number and Type of Meals Represented in Questioned Costs | Questioned Costs* |
|---|---|---|---|---|---|
| 11 | Sponsor 14 | Site A | 1 | - | $0 |
| 12 | Sponsor 17 | Site A | 1 | 77 Lunches | $310 |
| 13 | Sponsor 18 | Site A | 1 | 2 Lunches | $8 |
| 14 | Sponsor 19 | Site A | 1 | 5 Lunches | $20 |
| 15 | Sponsor 20 | Site A | 1 | 3 Breakfasts | $7 |
| 16 | Sponsor 21 | Site A | 1 | - | $0 |
| | **Questioned Costs for This Condition** | | | | **$2,757** |

*Sponsors without questioned costs indicate that the review found the sponsor had underclaimed meals.

**Criteria** (Applicable to Conditions B and C)

According to 7 CFR 225.15(c),

> Sponsors shall maintain accurate records justifying all meals claimed . . . The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.

**Condition D:** *No Daily Point-of-Service Meal Count Form*

Based on our review of the meal count documentation provided by the sponsors, we noted that 1 of 25 sponsors (4%) was not using the required daily meal count form. The sponsor did not use a daily meal count form with point-of-service documented on the form; therefore, we questioned the cost. Additionally, we observed 2 meal services for this sponsor and, as noted in Condition A, point-of-service did not occur at either meal observation. See **Table 7** for details of the noncompliance.

**Table 7**
**No Point-of-Service Daily Meal Count Form**

| Sponsor | Site | Meal Type | Questioned Costs |
|---|---|---|---|
| Sponsor 13 | Site A | Snack | $1,138 |
| | Site B | Snack | $765 |
| **Questioned Costs for This Condition** | | | **$1,903** |

**Criteria**

According to the Summer Food Service Program's 2016 *Administration Guide*,

> Daily meal count sheets are required; however, the weekly consolidated meal count form is not. . . . Each site must take a point-of-service meal count every day.

**<u>Condition E:</u>** *Risk Assessment*

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of sponsors repeatedly not following federal regulations while serving meals and a mitigating control.

**<u>Criteria</u>**

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**<u>Cause</u>**

During our discussions, DHS management did not provide a cause for the issues. In our discussions with sponsors, they said the causes for the errors noted in the conditions above were human errors and miscommunication or lack of communication between the site personnel and the sponsor.

**<u>Effect</u>**

When sponsors do not comply with program requirements during meal services and fail to maintain complete and accurate supporting documentation for the number of meals claimed, DHS cannot ensure that reimbursements paid to sponsors are for allowable meals. As a pass-through entity for SFSP, DHS is responsible for ensuring that sponsors comply with federal and state requirements. When DHS cannot do so, it will continue to reimburse sponsors for unallowable expenditures resulting from errors, noncompliance, fraud, waste, and abuse.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

Section 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**Summary of Questioned Costs**

We questioned $13,927 for the noncompliance noted above. See **Table 8** for the overall noncompliance and questioned costs noted at the 21 sponsors.

**Table 8**
**Overall Noncompliance and Questioned Costs**

| Sponsor | **Condition A*** *Meal Service Noncompliance* | **Condition B†** *Noncompliance for the Day* | **Condition C†** *Noncompliance for the Month* | **Condition D** *Noncompliant Meal Count Form* | **Overall Questioned Costs per Sponsor†‡** |
|---|---|---|---|---|---|
| Sponsor 1 | ✓ | - | $0 | - | $0 |
| Sponsor 2 | ✓ | - | $193 | - | $193 |
| Sponsor 3 | $2,730 | $90 | $3 | - | $2,823 |
| Sponsor 4 | ✓ | $193 | $93 | - | $286 |
| Sponsor 5 | ✓ | $55 | $92 | - | $147 |
| Sponsor 6 | ✓ | - | - | - | - |
| Sponsor 7 | ✓ | - | - | - | - |
| Sponsor 8 | ✓ | $2,426 | $0 | - | $2,426 |

| **Sponsor** | **Condition A*** *Meal Service Noncompliance* | **Condition B†** *Noncompliance for the Day* | **Condition C†** *Noncompliance for the Month* | **Condition D** *Noncompliant Meal Count Form* | **Overall Questioned Costs per Sponsor†‡** |
|---|---|---|---|---|---|
| Sponsor 9 | ✓ | - | - | - | - |
| Sponsor 10 | ✓ | $3,541 | $2,016 | - | $5,557 |
| Sponsor 11 | ✓ | - | $1 | - | $1 |
| Sponsor 12 | ✓ | $0 | $14 | - | $14 |
| Sponsor 13 | ✓ | $119 | - | $1,903 | $2,022 |
| Sponsor 14 | ✓ | - | $0 | - | $0 |
| Sponsor 15 | ✓ | - | - | - | - |
| Sponsor 16 | - | $113 | - | - | $113 |
| Sponsor 17 | - | - | $310 | - | $310 |
| Sponsor 18 | - | - | $8 | - | $8 |
| Sponsor 19 | - | - | $20 | - | $20 |
| Sponsor 20 | - | - | $7 | - | $7 |
| Sponsor 21 | - | - | $0 | - | $0 |
| **Totals** | **$2,730** | **$6,537** | **$2,757** | **$1,903** | **$13,927** |

* Except for Sponsor 3, we did not disallow meals during the meal service observations due to sponsors agreeing to correct meal count documentation and claim only reimbursable meals.
† Sponsors with $0 in questioned costs indicate that the review found that the sponsor underclaimed meals.
‡ All questioned costs are payments made during the period July 1, 2019, through September 30, 2019.

This finding, in conjunction with Finding 2019-021, resulted in total known federal questioned costs exceeding $25,000 for federal programs that were audited as major programs. 2 CFR 200.516(a)(3) requires us to report known questioned costs greater than $25,000 for a type of compliance requirement for a major program.

According to 2 CFR 200.84, questioned costs are costs an auditor questions because the costs either (a) resulted from a violation or possible violation of federal requirements, (b) were not supported by adequate documentation, or (c) were unreasonable.

**Recommendation**

The Commissioner and the Director of Operations for the Child and Adult Care Food Program (CACFP) and SFSP should ensure that both DHS and its subrecipients comply with the federal requirements. DHS should initiate the process to remove any sponsors claiming meals for reimbursement when they do not in fact serve meals to children. The Director of Operations for CACFP and SFSP should develop stronger preventive and detective controls over SFSP. These controls should ensure that all sponsors follow federal guidelines when serving meals and claiming meals on their meal reimbursements.

If subrecipients continue violating program guidelines, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.207 and 200.338.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur in part.

The department's costs to administer and monitor the Food Programs are reasonable and prudent and our efforts are in material compliance with federal requirements. The department remains at the will of the legislature should a decision be made to spend additional state dollars and monitor this program above the requirements of the federal law.

The state auditors indicated that "the serious deficiency process has its weaknesses." We concur that this process has weaknesses; however the department is federally required to follow the serious deficiency process as outlined in 7 CFR 225 and *USDA Summer Food Service Program State Agency Monitor Guide (2017).* Management is acting in accordance with the *USDA Summer Food Service Program State Agency Monitor Guide (2017)* Part 8: Corrective Action, Serious Deficiency, and Termination. "The serious deficiency process of SFSP was established to ensure compliance with USDA FNS regulations and guidance and to protect Program integrity…by allowing State agencies a process in which sponsors that have not corrected non-compliance issues may be terminated for cause in accordance with Federal regulations." (2017, p. 59)

When a sponsor fails to implement timely corrective action to correct serious deficiencies cited the State agency must proceed with termination of the sponsor's Program agreement as specified in SFSP regulations. However, the State agency must provide the sponsor with a reasonable opportunity to correct problems before termination. If an acceptable corrective action plan is received and during a follow up visit it appears that the sponsor has permanently corrected the finding, a temporary deferral of the serious deficiency is given. If, in the future, it is discovered that the sponsor failed to permanently correct the serious deficiency the sponsor's agreement is terminated.

The state auditors stated that they believe that sponsors, "continue to submit corrective action plans year after year but either are unable to correct noncompliance issues or have no real intent to correct noncompliance issues." The department is not able to base program denials off perceived intent of a program sponsor. As stated above, if an acceptable corrective action plan is received the state agency must defer the serious deficiency and cannot use this as grounds for denial of an application.

When a sponsor is denied, they must be provided information required by the governing federal law of their right to obtain a hearing. Upon request of a hearing, the Hearing Official then reviews the evidence and makes a final decision regarding continued participation. If a request for a hearing is not received in timely manner the sponsor's participation is terminated. The only exception to the procedure is due to evidence of immediate health and/or safety of the children whereas immediate termination is warranted.

The department is committed to the success and federal compliance of our SFSP sponsors. The department will continue to provide technical assistance and training to the sponsors in question and monitor sponsors in accordance with the federal regulations. It is the responsibility of the sponsors to serve meals in compliance with the federal regulations, and the department will continue to support this responsibility and act accordingly when compliance with the federal regulations is not upheld.

**Condition A:** *Meal Service Noncompliance*

We concur in part.

We agree that meal service noncompliance occurs in the SFSP program, as it is one of the frequent issues identified in the department's monitoring process. The department monitored 9 of the 15 sponsors identified in this condition. Out of the 9 monitored sponsors, the department noted the same or similar instances of noncompliance in 7 of the issued reports and the sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. The department's monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection.

We do not concur with the identified noncompliance for the remaining 2 monitored sponsors. The department monitored Sponsor 5 and Sponsor 7 during the same timeframe and was provided signed meal count forms for the sites and days in question. These sponsors and sites do not have any other identified issues and, therefore, have complied with the federal regulations.

**Condition B:** *Incorrect Number of Meals Claimed for the Day of Our Meal Service Observations and Attempted Observations*

We concur in part.

We concur that inconsistencies between observed meals and claimed meals occur in the SFSP program, as it is one of the issues identified in the department's monitoring process. The department monitored 4 of the 7 sponsors identified in table 4 of this condition and monitored both sponsors identified in table 5 of this condition. The department noted the same or similar instances of noncompliance in the issued reports for all 4 monitored sponsors identified in table 4 and both sponsors identified in table 5. The sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. The department's monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection.

**Condition C:** *Meal Reimbursement Documentation Was Inaccurate for the Month of Our Meal Service Observations and Attempted Observations*

We concur in part.

We concur that inaccurate meal reimbursement documentation occurs in the SFSP program, as it is one of the issues identified in the department's monitoring process. The department monitored 11 of the 16 sponsors identified in this condition. Out of the 11 monitored sponsors, the department noted the similar instances of noncompliance in 10 of the issued reports, and the sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment. The department's monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection.

We do not concur with the identified noncompliance for the remaining monitored sponsor, as the identified inaccuracy in the meal reimbursement documentation was that the sponsor did not claim enough meals. There are no federal regulations that require a sponsor to claim all eligible meals and including underclaimed meals in a finding of sponsor noncompliance is disingenuous. It is important to note that 12 of the 16 claims identified resulted in questioned costs that are below the state's threshold for collection.

**Condition D:** *No Daily Point-of-Service Meal Count Form*

We concur.

The department monitored this sponsor and noted similar issues in the monitoring report. The sponsor has subsequently submitted corrective action addressing the issue and returned the identified overpayment.

**Condition E:** *Risk Assessment*

The department conducts the required annual *Financial Integrity Act Risk Assessment* within the state adopted Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework including the optional toolkit forms provided by the Department of Finance and Administration.

The forms are a management tool used to document significant organizational risks and key internal controls to mitigate risks within management's risk tolerance. Management determines the effectiveness of its own controls and its risk tolerance. If risks are not sufficiently mitigated, management can implement a plan of action to modify or create new internal controls. In cases where the inherent risk cannot be sufficiently mitigated by the department's internal controls alone, for example, regulatory restraints or dependency on other organizations, management can only accept or avoid the risk.

**Auditor's Comment**

In addition to this finding and as noted in findings 2019-017, 2019-018, and 2019-021, DHS's monitoring activities and efforts do not include sufficient next steps to address sponsors exhibiting fraud risk patterns and/or that submit meal claims when meals are not served. As a result, management continues to pay sponsors for meals served in violation of program requirements and, in some cases, for meals not served at all.

*Condition A*

After the meal service observation was completed, Sponsors 5 and 7 did not appropriately sign the meal count forms. When we discussed our observation results and the deficiencies we noted with Sponsors 5 and 7, they subsequently signed the forms. Had we not informed them of the deficiency the meal count forms would not have been signed when monitors arrived. The sponsors must comply without prompting from either auditors or monitors.

*Condition C*

Title 7, *Code of Federal Regulations* (CFR), Part 225, Section 9(d) states that in submitting a claim for reimbursement, each sponsor shall certify that the claim is correct and that records are available to support this claim. Therefore, inaccurate claim reporting of meals served—both underclaimed and overclaimed—violate program requirements. Additionally, DHS management seems to suggest that auditors should not take issue with sponsors that underclaim meals; however, Audit Services' monitors included underclaimed meals as errors in their monitoring reports.

The department's threshold for collecting overpayments from sponsors has no relevance to the auditor's determination of questioned costs. 2 CFR 200.84 defines questioned costs as costs an auditor questions because the costs either (a) resulted from a violation or possible violation of federal requirements, (b) were not supported by adequate documentation, or (c) were unreasonable. Once an auditor reports questioned costs based on the audit, the federal grantor then determines whether these costs are disallowed and what amounts should be recovered. Also 2 CFR 200.516(a)(3) requires us to report likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. Because we have identified a total of $318,657 in questioned costs related to the Allowable Costs/Cost Principles compliance requirement, we are bound by the federal regulations to report these costs in our Single Audit report.

| | |
|---|---|
| **Finding Number** | 2019-023 |
| **CFDA Number** | 84.126 |
| **Program Name** | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | H126A180063 and H126A190063 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Repeat Finding** | 2018-023 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the second year in a row, the Department of Human Services did not expend the required 15% of the 2018 Vocational Rehabilitation grant award for pre-employment transition services**

**Background**

The U.S. Department of Education provides Vocational Rehabilitation grants to assist states with operating comprehensive Vocational Rehabilitation programs to help individuals with disabilities gain, maintain, or return to employment. In Tennessee, the Department of Human Services (DHS) administers Vocational Rehabilitation through its Division of Rehabilitation Services. As part of administering Vocational Rehabilitation grants, Title 34, *Code of Federal Regulations* (CFR), Part 361, Section 65(a)(3)(i), requires DHS to reserve at least 15% of its allotted grant award to provide pre-employment transition services (Pre-ETS). For the federal fiscal year 2018,[41] DHS received a grant award of $59,511,955 from the federal government, which meant management needed to reserve and expend $8,926,793.25 to provide Pre-ETS in order to comply with the federal compliance requirement for matching, level of effort, and earmarking.

DHS, in collaboration with local educational agencies, must use these funds to provide or arrange for the provision of Pre-ETS to disabled students. DHS must ensure these services are available statewide for all students with disabilities, regardless of whether the student has applied or been determined eligible for Vocational Rehabilitation services. Requirements in 34 CFR 361.48(a)(2) specify these services, including the following:

(i) Job exploration counseling;

(ii) Work-based learning experiences, which may include in-school or after school opportunities, or experience outside the traditional school setting

[41] The federal fiscal year is the accounting period for the federal government. It begins on October 1 and ends on September 30. The fiscal year is appointed by the calendar year in which it ends. The 2018 federal fiscal year period was October 1, 2017, through September 30, 2018.

(including internships), that is provided in an integrated environment in the community to the maximum extent possible;

(iii) Counseling on opportunities for enrollment in comprehensive transition or postsecondary educational programs at institutions of higher education;

(iv) Workplace readiness training to develop social skills and independent living; and

(v) Instruction in self-advocacy . . . which may include peer mentoring.

Federal guidance also specifies that administrative expenditures are allowable under the Vocational Rehabilitation grant, but DHS cannot classify administrative expenditures as Pre-ETS expenditures. The Department of Finance and Administration (F&A) is responsible for performing all fiscal-related duties on behalf of DHS. A Controller is assigned to oversee DHS's fiscal-related duties.

**Condition**

In the 2018 Single Audit, we reported that DHS expended only $2,384,385 from the 2017 grant award to provide Pre-ETS, which was less than the 15% requirement. This year, to verify that DHS met the earmarking requirement for Pre-ETS, we determined the total 2018 grant award[42] expenditures as of the end of our audit period and calculated the percentage expended for providing Pre-ETS. For the 2018 grant award, DHS expended approximately $47.6 million of the $59.5 million awarded as of June 30, 2019.[43] Therefore, DHS was required to spend $7,137,985 for Pre-ETS. Based on our testwork, we found that DHS only expended $1,412,102 for Pre-ETS, which is approximately 3% of the total amount of grant fund expenditures and $5,725,883 less than the 15% requirement. Without a properly designed and implemented control, management failed to spend the required amount of funds on Pre-ETS activities.

Risk Assessment

We reviewed DHS's and F&A's December 2018 Financial Integrity Act Risk Assessment for DHS operations and determined that management did not identify the risk of noncompliance with earmarking and a mitigating control.

**Criteria**

Regarding the use of Pre-ETS funds, 34 CFR 361.65(a)(3)(i) states,

> Pursuant to section 110(d) of the Act, the State must reserve at least 15 percent of the State's allotment, received in accordance with section 110(a) of the Act for the

[42] We did not perform this calculation for the 2019 grant award, as federal fiscal year 2019 did not end until after the audit period, so DHS still had time available to expend Pre-ETS funds under the 2018 grant award.

[43] The 2018 grant's carry-over period ended September 30, 2019. Since the majority of the grant would have been expended by the end of our audit period (June 30, 2019), we obtained the final 2018 SF-425 financial report that DHS submitted for the period ending September 30, 2019, and verified that DHS did not report any significant change in expenditures compared to June 30, 2019.

> provision of pre-employment transition services, as described in §361.48(a) of this part.

In addition, 34 CFR 361.48(a) states,

> Each State must ensure that the designated State unit, in collaboration with the local educational agencies involved, provide, or arrange for the provision of, pre-employment transition services for all students with disabilities, as defined in §361.5(c)(51), in need of such services, without regard to the type of disability, from Federal funds reserved in accordance with §361.65, and any funds made available from State, local, or private funding sources.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Cause

According to program management, DHS has put processes in place to meet the earmarking requirements going forward. Management stated, however, that they focused this effort on the funding beginning with the 2019 federal grant. Therefore, management did not focus on the 2018 grant, resulting in the deficient level of spending of earmarked funds for our audit period.

## Effect

By not expending earmarked funds as required, DHS increases the risk that Tennessee students eligible to receive Pre-ETS services will not receive services that could help them pursue opportunities to live more independently, including jobs and higher education.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. According to 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions,"

> 1. Requiring payments as reimbursements rather than advance payments;
> 2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
> 3. Requiring additional, more detailed financial reports;
> 4. Requiring additional project monitoring;

5. Requiring the non-Federal entity to obtain technical or management assistance; or
6. Establishing additional prior approvals.

Also, 2 CFR 200.338 states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> a. Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
> b. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
> c. Wholly or partly suspend or terminate the Federal award.
> d. Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
> e. Withhold further Federal awards for the project or program.
> f. Take other remedies that may be legally available.

**Recommendation**

The Commissioner of DHS should ensure that Vocational Rehabilitation program management and staff continue to focus their efforts on increasing Pre-ETS spending to provide more services to disabled students in Tennessee.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur.

The department has continued to earmark the required 15% through its budgeting processes with the department's budget team while continuing to focus on increased availability and improved controls for managing high-quality services through partner contracts with Local Education Agencies and community rehabilitation providers. As part of those efforts, the department shifted most Vocational Rehabilitation (VR) contracts from state fiscal year to federal fiscal year terms in order to better manage the disbursement of those funds in alignment with the federal funding award year. Prior to the shift, contracts for services, including pre-employment transition services (Pre-ETS), were liquidated in association with the previous federal award year because that was the year in which they were obligated when contracts were executed within the standard state fiscal year cycle. That shift, which began October 1, 2018, contributed to the condition described in this finding which may make it appear that the program was not expending funds or providing the level of service experienced in the previous year. In fact, not only did the program continue to provide Pre-ETS services to students with disabilities, the number of providers increased during the test period with an increased emphasis on finding providers to better serve distressed counties. As a result, the earmarking and expenditures will now be more accurately reflected with full obligations and expenditures within the federal fiscal award year. Management is committed to continued growth and availability of Pre-ETS services and will continue to monitor and adjust as needed to achieve full compliance.

| | |
|---|---|
| **Finding Number** | 2019-024 |
| **CFDA Number** | 84.126 |
| **Program Name** | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | H126A180063 and H126A190063 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Material Weakness – Matching, Level of Effort, Earmarking<br>Significant Deficiency - Reporting<br>Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking<br>Reporting |
| **Repeat Finding** | 2018-024 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the fifth year, fiscal staff for the Department of Human Services did not comply with financial reporting requirements for the Vocational Rehabilitation Grants to States program and did not ensure compliance with maintenance of effort requirements**

**Background**

The U.S. Department of Education's Rehabilitation Services Administration (RSA) provides Vocational Rehabilitation grants to assist states in operating comprehensive vocational rehabilitation programs to help individuals with disabilities gain, maintain, or return to employment. In Tennessee, Vocational Rehabilitation is administered by the Department of Human Services (DHS) through its Division of Rehabilitation Services. The Department of Finance and Administration (F&A) is responsible for performing all fiscal-related duties on behalf of DHS, including submitting financial reports to RSA. A Controller is assigned to oversee DHS's fiscal-related duties. As part of the grant's requirements, the state matches the federal funds by using state and other non-federal funds, such as funds from local governments and donations, to pay 21.3% of all Vocational Rehabilitation expenditures. Fiscal staff draw down federal Vocational Rehabilitation funds using the U.S. Department of Education's G5 grants management system.

DHS is required to file a federal financial report, the SF-425 report, semi-annually for each federal fiscal year's Vocational Rehabilitation grant. The semi-annual reporting periods are April 1 through September 30 and October 1 through March 31. Reports are generally due to RSA 45 days after the reporting period ends.

Once it receives the SF-425 reports, RSA reviews DHS's reports and makes the following determinations:

- whether DHS is permitted to carry over Vocational Rehabilitation funds into the next federal fiscal year,
- if DHS must return any unobligated federal program income to RSA, and
- if DHS complied with various compliance requirements.

General Reporting Requirements

*Obligations*

RSA requires grantees (in this case, DHS) to track and report the amounts and funding sources of obligations.[44] In addition, DHS must track these obligations by obligation date and by status (unliquidated or liquidated).[45]

RSA requires DHS to complete a separate SF-425 report for each federal Vocational Rehabilitation grant award until each award's period of performance ends;[46] therefore, if DHS carries over federal Vocational Rehabilitation funds into the subsequent federal fiscal year, it must submit two SF-425 reports for each reporting period in the subsequent federal fiscal year.

*Prior Audits*

During the 2015 Single Audit, we identified several critical deficiencies in DHS's preparation of Vocational Rehabilitation SF-425 federal financial reports. Specifically, we found that management did not ensure that DHS's financial management systems were sufficient to permit the preparation of the SF-425 reports and that fiscal staff did not ensure that the reports were complete and accurate. In accordance with federal regulations, DHS entered into a corrective action plan with RSA during the 2015 audit period to correct the SF-425 reporting deficiencies.

As part of the corrective action plan with RSA, during the 2017 Single Audit, we found that DHS had made improvements to the reporting processes, including

- creating a reporting policy,
- correcting accounting records,
- modifying accounting systems to track required information, and
- improving review and control processes.

In addition, under the corrective action plan with RSA, DHS completed or revised SF-425 reports for the 2014 to 2017 grant awards during the 2018 Single Audit scope period. Despite

[44] Obligations are the amounts of orders placed; contracts and subgrants awarded; goods and services received; and similar transactions during a given period that will require payment by the grantee during the same or a future period.
[45] For reports prepared on an accrued expenditure basis, federal regulations require obligations to be classified as unliquidated when the corresponding expenditure for the obligation has not yet been recorded.
[46] The period of performance is the time during which the non-federal entity may incur new obligations to carry out the work authorized under the federal award.

these corrective steps, fiscal management still did not ensure that the required SF-425 reports were accurately prepared during the 2018 Single Audit. At the time of our prior audit fieldwork in fall 2018, we also found that management did not ensure they met the program's maintenance of effort requirements.[47] Management concurred with the prior audit finding and stated that they were in the process of enhancing the reporting unit, including educating staff on the proper manner of calculating and reporting unliquidated obligations as well as increasing the emphasis on training staff as it relates to reporting requirements and maintenance of effort thresholds. Management stated that they expected these enhancements to be completed on or about June 30, 2019.

During the current audit period, we tested the semi-annual SF-425 report for the period ended March 31, 2019, for the federal fiscal years 2018 and 2019 grant awards. We also analyzed DHS's state maintenance of effort expenditures to ensure DHS complied with maintenance of effort requirements. We found that, for the current period, fiscal management had not yet corrected the prior audit finding related to accurately preparing the required SF-425 reports or meeting the maintenance of effort requirement (see Condition). Management still improperly reported unliquidated obligations (by either overstating or understating the grant obligations); however, these errors were less material than the previous year.

**<u>Condition and Cause</u>**

<u>Controls Over the Reporting Process Were Inadequate, Resulting in Fiscal Staff Misreporting Three Lines on Two Reports by Improperly Including Transactions</u>

During our testwork, we noted that the controls over the reporting process did not ensure that DHS properly reported accurate information related to certain lines of the submitted SF-425 reports. Fiscal staff incorrectly calculated the amount of unliquidated obligations reported on lines 10f, 10j, and 12d on the March 31, 2019, reports for both the 2018 and 2019 federal grants. For lines 10j and 12d on the 2018 grant report, DHS staff inadvertently entered the wrong fiscal information for the report line item. For line 10f on the 2018 grant report, and lines 10f, 10j, 12d on the 2019 grant report, DHS included transactions that occurred after the reporting period and thus should not have been included.

Based on our understanding of DHS's report preparation procedures and its internal instructions, fiscal staff include expenditure transactions occurring during the 15-day period subsequent to the end of the grant reporting period as unliquidated obligations because fiscal management have determined that expenditures during this 15-day period related to grant obligations that originated during the reporting period. We found, however, that fiscal staff included expenditure transactions occurring subsequent to April 15, 2019, as evidenced by the queries used to compile information for the report. These errors resulted in the variances shown in **Tables 1** and **2.** When we discussed these errors with management, they stated that the report's preparer likely just made a mistake. The Fiscal Director acknowledged the instructions but stated that

[47] Maintenance of effort refers to the requirement that states demonstrate that state funding contributed to federally funded programs remains consistent based on criteria determined by the grantor agency.

management would reevaluate the 15-day period since this practice was put into place before he became responsible for the report.

**Table 1**
**Report Lines Calculated Incorrectly**
**Federal Grant Year 2018, Period Ending March 31, 2019**

| Report Line | Line Description | Reported Amount | State Audit Calculations | Amount Overstated/ (Understated) |
|---|---|---|---|---|
| 10f | Federal Share of Unliquidated Obligations | $64,191 | $31,953 | $32,238 |
| 10j | Recipient Share of Expenditures | $13,482,746 | $13,137,993 | $344,753 |
| 12d | Recipient Share of Unliquidated Obligations | $353,401 | $8,648 | $344,753 |

**Table 2**
**Report Lines Calculated Incorrectly**
**Federal Grant Year 2019, Period Ending March 31, 2019**

| Report Line | Line Description | Reported Amount | State Audit Calculations | Amount Overstated/ (Understated) |
|---|---|---|---|---|
| 10f | Federal Share of Unliquidated Obligations | $1,142,598 | $1,065,463 | $77,135 |
| 10j | Recipient Share of Expenditures | $6,760,247 | $6,789,511 | ($29,264) |
| 12d | Recipient Share of Unliquidated Obligations | $221,245 | $250,509 | ($29,264) |

Inadequate Controls and Noncompliance Related to Maintenance of Effort Requirements

DHS is required to spend at least as much in non-federal expenditures as it spent two years prior. For instance, DHS should have expended as much in non-federal expenditures in 2018 as it did in 2016. If DHS does not meet this requirement, regulations require RSA to reduce the subsequent grant award by the deficit. DHS reports its maintenance of effort expenditures on the SF-425 report, line 10j, Recipient Share of Expenditures.

We found that DHS was not meeting its maintenance of effort requirements for grant year 2018 as of the March 31, 2019, report (the latest report submitted during our audit period). Although the 2018 grant was still open until September 30, 2019, the deficit as of March 31, 2019, was over $1 million. We obtained the 2018 grant's final report, submitted September 30, 2019, (subsequent to our audit period), and noted that there had been no substantial change in the deficit.

Additionally, when testing the maintenance of effort, we also examined lines 10j and 12d on the September 30, 2018, report for grant year 2018. We found that DHS had also reported these lines inaccurately by including expenditure transactions occurring beyond the reporting period (and after the recognized 15-day period described earlier), similar to the inaccuracies noted on the March 31, 2019, report. Fiscal staff also introduced reporting errors when they relied on a Procurement Budgetary Activity Report, extracted from the state's accounting system, to determine the remaining amount of outstanding purchase orders. This is a real-time report that shows obligation amounts by purchase order, liquidations for each purchase order as of the date of the report, and the remaining unobligated amount. Since this report does not automatically classify the purchase orders between state and federal expenditures, the accountant preparing the report must do so. We found that the accountant misclassified several of these expenditures, which also contributed to lines 10j and 12d being inaccurate.

Given the failure to properly meet and report the maintenance of effort, RSA was unable to reduce the 2019 grant by the appropriate deficit.

Based on our discussion with the Fiscal Director, fiscal management now has an internal control in place to monitor its progress in meeting the required maintenance of effort. But this control was not implemented during the audit period. Additionally, the Fiscal Director and Controller said that the required amount of maintenance of effort had changed because DHS had to resubmit prior-year reports due to prior audit findings. As a result, they may not have known the exact amount to meet until the 2018 grant was well underway.

Risk Assessment

We reviewed DHS's and F&A's December 2018 Financial Integrity Act Risk Assessment for DHS operations and determined that management listed the risk of incorrect reporting; however, management did not have an effective control to mitigate its risk.

We reviewed DHS's and F&A's December 2018 Financial Integrity Act Risk Assessment for DHS operations and determined that management did not identify the risk of noncompliance with maintenance of effort and a mitigating control.

**Criteria**

According to RSA Policy Directive 15-05,

> RSA uses the SF-425 data to monitor the financial status of the VR [Vocational Rehabilitation] program and to assess grantee compliance with the fiscal requirements contained in the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by the Workforce Innovation and Opportunity Act (WIOA). Therefore, the reports must be accurate and submitted timely. VR grantees must submit completed SF-425 reports on a semi-annual basis. The end dates for each reporting period in a fiscal year are 3/31 and 9/30.

According to Policy Directive 15-05 for line 10f, Federal Share of Unliquidated Obligations,

> Enter the Federal portion of unliquidated obligations incurred by the grantee. Unliquidated obligations include direct and indirect expenses for goods and services incurred by the grantee, but not yet paid or charged to the VR grant award, including amounts due to contractors/vendors. When submitting a final SF-425 report, this line should be zero.

According to Policy Directive 15-05 for line 10j, Recipient Share of Expenditures,

> Enter the total amount of non-Federal VR expenditures incurred for the reporting period. This amount must include the grantee's non-Federal share of actual cash disbursements or outlays (less any rebates, refunds, or other credits), including payments to contractors, the grantee's non-Federal share of unliquidated obligations (reported separately on line 12d – Remarks), and the Non-Federal Share of Expenditures for the Establishment or Construction of Facilities for Community Rehabilitation Program (CRP) Purposes as reported on line 12a.

According to Policy Directive 15-05 for line 12d, Recipient Share of Unliquidated Obligations,

> Enter that portion of unpaid obligations to be paid with non-Federal funds meeting the requirements in 34 CFR [*Code of Federal Regulations*] 361.60(b). This amount is also included in the amount reported on line 10j.

Based on our review of Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 303(a), DHS must

> Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

According to question seven of RSA's "Period of Performance for Formula Grant Awards FAQs," dated March 21, 2017,

> All expenditures incurred against an obligation must be tracked and reported by the States in terms of when the obligation was incurred, not when the liquidation occurs. For example, if a State enters into a contract in FFY [federal fiscal year] 2016 for the provision of services under the VR program, thereby constituting an obligation for purposes of 34 CFR 76.707 for FFY 2016, but many of the invoices submitted by the contractor for payment will be submitted to the State agency during FFY 2017, the State VR agency must report those expenditures (i.e., liquidation of the obligations) on its SF-425s for FFY 2016, not FFY 2017 when the payments were made.

According to 34 CFR 361.62(a),

> The Secretary reduces the amount otherwise payable to a State for any fiscal year by the amount by which the total expenditures from non-Federal sources under the vocational rehabilitation services portion of the Unified or Combined State Plan for any previous fiscal year were less than the total of those expenditures for the fiscal year two years prior to that previous fiscal year.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Effect**

Without accurate financial reporting, neither the state nor the federal awarding agency can make appropriate programmatic decisions based on the contents of reports. As stated above, federal expenditures may be reduced by the amount by which the state does not meet its maintenance of effort.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Section 200.207, "Specific conditions":

(1) Requiring payments as reimbursements rather than advance payments;

(2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;

(3) Requiring additional, more detailed financial reports;

(4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

Furthermore, 2 CFR 200.338 also states,

> If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend or terminate the Federal award.

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

**Recommendation**

The Department of Finance and Administration's Controller for DHS fiscal activities should ensure that the Fiscal Director and fiscal staff are adequately trained on reporting requirements for Vocational Rehabilitation, including RSA's instructions for report preparation, Vocational Rehabilitation regulations, Uniform Administrative Guidance, and the terms and conditions of the grant award. The Controller should implement internal controls for Vocational Rehabilitation financial reporting to provide for complete, accurate report submissions. This should include requiring fiscal staff to review records to ensure that reports include all relevant financial activity and that the activity has actually occurred in the period reported. If there is no evidence demonstrating the transaction occurred during the reporting period, the transaction should not be included in a report.

The Controller should also ensure that controls are in place and effective to ensure staff accurately calculate and monitor maintenance of effort expenditures.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur.

The Department of Finance and Administration, which staffs the Department of Human Services accounting office, continues to enhance the financial reporting unit. These enhancements include, but are not limited to:

- Increasing staff training for Vocational Rehabilitation's reporting requirements and documentation of the calculation of maintenance of effort thresholds;
- Incorporating multiple reviews of the report data prior to report submission;
- Educating the reporting staff on the proper manner of calculating and reporting unliquidated obligations, including proper documentation of cut-off procedures; and
- Developing and utilizing reporting tools, for example, queries and step by step instructions, to assist at arriving at the amounts to be reported.

The enhancements are expected to be completed by June 30, 2020.

Prior to September 30, 2020, significant Enterprise Risk Management Activities of the accounting office will be reviewed and updated to ensure inherent and residual risks related to reporting inaccurate information on federal reports have been appropriately evaluated and documented. In addition, identified control activities will be added or modified and monitored as needed to ensure that theses controls are operating effectively and do not deteriorate over time. Management Action Plans will also be created for any control activities that are operating beyond management's risk tolerance.

| | |
|---|---|
| **Finding Number** | 2019-025 |
| **CFDA Number** | 93.575 and 93.596 |
| **Program Name** | Child Care and Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 1201TNCCDF, 1601TNCCDF, 1701TNCCDF, 1801TNCCDF, and 1901TNCCDF |
| **Federal Award Year** | 2012 and 2016 through 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Repeat Finding** | 2018-026 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $4,085 |

**As noted in the three prior audits, the Department of Human Services did not ensure that child care providers maintained adequate documentation of child care services or that a contractor's expenditures were reasonable, and fiscal services staff did not ensure that providers were reimbursed accurately, resulting in $4,085 of federal questioned costs**

Background and Current Process

The Department of Human Services (DHS) is permitted to use the federal Child Care and Development Fund (CCDF) to fund its Child Care Certificate Program, which provides child care assistance to low-income families to allow them to work and/or attend school, and to promote the physical, emotional, educational, and social development of children. DHS's Family Assistance and Child Care Services staff are responsible for determining children's eligibility for child care services. Parents receiving assistance through the Child Care Certificate Program may enroll their children in any child care provider of their choice. In order to receive payments for child care services through the Child Care Certificate Program, the providers must sign a provider agreement and comply with the program's requirements,

Child Care Provider Payment Process

Child care providers must submit Enrollment Attendance Verification (EAV)[48] forms (electronically or via mail) in order to receive payment for child care services. Providers are paid the weekly rates determined by DHS, depending on various factors such as

- the child's age,
- the type of child care facility,
- the provider's location within the state,
- whether the child care is full- or part-time,

[48] EAV forms provide documentation of enrollment and attendance status for each child enrolled in the program.

- the child’s school enrollment, and
- the provider’s participation in the star-quality rating program.

DHS pays providers a higher reimbursement rate for younger children, who require longer hours of child care, and for school-age children when school is not in session (including holidays). DHS also supports the providers’ fixed costs of child care services by providing full payment even if a child is absent, up to five absences each month. Once the absence allowance is met, DHS only pays the providers based on the actual number of days they provided child care services each month.

When providers submit EAV forms, fiscal services staff pay the providers based on each child’s daily rate and the number of days the child received child care services.

DHS’s Oversight of Federal Award Activities

DHS is responsible for overseeing the operations of the federal award and must monitor providers’ activities to assure compliance with federal requirements and performance expectations, as stated in Title 45, *Code of Federal Regulations* (CFR), Part 75, Section 342. DHS’s oversight includes local office staff, fiscal staff assigned to DHS from the Department of Finance and Administration, and Audit Services staff.

The local DHS office staff are responsible for updating all school district calendars (noting which days schools are in session, out of session, or out for holidays) and loading the providers’ rates (which are established for each eligible child) in the child care information system. Based on this data, the system generates provider payments for child care services provided.

Upon receipt of a provider’s EAV, fiscal staff review the EAV for reasonableness and irregularities before approving the provider’s reimbursement. As support for the EAVs, DHS requires each provider to maintain at its location the attendance documentation (sign-in/sign-out sheets) for the past five years.

DHS’s Provider Monitoring Activities

DHS’s Audit Services staff are responsible for monitoring child care providers to ensure they comply with the terms of the provider agreement and with federal and state rules and regulations. As part of their monitoring activities, Audit Services staff compare providers’ EAVs to their attendance documentation (sign-in/sign-out sheets). Audit Services staff question a provider’s reimbursed costs when they identify differences between the attendance documentation and the EAV and/or when the provider has not maintained the required documentation.

Other CCDF Program Responsibilities

DHS is also responsible for planning and administering child care quality improvement activities for the CCDF program. DHS contracts with various agencies, Tennessee higher education entities, and state departments to provide training and technical assistance to parents, caregivers, and child care providers. CCDF program staff are responsible for monitoring the contractors to ensure they comply with the terms and conditions of agreements.

Prior Audit Finding Follow-up

The prior audit determined that DHS management had not ensured that child care providers had adequately documented their services and, therefore, we questioned federal costs. DHS management concurred that the costs noted in the prior audit finding were not allowable and mentioned the child care licensing and certificate staff's efforts during their on-site visits to monitor the compliance of providers with documentation requirements. Management's comments did not address whether it considered these monitoring efforts sufficient to ensure that providers were compliant. Moreover, management did not include any new actions relative to the lack of documentation, other than to recover the questioned costs noted in the prior finding.

**Condition and Criteria**

To determine if management followed program requirements, including whether management's monitoring of providers was effective, we tested a nonstatistical, random sample of 55[49] child care expenditures from July 1, 2018, to June 30, 2019, totaling $1,830,281, from a population of 87,909 transactions, totaling $110,475,200. We requested attendance documentation from the child care providers and supporting documentation from contractors to support child-care-related costs. Based on our testwork, for 14 of 55 expenditures tested (25%), we noted that DHS did not ensure that child care providers maintained adequate documentation of child care services and did not ensure that 1 contractor's expenditures were reasonable. In addition, fiscal services staff did not accurately reimburse providers.

Provider Conditions

*Child Care Providers Did Not Maintain Attendance Documentation*

Based on our testwork, for 2 of 14 errors noted, CCDF staff did not ensure the providers maintained attendance documentation to support the providers' requests for reimbursement for services, as required by federal regulations. The providers did not provide attendance documentation when requested to support the reimbursements for child care costs they received. We questioned $373 in federal funds for providers' and DHS's lack of documentation.

According to 45 CFR 98.90,

> (d)(1) Lead Agencies and subgrantees shall retain all CCDF records, as specified in paragraph (c) of this section, and any other records of Lead Agencies and subgrantees that are needed to substantiate compliance with CCDF requirements, for the period of time specified in paragraph (e) of this section. . . .
>
> (e) *Length of retention period.* (1) Except as provided in paragraph (e)(2) of this section, records specified in paragraph (c) of this section shall be retained for three years from the day the Lead Agency or subgrantee submits the Financial Reports required by the Secretary, pursuant to §98.65(g), for the program period.

[49] Our sample of 55 included 43 direct child care provider payments, 10 expenditures other than for direct child care, and 2 payments to a contractor.

In addition, Section A.7 of the contractor agreement states,

> The Provider (Contractor) shall immediately make available upon request by the Department, the Comptroller of the Treasury, or any federal agency any documentation related to any payments made by the State or Federal government for the care of children enrolled in the Child Care Certificate Program, up to a period of five (5) years

*Child Care Providers Did Not Maintain Adequate Attendance Documentation*

Based on our testwork, we found that for 9 of 14 errors noted, although the providers maintained some attendance documentation, it was not adequate to support the providers' reimbursement requests. Specifically, we noted the following problems with the attendance documentation:

- Providers reported children as present on the EAV, but the parents or other responsible individuals had not signed the children in and out on the attendance documentation.
- Providers reported children present on the EAV; however, the attendance documentation showed the children were absent.
- A provider did not report the child on the EAV at all.

We questioned a total of $3,514 in federal funds for the days for which the child care providers did not maintain adequate documentation to support child care services.

According to 45 CFR 98.67,

> (a) Lead agencies [DHS] shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.
>
> (b) Unless otherwise specified . . . contracts that entail the expenditure of CCDF funds shall comply with the laws and procedures generally applicable to expenditures by the contracting agency of its own funds.

In addition, Section A.7 of the provider agreement states,

> The Provider (Contractor) shall maintain documentation of daily attendance, hours and location of each child as required by the Department.
>
> a. The Provider shall document attendance by requiring each child to be signed in and out by an authorized person whose name is listed in the child's record. The authorized person shall not be an employee of the Provider unless such person is the child's legal guardian.
>
> b. The Provider understands and agrees that acceptable forms of documentation may include the following, but that the Department may, at its sole discretion, require different or additional form(s) of documentation of a child's daily attendance:

> A daily attendance (sign in and out) record of the printed and legal signature of each individual authorized to pick up and/or drop off the child must be maintained. Each child listed must be on separate lines. Parent/guardian and/or signatures of individuals authorized to pick up and/or drop off the child should be located in the child's file. Initials or nicknames are not acceptable as signatures on the attendance sheets/logs. If the Provider uses an electronic process, the signature, number or code should match the signature of the parent/guardian or approved individual located in the child's file. . . .
>
> e. The Provider further agrees that any failure to maintain such files at such location and to produce all such files immediately when requested by the Department or any other agency of the state or federal government may result in the denial of any and all payments for child care services for any children for whom payments may be or have been requested under this Contract.

<u>Contractor Condition</u>

*Contractor Charged Unreasonable Costs to DHS, Which Passed the Charges to the CCDF Grant*

Based on our testwork, 1 of 14 errors we noted for our expenditure testwork was for a contractor. The contractor's documentation did not support costs that were reasonable under CCDF regulations, and DHS's program staff did not review the contractor's supporting documentation for the expenditures before payment. Specifically, the costs did not relate to improving the quality of child care in Tennessee. These unreasonable charges included costs paid for a landline phone bill and internet charges for the contractor's Director of the Child Care Resource and Referral Center.

According to Section C.5(b)(1) of the contract between DHS and the contractor,

> An invoice under this Grant Contract shall include only reimbursement requests for actual, reasonable, and necessary expenditures required in the delivery of service described by this Grant Contract and shall be subject to the Grant Budget and any other provision of this Grant Contract relating to allowable reimbursements.

<u>Fiscal Services Staff Did Not Ensure That Providers Were Reimbursed Accurately</u>

Based on our testwork, for 2 of 14 errors we noted, fiscal services staff did not ensure that providers were reimbursed accurately. For both providers, we found that while the Account Technician reviewed the EAV that the provider submitted, staff did not discover the problem and reduce the number of days the child was absent according to the provider contract. Management stated that the problem was due to employee error and that additional training will be covered as needed during weekly team meetings. We questioned $43 in federal funds.

Section A.6 of the provider agreement states,

> The Provider (Contractor): May include on the attendance report a child's absence for routine illness or family needs up to five (5) days per month.

<u>Risk Assessment</u>

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of departmental noncompliance with program requirements as a risk; however, DHS did not have an effective control to mitigate its risk.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## <u>Cause</u>

DHS's process for ensuring compliance with federal regulations is not adequate to ensure child care providers maintain adequate documentation. Despite the repeated findings, management has relied solely on Audit Services staff's monitoring. Furthermore, DHS has not established a reliable process for reviewing contractor invoices. Despite this repeated finding, management has not ensured that program staff scrutinize specific contractor purchases in their reviews of contractor invoices. Under the contract, invoices to DHS only include budgetary classifications of expenses and do not include supporting documentation for the contractor's expenses other than travel. CCDF program staff only compared invoiced expenditures submitted for reimbursement to budgetary information to ensure that individual line items of the approved budget for the contractor were not exceeded.

## <u>Effect</u>

When DHS does not ensure child care providers maintain adequate and complete documentation, it cannot ensure that payments to child care providers are for actual services. DHS cannot be certain that program payments are reasonable without reviewing supporting documentation for contractor expenses. In addition, DHS cannot ensure that providers are reimbursed correctly without carefully reviewing provider documentation. Without effective controls to ensure compliance, DHS increases its risk of noncompliance, errors, fraud, waste, and abuse.

## <u>Questioned Costs</u>

We questioned federal costs of $4,085 charged to the CCDF program. Requirements in 2 CFR 200.516(a)(3) instruct us to report questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. See a summary of the known questioned costs in **Table 1**.

**Table 1**
**Summary of Federal Questioned Costs**

| Condition | Federal Questioned Costs |
|---|---|
| Child care providers did not maintain attendance documentation | $ 373 |
| Child care providers maintained inadequate attendance documentation | 3,514 |
| Contractor charged unreasonable costs to DHS, which passed the charges to the CCDF grant | 155 |
| Fiscal services staff did not ensure that providers were reimbursed accurately | 43 |
| **Total** | **$4,085** |

**Recommendation**

The Deputy Commissioner of Programs and Services should ensure that child care providers maintain sign-in/sign-out sheets in accordance with the provider agreements to support the services provided and that contractors only claim reasonable costs related to improving the quality of child care. The Deputy Commissioner should also ensure that staff improve training and communication of program requirements with providers and contractors. In addition, although DHS recouped costs from the contractor related to the prior audit finding, DHS should perform a financial review to determine the extent of unallowable costs that the contractor charged to the program. The Deputy Commissioner should consider requiring contractors to submit supporting documentation for invoiced expenses. The Deputy Commissioner of Operations should also ensure that fiscal services staff review EAVs before approving the provider's reimbursement to ensure payments are accurate. Furthermore, the Deputy Commissioner should reassess controls over the areas pointed out in this finding and document any mitigating controls implemented in DHS's risk assessment. Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

**Condition:**

*Child Care Providers Did Not Maintain Attendance Documentation*

We Concur.

The department required providers to maintain necessary attendance documentation. This requirement is enforced through child care licensing and certificate staff during their on-site visits. When a provider does not have required documentation, a demand letter is sent to that provider to recoup any reimbursements that are not supported by proper documentation. The department is exploring a new attendance tracking and payment processing system as part of child care modernization.

**Condition:**

*Child Care Providers Did Not Maintain Adequate Attendance Documentation*

We Concur.

The department required providers to maintain necessary attendance documentation. This requirement is enforced through child care licensing and certificate staff during their on-site visits. When a provider does not have required documentation, a demand letter is sent to that provider to recoup any reimbursements that are not supported by proper documentation. The department is exploring a new attendance tracking and payment processing system as part of child care modernization.

**Condition:**

*Contractor Charged Unreasonable Costs to DHS, Which Passed the Charges to the CCDF Grant*

We Concur.

The department requested and reviewed policy documentation from the contractor and determined the contractor's broad fiscal policies must be revised to meet CCDF reimbursement requirements. The department will review the revised fiscal policy to assure alignment with CCDF requirements and issue a management decision letter to the contractor to recover any disallowed costs before June 30, 2020.

**Condition:**

*Fiscal Services Staff Did Not Ensure That Providers Were Reimbursed Accurately*

We Concur.

The Department of Finance and Administration, which staffs the Department of Human Services accounting office, will implement a process to review and monitor Enrollment Attendance Verification payments for accuracy. Continuous training and discussion with staff related to the importance of accurate payments is ongoing.

Prior to September 30, 2020, the documentation of the Enterprise Risk Management Activities of the accounting office:

- Will be reviewed and updated to ensure inherent and residual risks related to identified provider reimbursement risks have been appropriately evaluated and documented. In addition, identified control activities will be added or modified and monitored as needed to ensure that these controls are operating effectively and do not deteriorate over time. Management Action Plans will also be created for any control activities that are operating beyond management's risk tolerance.

The department is also pursuing a new, automated attendance tracking and payment system, which would significantly decrease the risk of such provider errors.

**<u>Condition:</u>** *Risk Assessment*

The department conducts the annual *Financial Integrity Act Risk Assessment* within the state adopted Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework including the optional toolkit forms provided by the Department of Finance and Administration.

The forms are a management tool used to document significant organizational risks and key internal controls to mitigate risks within management's risk tolerance. Management determines the effectiveness of its own controls and its risk tolerance. If risks are not sufficiently mitigated, management can implement a plan of action to modify or create new internal controls. In cases where the inherent risk cannot be sufficiently mitigated by the Department's internal controls alone, for example, regulatory restraints or dependency on other organizations, management can only accept or avoid the risk.

| | |
|---|---|
| **Finding Number** | 2019-026 |
| **CFDA Number** | 93.575 |
| **Program Name** | Child Care and Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 1801TNCCDF |
| **Federal Award Year** | 2018 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | 2018-027 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $794,347 |

**As previously noted, the Department of Human Services did not follow eligibility requirements for the Child Care and Development Fund when claiming expenditures for the Read to be Ready Summer Camp Program, resulting in federal questioned costs of $794,347**

**Background**

The Child Care and Development Fund (CCDF) provides funds to states, territories, and Indian tribes to increase the availability, affordability, and quality of child care services. Funds are used to subsidize child care for low-income families with parents who are working or attending training or educational programs, as well as activities to promote overall child care quality for all children, regardless of subsidy receipt.

To be considered a child care quality activity, the expenditure must fall into one of several categories described in Title 45, *Code of Federal Regulations* (CFR), Part 98, Section 53. These categories include providing training and professional development for child care workers; providing technical assistance to eligible child care providers; improving the supply and quality of child care programs and services for infants and toddlers; and carrying out other activities to improve the quality of child care services provided.

For expenditures for child care services to be allowable, the services must be provided to eligible children. To be eligible, a child must

- reside with a family whose income and assets do not exceed certain thresholds;
- reside with a parent or parents who are working or attending a job training or educational program (or the child must receive or need to receive protective services); and
- meet certain age requirements.

In 2016, the Tennessee Department of Human Services (DHS), in conjunction with the Tennessee Department of Education, launched the Read to be Ready Summer Camp Program to support educator-led and literacy-based summer camps to help improve school-age students' reading skills. The camps ensure that all families and children have equitable access, and staff intentionally and responsively reach out when attendance is an issue. Home visits, translators, and supports are used to connect with and encourage families to participate.

In our prior audit, management provided an email from the Administration for Children and Families (ACF).[50] In the email the ACF questioned management about the educational "activities" of the camp and advised management that if the activities were direct services, then DHS must perform the CCDF-required eligibility determinations and collect the parent co-payments from parents, unless the ACF had waived this requirement through the DHS State Plan.[51] Without a definitive response from ACF, our position from our prior audit has not changed as described in the following condition.

**Condition, Cause, Effect**

As required by Uniform Guidance, we report that the department did not follow eligibility requirements for CCDF when claiming expenditures for the Read to be Ready Summer Camp Program, resulting in federal questioned costs of $794,347. Management could not provide any documentation used in the eligibility determination process or any federal waivers for eligibility determinations. When the department does not spend CCDF funds in compliance with federal requirements for direct services, management increases the risk that the federal awarding agency could request repayment or offset future grant awards by the entire amount of the questioned costs.

Management initiated corrective before the end of the audit period and began using the Temporary Assistance for Needy Families (TANF) program or state funds to cover the program costs as of January 1, 2019. Based on our review of 45 CFR 260, the use of TANF funds for the Read to be Ready program appears to be reasonable.

We are required by 2 CFR 200.516(a)(3) to report known questioned costs greater than $25,000 for a type of compliance requirement for a major program. DHS charged $794,347 of unallowable costs to the CCDF program in August 2018 before making the decision to change the funding source. ACF's September 2019 management decision to DHS management addresses final resolution of the 2017 Single Audit finding. According to 2 CFR 200.521 ACF is required to provide final resolution of finding 2018-027 and this finding in the future.

**Criteria**

According to 45 CFR 98.16(h) the CCDF State Plan must include, "A description and demonstration of eligibility determination and redetermination processes to promote continuity of care for children and stability for families receiving CCDF services."

[50] According to the ACF website (www.acf.hhs.gov/), "The Administration for Children and Families (ACF) is a division of the Department of Health & Human Services . . . [that] promote[s] the economic and social well-being of children, families, individuals and communities with leadership and resources for compassionate, effective delivery of human services."
[51] The DHS State Plan is DHS's plan to spend federal funds and is approved by the federal grantor.

Per 45 CFR 98.50(F)(a),

> Direct child care services shall be provided:
>
> (1) To eligible children, as described in §98.20;
>
> (2) Using a sliding fee scale, as described in §98.45(k);
>
> (3) Using funding methods provided for in §98.30.

**Recommendation**

Going forward, the Commissioner should ensure that DHS is compliant with all TANF regulations related to child care services for the program and that funds for the Read to be Ready program are applied to the appropriate program. Additionally, the State Plan for which the program funds will be applied should include all the required information for the Read to be Ready program.

**Management's Comment**

We do not concur.

The questioned costs were for 2018 summer program and the condition was previously reported in the 2018 Single Audit Report released in March 2019. The department's corrective action of utilizing alternative funding sources for the 2019 summer program was communicated to the state auditors as early as April 2019.

We question the state auditors' rational as to why this resolved issue was included as a finding in the current Single Audit report.

As noted in the finding, ". . . management began using the Temporary Assistance for Needy Families (TANF) program or state funds to cover the program costs as of January 1, 2019. Based on our review of 45 CFR 260, the use of TANF funds for the Read to be Ready program appears to be reasonable."

On September 26, 2019, the department received from U.S. Department of Health and Human Services, Administration for Children and Families (ACF), a decision letter on the department's corrective action for the first Read to Be Ready Finding 2017-033, the ACF decision reads in part:

> The state announced in June 2019 that it would no longer use CCDF funds for their Read to Be Ready Summer Camps. ACF finds the corrective action taken by the Department sufficient to satisfy the resolution of this finding.

The state auditors were copied by ACF on the decision letter. Since corrective action was fully implemented during the audit period, no further action by the department is needed to remedy the condition, and our federal grantor has accepted the department's corrective action of using non-CCDF funds.

**Auditor's Comment**

As previously stated, under the Uniform Guidance, we are required to report the expenditures as questioned costs. It appears that the use of TANF funds for the Read to be Ready program is an appropriate corrective action.

| | |
|---|---|
| **Finding Number** | 2019-027 |
| **CFDA Number** | 93.575 and 93.596 |
| **Program Name** | Child Care and Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 1601TNCCDF |
| **Federal Award Year** | 2016 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Repeat Finding** | 2018-028 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the fourth year in a row, the Department of Human Services did not establish adequate internal controls over Child Care and Development Fund earmarking and did not comply with one earmarking requirement**

**Background**

The U.S. Department of Health and Human Services (HHS) provides funds to states, territories, and Indian tribes to increase the availability, affordability, and quality of child care services through the Child Care and Development Fund (CCDF) cluster of programs. CCDF funds subsidize child care for low-income families where the parents are working or attending training or educational programs, as well as activities to promote overall child care quality for all children, regardless of subsidy receipt.

CCDF consists of three funding streams: discretionary funds, mandatory funds, and matching funds. Additionally, under the Temporary Assistance for Needy Families program, a state may transfer funds to CCDF; the transferred funds are treated as discretionary funds.

HHS requires the Tennessee Department of Human Services (DHS) to meet three earmarking requirements for CCDF: administrative earmarking, quality earmarking, and targeted funds earmarking.

Under the administrative earmarking requirement, a state may not spend more than 5% of the aggregate amount of discretionary, mandatory, and federal and state shares of the matching funds on administrative activities.

Under the quality earmarking requirement for the CCDF award for federal fiscal years 2016 and 2017, a state was required to spend at least 7% of the aggregate amount of discretionary, mandatory, and federal and state shares of the matching funds on quality activities. For fiscal years 2018 and 2019, the minimum quality spending requirement increased to 8%. In addition, beginning with the CCDF award for fiscal year 2017, a state must spend at least 3% of the aggregate amount of discretionary, mandatory, and federal and state shares of the matching funds on activities to improve the quality of care for infants and toddlers.

The earmarking requirement for targeted funds specifies the minimum amounts that a state must spend for specified activities. For the 2016 grant award, HHS allocated Tennessee $2.9 million in Infant and Toddler targeted funds to be spent on activities to improve the quality of care for infants and toddlers. The terms and conditions of the CCDF grant award required the state to spend the 2016 grant award targeted funds by September 30, 2018. HHS did not allocate targeted funds for 2017, 2018, and 2019 grant awards.

The Department of Finance and Administration (F&A) is responsible for performing all fiscal-related duties on behalf of DHS. During the prior audit, we found that F&A's Controller for DHS fiscal activities and DHS's Director of Child Care Services did not establish adequate internal controls over earmarking, and program staff did not comply with the earmarking requirements for administrative costs and targeted funds. Management concurred with the finding related to inadequate internal controls over earmarking and noncompliance with the earmarking requirements.

For our current audit, to determine whether fiscal staff and DHS complied with federal earmarking requirements, we tested earmarking expenditures charged to the CCDF grant award provided for the grant year 2016, since grant year 2016 is the grant that closed during our audit period. Based on our audit procedures, we noted that DHS still did not establish adequate internal controls over earmarking, resulting in DHS not complying with the earmarking requirement for targeted funds.

**Condition and Criteria**

Program Staff and Fiscal Staff Did Not Establish Adequate Internal Controls Over Earmarking, Resulting in DHS Not Complying With the Earmarking Requirement for the Infant and Toddler Targeted Fund

We discussed internal controls over earmarking with DHS fiscal staff and program staff, and we determined that neither program nor fiscal management had adequate controls in place to ensure compliance with the earmarking requirements. According to "Appendix I: Requirements" of the *Standards for Internal Control in the Federal Government*, "Management should design control activities to achieve objectives and respond to risks" and "should implement control activities through policies."

Additionally, based on accounting records, we found that F&A's Controller and DHS's Child Care Services Program Directors did not ensure that DHS expended the $2.9 million allotment of Infant and Toddler targeted funds for the 2016 grant award. Provision 9c of the terms and conditions of the grant award requires the state to expend all of the targeted fund allotment. See **Table 1** for the amounts of deficit in meeting the required spending thresholds for targeted funds.

**Table 1**
**Deficit of Targeted Fund Spending for the Federal Fiscal Year 2016 Grant Award**

| Targeted Fund | Allotment | Expenditures Per Accounting Records | Total Deficit |
|---|---|---|---|
| Infant and Toddler | $2,976,133 | $432,226 | $2,543,907 |

Source: Edison accounting records.

Risk Assessment

We reviewed DHS's and F&A's December 2018 Financial Integrity Act risk assessment for DHS operations and determined that management did not assess the risk of noncompliance with earmarking and a mitigating control.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Cause

Based on our discussion with fiscal management, they stated that at one point fiscal management monitored the status of earmarked expenditures by including their calculations in the reporting template used to prepare CCDF's quarterly financial status report—the ACF 696. Fiscal management removed these calculations from the template; however, program management noted that although no controls were in place over the 2016 grant year award, they have since implemented controls over earmarking beginning with the 2019 grant year award that closes in 2021. We will test the effectiveness of these new controls in future audits of the program.

## Effect

Management's failure to establish and maintain effective internal controls to meet federal requirements increases the risk that management and staff's noncompliance will not be prevented or detected and corrected timely. Additionally, because the federal fiscal year 2016 grant award closed as of September 30, 2018, management no longer has access to the targeted funds. In effect, the department did not use available federal funding totaling $2.5 million to fulfill the grant's purpose to improve the quality of care for infants and toddlers.

Additionally, federal regulations address actions that HHS may impose in cases of the non-federal entity's noncompliance. As noted in 45 CFR 75.371, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the HHS awarding agency or pass-through entity may impose additional conditions," including, as described in Section 75.207, "Specific award conditions,"

> (1) Requiring payments as reimbursements rather than advance payments;
>
> (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
>
> (3) Requiring additional, more detailed financial reports;
>
> (4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

Furthermore, Section 75.371 also states,

> If the HHS awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions [as described above], the HHS awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:
>
> (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the HHS awarding agency or pass-through entity.
>
> (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
>
> (c) Wholly or partly suspend (suspension of award activities) or terminate the Federal award.
>
> (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and HHS awarding agency regulations at 2 CFR part 376 (or in the case of a pass-through entity, recommend such a proceeding be initiated by a HHS awarding agency).
>
> (e) Withhold further Federal awards for the project or program.
>
> (f) Take other remedies that may be legally available.

**Recommendation**

The Department of Human Services' Director of Child Care Services and the Department of Finance and Administration's Controller for DHS fiscal activities should coordinate to establish internal controls to monitor the compliance with the earmarking requirements and ensure that the earmarking requirements are met. This process should include developing a spending plan and budget for the minimum amounts to ensure the targeted funds spending requirement is met. Additionally, management should develop policies and procedures for periodically monitoring expenditures to ensure the department meets federal earmarking requirements within the required timeframe.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur.

Program staff have developed a process to capture quality contract expenses incurred for infant-toddler activities. Those expenses are reported to Fiscal Services so funds may be properly allocated. Fiscal Services and program leadership will continue to partner to track progress in meeting these requirements by June 30, 2020.

The Department of Finance and Administration, which staffs the Department of Human Services accounting office, will coordinate with program to implement a process to monitor the status of earmarked expenditures on a quarterly basis ensuring compliance with earmarking requirements. By June 30, 2020, the internal controls will be designed and implemented, in order to reduce the risk of such process not being completed as prescribed.

Prior to September 30, 2020, the documentation of the Enterprise Risk Management Activities of the accounting office:

- Will be reviewed and updated to ensure inherent and residual risks related to misclassifying expenditures based on federal reporting risks have been appropriately evaluated and documented. In addition, identified control activities will be added or modified and monitored as needed to ensure that these controls are operating effectively and do not deteriorate over time. Management Action Plans will also be created for any control activities that are operating beyond management's risk tolerance.
- Will be updated as needed to include the necessary assessment of risk relative to the role of the accounting department in ensuring compliance with earmarking requirements for targeted funds. This assessment will recognize that the control environments maintained by the program and accounting office staff relative to this area must be complementary to ensure achievement of the department's objectives.

| | |
|---|---|
| **Finding Number** | 2019-028 |
| **CFDA Number** | 93.575 and 93.596 |
| **Program Name** | Child Care and Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 1201TNCCDF, 1601TNCCDF, 1701TNCCDF, 1801TNCCDF, and 1901TNCCDF |
| **Federal Award Year** | 2012 and 2016 through 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | 2018-029 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $2,858 |

**As noted in the prior three audits, the Department of Human Services did not consistently perform case reviews of eligibility determinations and redeterminations, resulting in improper payments to child care providers**

**Background**

The Tennessee Department of Human Services (DHS) administers the Child Care and Development Fund (CCDF), a federal program that provides subsidies for child care. CCDF funds the state's Child Care Certificate Program, which helps Families First (Temporary Assistance for Needy Families) participants, parents transitioning from the Families First program, teen parents, and other individuals obtain child care. To participate in the Child Care Certificate Program, children must be declared eligible by DHS staff or, for children in foster care or protective services, by Department of Children's Services' staff. In addition to income limits and other eligibility requirements, children must be under the age of 13 to participate in the program, unless they are incapable of self-care or are under court supervision.

Child care providers request payment for services on a biweekly, semimonthly, or monthly basis by submitting child care Enrollment Attendance Verification forms for eligible children. DHS's Division of Fiscal Services staff use the forms, in conjunction with provider and client eligibility data, to process payments to each provider.

Under CCDF requirements, DHS is responsible for establishing child care provider payment rates and parent co-pay fees. DHS publishes a schedule of parent co-pay fees, which are based on household size and monthly income. DHS also publishes a schedule of provider payment rates, which are based on a variety of factors including the county where services are provided, the age of the child in care, and the type of child care provider. Providers' payment rates are also affected by the providers' star-quality rating.[52]

[52] The Star-Quality Child Care Program is a voluntary program that rewards child care agencies that exceed minimum licensing standards. See http://tnstarquality.org.

DHS groups all counties in Tennessee into eight districts. Program staff within each district conduct case reviews throughout the year to ensure that DHS's eligibility determinations for children are completed accurately and timely. Each month, the Research and Data Analysis Unit provides a random sample of cases per child care specialist to field supervisors for review. The sample includes both original eligibility determinations and redeterminations. The sample, along with a link to a Survey Monkey tool, is distributed to field supervisors. The Survey Monkey tool is used as a case reading tool and records the results of the case review. The survey uses a point system to determine the case reading score. Quality Improvement and Strategic Solutions (QISS) staff compile the results for the score and make the results available on an internal dashboard. Management and the field supervisors review the results to determine areas that need improvement.

Because DHS determines the providers' payment rate for each child depending on various factors (such as the child's age, whether school is in or out, and the provider's quality rating) and because those factors can change periodically, it is critical that management's internal control processes, such as the monthly case reviews, are properly designed and implemented to help management identify and correct instances of incorrect payments.

We reported in the prior audit, and management concurred, that DHS staff did not consistently perform case reviews of eligibility determinations and redeterminations and did not ensure staff calculated and made a payment to a child care provider in accordance with program requirements. Management stated that DHS collaborated with the QISS division to develop an automated case reading tool, which was fully implemented in August 2018 for cases determined in July 2018. Management also stated the overpayment to a provider was the result of human error, and they planned to provide staff with refresher training to prevent future occurrences. Management further stated that they would conduct periodic data analyses to identify when staff enter incorrect payment rate data in the system.

**Condition and Cause**

In order to determine if DHS complied with federal requirements related to eligibility for children receiving subsidized child care, we obtained a list of all eligible individuals and related child care provider payments, along with certain individual eligibility information contained in DHS's Tennessee Child Care Management System (TCCMS), for the period July 1, 2018, through June 30, 2019, and performed sampling procedures as detailed below. Based on the results of our testwork, we found that the Child Care Services Director did not ensure that program staff consistently performed case reviews of eligibility determinations and redeterminations. We also found that the Child Care Services Director did not ensure that staff calculated and made payments to child care providers in accordance with program requirements.

**Condition A:** *Internal Controls Over Case Reviews Were Not Applied Consistently as Required by the CCDF State Plan*

Based on our discussion with program staff, as well as our review of the CCDF State Plan and DHS's Field Supervisor One's job plan, DHS uses a supervisory case review process as the internal control to ensure eligibility determinations and redeterminations are performed and are appropriate. As part of the CCDF State Plan and the Field Supervisor One's job plan, supervisors of the child care specialists who make the eligibility determinations are required to perform random monthly case reviews of at least five eligibility determination or redetermination cases assigned to each employee to ensure the determinations were accurate.

We identified 35 employees who were responsible for conducting eligibility determinations for the Child Care Certificate Program during the scope of our audit. From the population of 35, we selected a random, nonstatistical month for each employee and reviewed the employee's assigned cases to determine if the employee's supervisor performed at least 5 case reviews for the selected month.

Based on our testwork, we noted that for 7 of 35 employees (20%), the supervisors did not perform at least 5 CCDF eligibility determination and/or redetermination case reviews for the month we tested. For 5 of the 7 employees, supervisors did not review any cases for the month selected for testwork. Management agreed that this was a problem and stated that this occurred due to staffing vacancies.

**Condition B:** *Incorrect Rates*

From a population of 35,376 eligible individuals with payments totaling $97,931,028 for the Child Care Certificate Program from July 1, 2018, through June 30, 2019, we selected a nonstatistical, random sample of 60 eligible individuals to determine whether program staff calculated and paid provider payments in accordance with program requirements. Specifically, we performed an independent recalculation of the expected payment amount for each provider for the eligible child based on the child's age, the provider's quality rating, the type of provider, and the other factors DHS used to determine the payment amount.

Based on our testwork, we determined that for 6 of 60 eligible children tested (10%), DHS did not ensure that program staff correctly calculated parent co-pay fees and provider rates in accordance with program requirements. Specifically, we noted for 2 errors, program staff undercalculated the parent co-pay fees. For the remaining 4 errors, we noted program staff overcalculated the provider rate for 2 individuals and undercalculated the provider rate for 2 individuals. Based on our discussion with program staff, the errors occurred because program staff manually entered incorrect parent co-pay fees and provider rates into TCCMS. We questioned $2,858 for the overpayments to the providers.

**Condition C:** *Risk Assessment*

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risks of incorrectly calculating fees and rates and a mitigating control.

**Criteria**

Criteria for Internal Controls Over Case Reviews

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides guidance to management for using quality information to achieve the entity's objectives. According to Principle 13, "Use Quality Information,"

> Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary so that the information is quality information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

According to Title 45, *Code of Federal Regulations* (CFR), Part 98, Section 68(a),

> Lead Agencies are required to describe in their Plan effective internal controls that are in place to ensure integrity and accountability, while maintaining continuity of services, in the CCDF program. These shall include . . . (iii) Quality Control or quality assurance reviews.

According to the CCDF State Plan, supervisory reviews and quality assurance reviews should be conducted to ensure accurate eligibility determinations.

Criteria for Incorrect Rates

According to 45 CFR 98.67(a), "Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds."

According to 45 CFR 98.11(b), "In retaining overall responsibility for the administration of the program, the Lead Agency shall . . . [e]nsure that the program complies with the approved Plan and all Federal requirements." The approved State Plan identifies the provider payment rates that the state has established; therefore, 45 CFR 98.11(b) requires DHS to adhere to its established provider payment rates.

Criteria Risk Assessment

According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Effect**

Unless DHS establishes and implements adequate controls to ensure that program staff review to ensure CCDF Child Care Certificate Program eligibility determinations are accurate, there is an increased risk that DHS will pay child care providers for services rendered to ineligible program participants. Improper application of the state's child care provider payment rate and parent co-pay fees increase the risk of unallowable provider payments.

## Questioned Costs

Our testwork included a review of a nonstatistical, random sample of 60 individuals from a population of 35,376 individuals. Our sample testwork focused on payments to providers, totaling $167,417, from a population of CCDF provider payments, totaling $97,931,028, for the period July 1, 2018, through June 30, 2019. We found that DHS overpaid providers $2,858, resulting in known questioned costs. 2 CFR 200.516(a)(3) requires us to report known and likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. According to 2 CFR 200.84,

> *Questioned cost* means a cost that is questioned by the auditor because of an audit finding:
>
> (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
>
> (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
>
> (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

## Recommendation

Recommendation for Internal Controls Over Case Reviews

The Commissioner should ensure that DHS's internal controls are adequately designed and operating effectively to prevent or detect provider overpayments. The control process should include ensuring that supervisors perform and document each employee's monthly eligibility case reviews as required by federal regulations and the CCDF State Plan.

Recommendation for Incorrect Rate

The Director of Operations for CCDF should ensure that program staff enter the correct payment rates and parent co-pay fees for eligible children into TCCMS.

Recommendation for Risk Assessment

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**<u>Management's Comment</u>**

**<u>Condition A:</u>** *Internal Controls Over Case Reviews Were Not Applied Consistently as Required by the CCDF State Plan*

We Concur.

The case reading tool will be modified to allow for review of cases across all categories of child care payment assistance. Long-term workflow technology tools that are being developed for the department will strengthen the case review process.

**<u>Condition B:</u>** *Incorrect Rates*

We Concur.

The Department is aware that errors may arise due to manual data entry in the current payment system and the Department has been exploring a new payment system as part of child care modernization. The Department has also conducted training on the existing system and plans on conducting additional trainings, as needed.

**<u>Condition C:</u>** *Risk Assessment*

The department conducts the annual *Financial Integrity Act Risk Assessment* within the state adopted Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework including the optional toolkit forms provided by the Department of Finance and Administration.

The forms are a management tool used to document significant organizational risks and key internal controls to mitigate risks within management's risk tolerance. Management determines the effectiveness of its own controls and its risk tolerance. If risks are not sufficiently mitigated, management can implement a plan of action to modify or create new internal controls. In cases where the inherent risk cannot be sufficiently mitigated by the Department's internal controls alone, for example, regulatory restraints or dependency on other organizations, management can only accept or avoid the risk.

| | |
|---|---|
| **Finding Number** | 2019-029 |
| **CFDA Number** | 93.575 and 93.596 |
| **Program Name** | Child Care and Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 1201TNCCDF, 1601TNCCDF, 1701TNCCDF, 1801TNCCDF, and 1901TNCCDF |
| **Federal Award Year** | 2012 and 2016 through 2019 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | 2018-030 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the three prior audits, Department of Human Services program staff did not comply with health and safety requirements for child care providers, and the Department of Human Services and the Department of Education had an inadequate review process**

**Background**

The state's Child Care Certificate Program, which is funded by the Child Care and Development Fund (CCDF), assists Families First participants, parents transitioning off Families First, teen parents, and other individuals to obtain child care. To participate in the program, children must be declared eligible by Department of Human Services (DHS) staff or, for children in foster care or protective services, by Department of Children's Services staff. DHS establishes various child care provider payment rate schedules based on a variety of factors, including the county where services are provided, the age of the child in care, and the type of child care provider. Providers' payment rates are also affected by the providers' star-quality rating. The Star-Quality Child Care Program is a voluntary program that rewards child care agencies that exceed minimum licensing standards. DHS staff use the criteria in the payment rate schedules to assign a payment rate for each child. When providers submit Enrollment Attendance Verification forms, Fiscal Services staff pay the providers based on each child's payment rate and the number of days the child received child care services.

Under the CCDF Block Grant and Title 45, *Code of Federal Regulations* (CFR), Part 98, Section 41, lead agencies have significant responsibility for ensuring the health and safety of children in child care through the state's child care licensing system and for establishing health and safety standards for children who receive CCDF funds. Also, 45 CFR 98.2 defines a lead agency as the legal entity to which the grant funds are awarded, which is the state. For Tennessee, the grant award documents specifically list DHS as the lead agency responsible for administering the program. The Department of Education (DOE) shares some responsibility with DHS for monitoring child care providers, which is reflected in a Memorandum of Agreement. Federal regulations in effect during the audit period did not specify how many site visits providers must receive, so DHS and DOE each used their own internal policies.

Under program regulations, child care providers are classified as either licensed or non-licensed. Licensed providers consist of group homes, centers, or family day cares. Non-licensed providers consist of Authorized Child Care Professionals, Boys and Girls Clubs, and DOE.[53] DOE staff are responsible for monitoring the approved providers that meet certain education requirements by performing one announced and one unannounced site visit per provider per school year. DHS is responsible for monitoring all other providers in the state. DHS policy requires Child Care Program Evaluators to perform announced and unannounced visits per provider licensing year[54] and to complete a child care evaluation form, which includes health and safety checks, for each visit. Providers must receive at least one announced visit per licensing year and the number of unannounced visits per licensing year is determined by the provider's star rating. Program evaluators perform health and safety checklists upon a non-licensed provider's initial enrollment and annually thereafter.

Additionally, based on discussion with DHS's CCDF staff, some children who are eligible for CCDF and reside in Tennessee may receive day care services from providers located in other states. If the provider is licensed by another state, CCDF staff collect the licensing information to ensure the provider meets health and safety requirements. If these providers are non-licensed, CCDF staff follow the same processes and procedures for non-licensed providers located in Tennessee.

We reported in the prior audit finding that DHS did not complete the entire health and safety checklist for unregulated providers.[55] DHS concurred with the prior finding and stated program management would conduct training reminding staff to satisfy all requirements when completing health and safety inspections. Child Care Certificate Program supervisory staff conducted the training, which included re-training staff on existing requirements when completing health and safety checklists, in May 2019. Since this training was conducted near the end of the scope of our audit, we found that noncompliance had continued to occur throughout our audit period as noted in the conditions below. Management also concurred that staff did not consistently record licensing documentation for out-of-state providers. On January 22, 2018, DHS implemented a *Knowledge Retention Plan,* Section 2.1.86, "Child Care Services – Child Care Certificate Program," consisting of procedures for out-of-state providers to improve documentation processes for agencies licensed by other states. For the current audit, we found that DHS staff still had documentation issues related to health and safety requirements and licensing of out-of-state child care providers, resulting in this repeat finding.

**Condition and Cause**

**Condition A:** *Staff Could Not Provide or Did Not Verify All Sections of the Health and Safety Checklist for Non-licensed Providers Due to An Inadequate Review Process*

To determine if management followed CCDF program requirements, we tested the entire population of 69 non-licensed providers to determine if DHS complied with CCDF's health and

[53] DOE providers receive a certificate of approval rather than a license.
[54] A licensing year begins when a child care provider receives its license.
[55] Unregulated providers (also known as non-licensed providers) are informal child care providers that must comply with health and safety requirements in order to receive CCDF funds.

safety requirements for providers. For each non-licensed provider, we tested whether DHS program evaluators performed and completed the required provider health and safety checklists and whether DHS management ensured that monitoring activities included supervisory reviews of the staff's performance to ensure providers' compliance with health and safety requirements.

Based on our testwork, for 34 of 69 providers (49%), we found that DHS management did not ensure that program evaluators sufficiently and accurately completed a health and safety checklist for each provider. For 28 of the 34 errors noted, DHS management stated they could not locate and thus could not provide us the checklists; therefore, we could not determine if CCDF program evaluation staff performed a health and safety visit. For the remaining 6 errors, the program evaluation staff did not ensure that all sections on the health and safety checklist were verified. The Compliance Director of Child Care Services stated that there is a need for strengthened records management for the Child Care Certificate Program process documentation.

In addition, for 40 of the 69 non-licensed providers we tested (58%), we noted that management did not have a proper supervisory review of monitoring activities related to providers' compliance with health and safety requirements. For 28 of the 40 errors noted, DHS management did not provide us the provider checklists when we requested them; therefore, we could not determine if staff performed a health and safety visit or that a supervisory review of the visit was completed. For the remaining 12 errors, while DHS management provided us the checklists, we found no evidence that a supervisory review was performed. We discussed our testwork results which identified both internal control deficiencies and noncompliance deficiencies with the Compliance Director of Child Care Services, who stated that he did not believe this was a problem; therefore, he provided no explanation for why these errors occurred.

Also, based on discussion with DOE management, we determined that DOE did not perform supervisory reviews of monitoring activities related to providers' compliance with health and safety requirements. While program evaluators entered a narrative of the site visit into the Tennessee Licensed Care System (TLCS), management still did not perform a supervisory review of monitoring activities to ensure providers' compliance. In addition, although DOE used a spreadsheet to track whether staff performed the required announced and unannounced site visits for providers, the spreadsheet did not include fields for tracking whether staff performed follow-up procedures after noting violations during site visits and did not include evidence that a supervisory review was performed. Also, DHS staff did not confirm DOE monitored all sites it was responsible for, even though DHS is responsible for administering CCDF in Tennessee. According to DOE management, in August 2019, regional directors began reviewing and approving all site visits.

**Condition B:** *Licensing Documentation for Out-of-state Providers Was Not Recorded*

We tested the entire population of out-of-state licensed providers and based on our review, we noted that for 2 of 14 out-of-state licensed providers (14%), DHS staff collected the licenses but did not record the providers' licensing information in TLCS, which includes the license effective date and expiration date. While management implemented Out of State Child Care Agency Procedures on January 22, 2018, to improve documentation processes for agencies licensed by other states, we found that DHS still had documentation issues. When asked to provide a reason why the information had not been updated, the Program Coordinator responded that both items are now in the system.

**Condition C:**

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of ensuring compliance with health and safety requirements; however, DHS did not have an effective control to mitigate its risk.

**Criteria**

Criteria for All Conditions

"Appendix I: Requirements," of the *Standards for Internal Control in the Federal Government* states, "Management should design control activities to achieve objectives and respond to risks" and "Management should implement control activities through policies."

The health and safety requirements for licensed and non-licensed child care providers are found in 45 CFR 98.41(a), which states,

> (a) Each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part. Such requirements, which are subject to monitoring pursuant to §98.42, shall:
>
> (1) Include health and safety topics.

Condition A

According to 45 CFR 98.11,

> (a) The Lead Agency has broad authority to administer the program through other governmental or non-governmental agencies. In addition, the Lead Agency can use other public or private local agencies to implement the program; however:
>
> (1) The Lead Agency shall retain overall responsibility for the administration of the program, as defined in paragraph (b) of this section;
>
> (2) The Lead Agency shall serve as the single point of contact for issues involving the administration of the grantee's CCDF program; and
>
> (3) Administrative and implementation responsibilities undertaken by agencies other than the Lead Agency shall be governed by written agreements that specify the mutual roles and responsibilities of the

> Lead Agency and the other agencies in meeting the requirements of this part.

According to Section A.7(d) of the contract between DHS and the contractor,

> The Contractor shall be subject to at least one health & safety inspection each year this Contract is in effect and requirements set forth in the Health and Safety Checklist provided by the Department in connection with a site visit.

<u>Condition B</u>

According to DHS's *Knowledge Retention Plan,* Section 2.1.86, "Child Care Services – Child Care Certificate Program," "annual monitoring of the out of state agency will include . . . annual verification of license status and updating information in TLCS."

<u>Condition C</u>

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**<u>Effect</u>**

Without performing all site visits as required by federal requirements and internal policy including the completion of health and safety checklists, the Program Coordinator and the Child Care Certificate Program Director approved child care providers for payments without ensuring critical health and safety requirements were in place, potentially subjecting children in the providers' care to unacceptable health and safety risks. Furthermore, by not clearly and consistently documenting verification of out-of-state providers' licenses, the Program Coordinator and the Child Care Certificate Program Director may pay providers who may no longer meet the requirements necessary to legally provide child care services.

**<u>Recommendation</u>**

Department of Human Services (DHS) management should ensure that staff perform all child care provider site visits, including health and safety checks, in accordance with federal regulations and internal policy. DHS management should also ensure that staff verify and document out-of-state providers' compliance with licensing and health and safety requirements and that staff maintain sufficient documentation to support licensure and health and safety compliance. In addition, DHS management should ensure controls are sufficient to ensure CCDF staff perform and complete a health and safety checklist for non-licensed providers, including a documented supervisory review of the site visit.

Department of Education (DOE) management should ensure internal controls over the supervisory reviews of monitoring activities are in place and ensure that follow-up procedures are performed as required when staff note health and safety violations. DOE management should track whether the required follow-up was performed and should ensure supervisory reviews are performed.

In addition, management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comments**

Department of Human Services

**Condition A:** *Staff Could Not Provide or Did Not Verify All Sections of the Health and Safety Checklist for Non-licensed Providers Due to An Inadequate Review Process*

We Concur.

The department conducted staff training for Child Care Certificate Program management in the fall of 2019, where staff were retrained on expectations for completing health and safety checklists for non-licensed providers. A technology solution is being developed for better storage and recall of inspection documents to be implemented by August 31, 2020.

**Condition B:** *Licensing Documentation for Out-of-state Providers Was Not Recorded*

We Concur.

The department agrees that 2 of the 14 out of state licensed providers tested did not have licensing information recorded in Tennessee Licensed Care System (TLCS) at the time of the review. The department had obtained both licenses, but the record had not been updated. Both were updated in TLCS by November 2019. The Child Care Certificate Program director will monitor to see that any license updates are done in a timely manner.

**Condition C:** *Risk Assessment*

The department conducts the annual *Financial Integrity Act Risk Assessment* within the state adopted Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework including the optional toolkit forms provided by the Department of Finance and Administration.

The forms are a management tool used to document significant organizational risks and key internal controls to mitigate risks within management's risk tolerance. Management determines the effectiveness of its own controls and its risk tolerance. If risks are not sufficiently mitigated, management can implement a plan of action to modify or create new internal controls. In cases where the inherent risk cannot be sufficiently mitigated by the Department's internal controls alone, for example, regulatory restraints or dependency on other organizations, management can only accept or avoid the risk.

Department of Education

We concur.

Beginning January 2019, Tennessee Department of Education (TDOE) management implemented additional internal controls to ensure compliance with health and safety requirements for child care providers. This includes documenting supervisory approval in the Tennessee Licensed Care System for all TDOE Child Care and Development Fund programs, as well as requiring additional formal documentation supporting the review and verification of all sections of the Health and Safety Checklist for Non-licensed Providers.

| | |
|---|---|
| **Finding Number** | 2019-030 |
| **CFDA Number** | 96.001 |
| **Program Name** | Disability Insurance/Supplemental Security Income Cluster |
| **Federal Agency** | Social Security Administration |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 04-17-04TNDI00, 04-18-04TNDI00, and 04-19-04TNDI00 |
| **Federal Award Year** | 2017 through 2019 |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The department does not have a formal documented review process, which is a key control, to ensure Consultative Examination providers are licensed and credentialed**

**Background**

The Professional Relations Office (PRO) is part of the Department of Human Services's (DHS) Division of Disabilities Determination Services and is responsible for monitoring Consultative Examination (CE) providers, who evaluate the mental or physical disabilities of applicants applying for Social Security Disability Insurance benefits. DHS requires all CE providers to sign Memorandums of Understanding, which describe the CE providers' responsibilities. The providers are required to

- be currently licensed in the state;
- have the training and experience to perform the type of examination or test requested;
- not be barred from participation in Medicare or Medicaid programs or any other federal or federally assisted programs; and
- have the equipment required to provide an adequate assessment and record of existence and level of severity of a claimant's impairment(s).

To gain an understanding of DHS's review process for ensuring CE providers meet all requirements, we discussed the process with the PRO supervisor. According to the PRO supervisor, PRO staff perform licensure and credential checks before a new provider is added to the CE panel and then annually thereafter. The current licensure verification process includes PRO staff accessing each provider's license through the Tennessee Department of Health's License Verification website and searching the System for Award Management[56] database for exclusions from program participation. The staff document the verification date of the licensure

[56] The System for Award Management is an official website of the U.S. government: https://www.sam.gov/SAM/. The federal government enters active exclusion records identifying those parties excluded from receiving federal contracts, certain subcontracts, and certain types of federal financial and non-financial assistance.

and credential check on an Excel spreadsheet, called the Tracker Tool, and maintain documentation of all search results and checks in an electronic folder.

**Condition**

Based on our review of DHS's CE provider process, we found that management did not have a documented review process to ensure staff actually performed the required licensure and credential checks and maintained accurate documentation for CE providers' licensure verification. In effect, management relied on staff to perform the verification process without assurance that the license verifications were timely and accurate, and that all supporting documentation was maintained.

Specifically we were told, and we observed during a walkthrough, that the PRO supervisor reviewed the dates on the Tracker Tool monthly to ensure CE providers' licenses and credentials were up to date; however, we noted that the supervisor did not document the review or perform steps to ensure that the Tracker Tool matched supporting evidence of provider licensure. To determine compliance with CE providers' licensure and credentials, we tested a sample of 25 CE providers from a population of 371 CE providers. Based on our testwork, we found no noncompliance with CE providers' licensure and credentials.

Risk Assessment

We reviewed DHS's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of the lack of a formal documented review of the CE providers' license and credentialing process and a mitigating control.

**Criteria**

As stated in the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), best practices include providing guidance to management for monitoring the internal control system. According to the Green Book's Principle 16, "Perform Monitoring Activities,"

> **16.09** Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system. Differences between the results of monitoring activities and the previously established baseline may indicate internal control issues, including undocumented changes in the internal control system or potential internal control deficiencies.

According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Cause

According to the PRO Supervisor, DHS has no documented review process in place to ensure staff perform required CE providers' licensure and credential checks and that documentation is accurate and maintained in the electronic folder.

## Effect

When a supervisory review of PRO staff's work is not documented to ensure staff have performed the necessary checks for the CE providers' licensure and credentials, the risk increases for errors in the verification of the CE providers' licenses and credentials. Without verification that staff have performed these checks, a CE provider may continue to perform examinations without a license or with sanctions against them.

## Recommendation

The Director of Disabilities Determination Services should ensure a documented review process is in place to verify staff are performing the required licensure and credential checks, and should ensure documentation is maintained and accurate. Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

## Management's Comment

We do not concur.

The Social Security Administration (SSA), which governs the administration of this program, sets forth all applicable policies for Disability Determination Services (DDS) in the program operating manuals system (POMS). POMS Disability Insurance (DI) 39569.300 provides DDS with guidance for assuring proper licensures, credentials and exclusions of consultative examiner (CE) providers are verified and current. At the time of the Comptroller's review, DDS had in practice a standard business process document that is more stringent than POMS. Additionally, the federal regional office of the Social Security Administration in Atlanta recently noted that for the third consecutive year, no additional information was needed from Tennessee because of the thoroughness and accuracy of their initial CE annual oversight report.

As noted in the finding, Professional Relations Office (PRO) staff monitor CE provider licensing and credentialing regularly in compliance with POMS licensing and credentialing requirements and track results with internal tracking tools utilizing Microsoft Office products. Management will evaluate that process as part of its on-going efforts to enhance the documentation and accountability of its controls already in place and make any required adjustments to its risk assessment for the next review cycle.

## Auditor's Comment

Management's comments do not address the finding condition regarding management's lack of documentation for the supervisory review. Without documentation we were unable to determine that any review was performed based on management's described process. U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), principle 16.09 states management should have documented results of ongoing monitoring, documenting that a review has been performed and that supporting documentation was reviewed.

| | |
|---|---|
| **Finding Number** | 2019-031 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-31319-18-55-A-47, UI-31370-18-55-A-47, UI-31622-18-60-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures |
| **Federal Award Year** | 2016 through 2019 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | 2018-035 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Due to continued difficulties with the Geographic Solutions Unemployment System, the Department of Labor and Workforce Development submitted federal reports with inaccurate and uncorroborated information for the fourth consecutive year**

**Background**

The U.S. Department of Labor (USDOL) requires state agencies, including the Department of Labor and Workforce Development (the department), to create and submit certain quarterly financial reports. For the Unemployment Insurance (UI) program, these reports include the Employment Training Administration (ETA) 227 report, which provides information on intrastate and interstate claim overpayments under the state's regular UI program; federal UI programs including the Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex-servicemembers (UCFE/UCX); and the federal-state Extended Benefits (EB) programs. Management uses the ETA 227 report to collect and report overpayment data on UI claims that result from claimant, employer, and/or agency errors and fraud. USDOL uses the ETA 227 report to calculate performance measures and to monitor the department's benefit payment process.

Department staff prepare the ETA 227 report using data from the Geographic Solutions Unemployment System (GUS) and perform a comparison of overpayment recoveries from GUS with comparable data in Edison, the state's accounting system.

To determine the accuracy of ETA 227 reports, USDOL requires state agencies to upload electronic files with data supporting reported amounts, referred to as populations, into its SUN system[57] for data validation. Data validation is designed to identify invalid, missing, and duplicated data on previously submitted reports and consists of the following two tests:

[57] SUN is a federal information system used for reporting UI program performance, workload, and financial data.

- *Report Validation* – an automated test that compares supporting data in a population file with amounts included on the ETA 227 report; and,
- *Data Element Validation* – a manual test performed by department staff who randomly sample and compare supporting data in a population file with unemployment records in GUS.

USDOL requires state agencies to perform data validation every third year, except for data elements used to calculate Government Performance and Results Act measures, which state agencies must validate annually. Our review of prior data validation submissions indicated that the department was required to submit four populations supporting the ETA 227 report to USDOL by June 10, 2019: Overpayment Established by Cause, Overpayment Reconciliation Activities, Age of Overpayments, and Overpayments Established by Method. Although all four populations are necessary in order to support different sections of an ETA 227 report, USDOL does not require the department to submit all four populations at the same time. Instead, the department may choose to submit these populations at different times for different reporting periods. Since 2016, we have noted each year in our *Single Audit Report* that the department could not produce populations that could pass the USDOL data validation.

We also noted in prior audits that management did not follow its own internal guidelines to report total overpayment recoveries within 5% of the recoveries reported in Edison. Management could not specifically explain the cause for exceeding its 5% reporting requirement or the nature of the variances. Management concurred with the prior audit finding, citing that it would continue to work with Geographical Solutions Incorporated (GSI), the GUS vendor, to resolve issues that prevented management from obtaining comparable populations from the system which could pass the data validation process.

**<u>Condition and Cause</u>**

During fiscal year 2019, the department submitted four population files to USDOL for the following reporting periods:

- two files for the September 30, 2018, report;
- one file for the December 31, 2018, report; and
- one file for the March 31, 2019, report.

Although the first three population files passed both the *Report Validation* and *Data Element Validation* tests, the population file submitted for the latest reporting period did not pass the *Data Element Validation* test.

To determine if the department's most recent reports met *Report Validation* standards, we reviewed population files supporting all sections of the two most recent reports for our audit period:

- the report for the quarter ending March 31, 2019, submitted on April 29, 2019; and

- the report for the quarter ending June 30, 2019, submitted on July 30, 2019.[58]

Population and Report Discrepancies

Our review of the March 31, 2019, report revealed that 4 of 53 lines (8%) included nonfinancial information about overpayment investigations that would not pass data validation; see **Table 1** below.

**Table 1**
**Number of Investigations**
**by Overpayment Detection Method**
**Quarter Ending March 31, 2019**

| Line Number | Reported Amount | Population Amount | Number Difference | Percentage Difference |
|---|---|---|---|---|
| Line 202: *Wage/Benefit CrossMatch* | 1,611 | 1,703 | (92) | -5.7% |
| Line 204: *State Directory of New Hires System* | 2,912 | 3,768 | (856) | -29.4% |
| Line 206: *Special Projects* | 23 | 147 | (124) | -539.1% |
| Line 210: *National Directory of New Hires* | 2,794 | 4,230 | (1,436) | -51.4% |
| **Total** | **7,340** | **9,848** | **(2,508)** | **-34.2%** |

Source: ETA 227 report submitted to USDOL for the March 31, 2019, reporting period and corresponding electronic population file obtained from GSI.

GSI initially informed the Director of UI Integrity that the reported amounts were correct and the 2,508 difference in investigations noted in **Table 1** above occurred because GUS included the same investigations multiple times in the population. Based on our analysis, however, GUS should have included additional investigations in the report. After further discussion with GSI, the Director of UI Integrity found that GUS excluded investigations from the report because investigation notices were manually created by staff and not automatically generated by GUS.

Furthermore, our review of the June 30, 2019, report revealed that 1 of 53 lines (2%) included financial information that would not pass data validation. Management reported $758,571 on Line 310: *Additions*, while the population file supporting this line showed $785,276. Although the GSI vendor claimed that the difference was due to overpayments reclassified after the reporting period, data the department requested from GSI for this difference did not support this assertion.

[58] USDOL did not require the department to submit the June 30, 2019, report until after our audit period; however, we included this report in our audit testwork since the reported data related to our audit period and since reviewing it allowed us to perform a more timely evaluation of the accuracy of the department's reports.

Edison and Report Discrepancies

We also reviewed management's comparison of amounts reported in Edison with the amounts reported on ETA 227 Line 302: *Recovered – Total* for the March 31, 2019, and June 30, 2019, reports. While reviewing the March 31, 2019, report, we found discrepancies between Edison and ETA 227 reported amounts; see **Table 2** below.

**Table 2**
**Overpayment Recoveries Reported on the ETA 227 Compared with Edison**
**March 31, 2019, Report**

| Benefits Category | ETA 227 Reported Amount | Edison Amount | Number Difference | Percentage Difference |
|---|---|---|---|---|
| UI | $2,266,170 | $2,388,056 | ($121,886) | -5.4% |
| UCFE/UCX | $58,270 | $67,767 | ($9,497) | -16.3% |
| EB | $32,493 | $32,493 | $0 | 0% |
| **Total** | **$2,356,933** | **$2,488,316** | **($131,383)** | **-5.6%** |

Source: ETA 227 report submitted to USDOL for the March 31, 2019, reporting period and Edison, the state's accounting system.

According to the Director of Unemployment Insurance Integrity, there is often a difference when overpayment recoveries occur and when those recoveries are recorded into Edison. Although management cited 5% as an acceptable variance amount in our discussions with them, they did not formally establish this as the standard in a policy, nor did they develop written procedures for reconciling differences that exceed this margin. As a result, staff did not take any action to verify that the variance was due to timing differences, despite the fact that it was higher than 5%.

Overall

We reviewed the Department of Labor and Workforce Development December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of inaccurate reporting; however, the department did not have an effective control to mitigate its risk.

**Criteria**

As stated in "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," Title 2, *Code of Federal Regulations*, Part 200, Section 302,

> (a) . . . the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions . . .
>
> (b) The financial management system of each non-Federal entity must provide for the following . . . [a]ccurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements.

Furthermore, according to the UI Report Handbook No. 401, which provides reporting instructions for the ETA 227, "all applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Effect**

The UI Report Handbook No. 401 describes the purpose of the ETA 227 report as follows: "The state agency's accomplishments in principal detection areas of benefit payment control are shown on the ETA 227 report. The Employment and Training Administration (ETA) and state agencies need such information to monitor the integrity of the benefit payment processes in the UI system."

Therefore, when the department does not submit accurate reports, neither the department nor USDOL can effectively monitor and analyze benefit payment process integrity.

**Recommendation**

Going forward, management should take the following steps:

1. coordinate with the GUS vendor to identify and resolve technical difficulties that prevent the department from corroborating amounts reported on the ETA 227;
2. ensure that staff follow guidelines for reviewing ETA 227 reports prior to submission;
3. develop formal, documented policies and procedures to compare the reported unemployment insurance amounts for each program (UI, UCFE/UCX, EB) with Edison entries; and
4. implement effective controls to address the risks noted in this finding and update the risk assessment as necessary, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

**Management's Comment**

We concur.

The department has had problems with the ETA 227 report and with data validation, since GUS was implemented in May of 2016. Department staff has worked with Geographic Solutions staff, since that time, to correct outstanding problems with the report. In spite of the department's best efforts, the problems with the report continue. The department has entered eight incident tickets since March of 2019 to address various and ongoing problems with the report. The department's risk assessment has been updated.

| | |
|---|---|
| **Finding Number** | 2019-032 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-31319-18-55-A-47, UI-31370-18-55-A-47, UI-31622-18-60-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures |
| **Federal Award Year** | 2016 through 2019 |
| **Finding Type** | Other |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | 2018-037 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior four audits, we were unable to access federal tax information needed to fulfill our audit objectives due to restrictions imposed by the Internal Revenue Service**

**Background and Criteria**

To ensure the integrity of the Unemployment Insurance program, the U.S. Department of Labor (USDOL) mandates that the Tennessee Department of Labor and Workforce Development (the department) and other state agencies provide only eligible individuals with benefits. When an individual receives unemployment benefits to which he or she is not entitled, whether due to error or fraud, an overpayment occurs. The department instituted a multi-phase process to collect identified overpayments. One method the department uses to collect overpayments is the Treasury Offset Program, which intercepts individuals' federal tax refunds.

In addition to the principal overpayment amount, the department imposes penalties and interest on individuals whose fraudulent acts resulted in an overpayment. Under Section 50-7-715(b), *Tennessee Code Annotated*, fraudulent overpayments incur a penalty of 30% or 50%, composed of a federally mandated penalty of 15% and an additional state penalty of 15% (for the first instance of overpaid benefits) or 35% (for the second and each subsequent instance of overpaid benefits). Section 303(a)(11) of the Social Security Act requires the department to deposit the 15% federal penalty into the state's account in the USDOL Unemployment Trust Fund. Section 50-7-715(b)(2)(C) requires the department to use state penalties collected to defray the costs of deterring, detecting, and collecting overpayments.

Part 4 of the Appendix XI – Compliance Supplement lists one objective of the UI [Unemployment Insurance] Program Integrity – Overpayments special test as "properly identifying and handling overpayments, including, as applicable, assessment and deposit of penalties and not relieving employers of charges when their untimely or inaccurate responses cause improper payments." The related audit procedure states,

> Based on a sample of overpayment cases: . . . If the overpayment was based on fraud, determine if the claimant was notified of the 15 percent penalty, and if there was no appeal or the claimant was unsuccessful in appeal, there was follow-up to collect the penalty, and the State deposited the penalty into the State's account in the Unemployment Trust Fund.

During our prior four audits, the department was unable to provide us with information about Treasury Offset Program recoveries due to restrictions imposed by the Internal Revenue Service (IRS). Management concurred with the prior-year finding and stated that it would communicate with the USDOL about the situation.

**Condition**

Since neither the USDOL nor the IRS addressed the conflict between the Compliance Supplement and the *Internal Revenue Code* (IRC), department management and staff declined to provide us with the amounts collected via the Treasury Offset Program.

**Cause**

According to the Director of UI Recovery, the department could not share data regarding overpayment recoveries collected through the Treasury Offset Program with us due to the IRS's restrictions. During our fiscal year 2015 audit, department management inquired with the IRS about whether we could access the exact amount of individual principal and penalty amounts collected through the Treasury Offset Program. An IRS Disclosure Enforcement Specialist answered on November 16, 2015, as follows: "State Workforce Agencies participating in the Treasury Offset Program under IRC 6103(l)(10) for benefits collection are prohibited from redisclosing FTI [Federal Tax Information]. State auditors **cannot** have access to the individual amounts under this code section" [emphasis in original].

In response to the prior audit finding, management sent a letter to the USDOL and the U.S. Department of the Treasury about access to Treasury Offset Program data. The letter, which management drafted in coordination with our office and sent on May 13, 2019, requested the federal agencies' "assistance to resolve the apparent conflict in order to avoid future findings." On August 20, 2019, we received a reply from the USDOL stating that the request "was referred to the Employment and Training Administration's Office of Unemployment Insurance, which has oversight responsibility for the federal-state UI program." As of January 8, 2020, neither the Office of Unemployment Insurance nor other federal offices have provided any further response to the joint letter.

**Effect**

Without access to federal tax information, we were unable to assess whether penalties due to fraud were properly deposited into the state's Unemployment Trust Fund and could not achieve our audit objectives related to overpayment recoveries.

**Recommendation**

Management should, in coordination with the USDOL and the IRS, continue its efforts to resolve the issues surrounding auditors' access to federal tax information.

**Management's Comment**

We concur.

We concur that the Comptroller's auditors are not allowed to access this data, due to restrictions imposed by federal law. We also concur that USDOL and IRS need to work together to develop a resolution. We appreciate the Comptroller's Office assisting with a letter requesting federal assistance to resolve this situation.

However, we are not able to resolve this issue.

| | |
|---|---|
| **Finding Number** | 2019-033 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-31319-18-55-A-47, UI-31370-18-55-A-47, UI-31622-18-60-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures |
| **Federal Award Year** | 2016 through 2019 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | 2018-036 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the third consecutive year, the Department of Labor and Workforce Development hampered benefit overpayment recoveries by failing to adequately inform claimants of their debts**

**Background**

The Department of Labor and Workforce Development provides Unemployment Insurance (UI) benefits to individuals who meet certain eligibility criteria. When an individual receives benefits to which he or she is not entitled, whether due to error or fraud, the department establishes an overpayment. Claimants must repay overpayments to the department. The department also applies penalties and interest when it determines a claimant's fraudulent acts caused the overpayment. The department's UI Recovery Unit is responsible for collecting overpayments, penalties, and interest from claimants.

In our prior audits, we reported that the department ceased mailing and emailing Benefit Overpayment Statements, which serve to notify claimants of overpayment balances and payment instructions. Management discontinued sending these monthly statements in fiscal year 2016 because the department's "new" UI system did not initially calculate the monthly interest charges on fraudulent overpayments correctly.[59] Instead, the department only sent the statements via an online messaging feature in the web-based system.

Our prior findings explained that staff sent claimants overpayment determination letters only when overpayments were first established, and that the one-time letters were not an effective tool to collect overpayments from claimants with long-outstanding balances. Furthermore, claimants could only access these statements if they had registered with the website and knew how to

[59] As noted in our prior audit findings, the system vendor corrected the monthly interest charge calculations in January 2018.

check messages. We observed that the department's overpayment debt recoveries declined after it ceased mailing and emailing the statements.

Management concurred with the prior-year audit finding, stating that it worked with the vendor responsible for the UI application and resumed sending mail and email statements in November 2018.

**Condition**

Based on our audit work for fiscal year 2019, we found that management resumed sending monthly statements to claimants who selected mail as their preferred contact method, but management did not email monthly benefit overpayment statements to claimants, including those who chose email as their preferred contact method.

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of not notifying claimants about overpayments and did not identify a mitigating control.

**Criteria**

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) sets internal control standards and is considered best practice for non-federal entities. According to Principle 15, "Communication with External Parties," of the Green Book,

> **15.03** Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these communications information relating to the entity's events and activities that impact the internal control system.
>
> **15.08** Based on consideration of the factors, management selects appropriate methods of communication, such as a written document—in hard copy or electronic format—or a face-to-face meeting. Management periodically evaluates the entity's methods of communication so that the organization has the appropriate tools to communicate quality information throughout and outside of the entity on a timely basis.

Additionally, Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks," states,

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Cause**

According to the Director of UI Recovery, she verified that the vendor made the necessary corrections regarding the Benefit Overpayment Statements but did not retain documentation of her review showing that the system sent these statements by the claimants' preferred contact methods. Based on our review, however, the system did not email claimants monthly statements. After we inquired about email statements, the Director of UI Recovery confirmed that the system did not send the Benefit Overpayment Statements via email and filed another change order to activate all methods of communication.

**Effect**

Although the department continued to send statements via online messaging and resumed mailing statements, individuals who do not have ongoing claims may not visit the messaging center and receive the overpayment notifications. By not ensuring claimants received benefit overpayment statements according to their preferred method of contact, the department failed to adequately inform claimants of their debts and hampered overpayment recoveries. Despite an increase in overpayment recoveries since fiscal year 2018, collections remain lower than when the department sent monthly statements by mail and email; see **Table 1** below.

**Table 1**
**Overpayment Collections by Year**
**Fiscal Year (FY) 2016–2019**

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|
| Overpayment balance at beginning of year | $31,886,777 | $24,259,682 | $19,492,182 | $15,548,262 |
| Statement recoveries | $4,066,320 | $1,179,919 | $1,608,189 | $1,679,178 |
| % of balance collected | 13% | 5% | 8% | 11% |

Source: UI recoveries report and Employment Training Administration 227 report.

**Recommendation**

Management should continue to take all reasonable steps to ensure that claimants are properly notified of their obligations to repay the department for any overpayments of benefits in order to ensure the integrity of the Unemployment Insurance program. Management should conduct thorough, documented testing when the vendor reports that it has addressed change order requests and should perform periodic follow-up reviews to ensure that the system is still functioning as intended.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur.

The department has been clear with the vendor that overpayment statements are to be sent by each individual claimant's preferred method of communication. This was tested in a staging environment and then again in production. At some point after production testing in November of 2018, the GUS system [Geographic Solutions Unemployment System] stopped sending monthly statements to claimants who selected a preferred method of email for communication from the department. Those claimants who selected postal mail or internal messaging were sent monthly statements as required, but those who selected email were not. A ticket was entered to correct this issue on January 23, 2020; as of the date of this response, it has not yet been completed. The department's risk assessment has been updated.

| | |
|---|---|
| **Finding Number** | 2019-034 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-31319-18-55-A-47, UI-31370-18-55-A-47, UI-31622-18-60-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures |
| **Federal Award Year** | 2016 through 2019 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Repeat Finding** | 2018-041 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior four audits, the Department of Labor and Workforce Development did not provide adequate internal controls in one specific area**

The Department of Labor and Workforce Development did not provide adequate internal controls in one specific area related to six of the department's systems. We are reporting internal control deficiencies in this area because department management did not implement sufficient corrective action. These conditions were in violation of state policies and/or industry-accepted best practices. In their response to the prior-year finding, management agreed that internal controls needed improvement and provided details of corrective action. However, the conditions continued to exist during the audit period.

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management listed risks relating to this area; however, the department did not have an effective control to mitigate the risks.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

Ineffective implementation and operation of internal controls increases the likelihood of errors, data loss, and the inability to continue operations. Pursuant to Standard 4.40 of the U.S. Government Accountability Office's *Government Auditing Standards,* we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee*

*Code Annotated*. We provided management with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

**Recommendation**

Management should ensure that these conditions are remedied by the prompt development and consistent implementation of internal controls in this area. Management should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Managements' Comments**

Department of Labor and Workforce Development

We concur.

The department delivered a confidential response to the Office of the Comptroller.

Division of Strategic Technology Solutions

We concur. STS has revised certain processes and implemented additional internal controls to further mitigate the risk associated with this finding.

| | |
|---|---|
| **Finding Number** | 2019-035 |
| **CFDA Number** | 97.036 |
| **Program Name** | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |
| **Federal Agency** | Department of Homeland Security |
| **State Agency** | Department of Military |
| **Federal Award Identification Number** | PA-04-TN-1909 and PA-04-TN-4320 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Portions of Federal Financial Reports for the Disaster Grants – Public Assistance Program Were Incomplete or Inaccurate**

**Condition and Cause**

Testwork revealed that portions of the SF-425 (federal financial reports) submitted to Federal Emergency Management Agency (FEMA) for two of the open disaster grants (PA-04-TN-1909 and PA-04-TN-4320) were incomplete or inaccurate. The department is required to submit an SF-425 each quarter for the open disaster grants. For both disaster grants' four quarterly reports (a total of eight reports), the Department of Finance and Administration (F&A) – Military Fiscal incorrectly reported amounts for lines 10i (Total Recipient Share Required) and 10j (Recipient Share of Expenditures) on the SF-425. Consequently, since line 10k (Remaining Recipient Share to be Provided) is to be reported as line 10i less line 10j (or if line 10j is greater than 10i, report 0), line 10k was also incorrectly reported.

Only the matching funds paid directly by the state are recorded in Edison. Third-party providers' shares of cost are accounted by the Tennessee Emergency Management Agency's (TEMA's) Public Assistance (PA) division. F&A - Military Fiscal does not have access to the information required to complete the required SF-425 Form and must obtain the information from TEMA's PA division. As described below, there were not adequate procedures during the audit period for TEMA's PA division to provide the needed information to F&A – Military Fiscal.

PA-04-TN-1909 Disaster Grant

For the four quarterly reports, the department reported the following amounts:

| Quarter Ended | Line 10i | Line 10j |
|---|---|---|
| September 30, 2018 | $24,275,019.23 | $21,231,312.89 |
| December 31, 2018 | $24,497,620.65 | $21,244,131.26 |
| March 31, 2019 | $0.00 | $0.00 |
| June 30, 2019 | $8,244,994.22 | $7,167,651.77 |

In the quarters ending September 30, 2018 and December 31, 2018, the department based the amounts on line 10i on the total federal funds authorized for the grant instead of the expenditures incurred. For the same quarters, line 10j was reported based on the product of total expenditures and the required matching percentage instead of the actual matching funds incurred by the state or by a third party.

In the quarter ending March 31, 2019, F&A - Military Fiscal staff attempted to collect actual Recipient Share information to report the correct amounts but did not receive it in time to submit the SF-425; therefore, zero dollars was reported. In the quarter ending June 30, 2019, for line 10i, the amounts reported included only state funds committed to the subrecipient grants. For line 10j, the amounts reported included only matching funds paid by the state.

<u>PA-04-TN-4320 Disaster Grant</u>

For the first three quarters of FY19, the department incorrectly reported $0 for lines 10i and 10j because it was unsure of the correct non-federal matching percentage. For the quarter ending June 30, 2019, the department reported $1,713,412.75 and $1,531,428.88 for lines 10i and 10j, respectively. For line 10i, the amounts reported included only state funds committed to the subrecipient grants. For line 10j, the amounts reported included only matching funds paid by the state.

**<u>Criteria</u>**

When reports are submitted, all financial activity included in the reports should be based on underlying accounting records that demonstrate all the activity that occurred during the reporting period.

The instructions for completing line 10i state:

> Enter the total required recipient share for reporting period specified in line 9. The required recipient share should include all matching and cost sharing provided by recipients and third-party providers to meet the level required by the Federal agency. This amount should not include cost sharing and match amounts in excess of the amount required by the Federal agency (for example, cost overruns for which the recipient incurs additional expenses and, therefore, contributes a greater level of cost sharing or match than the level required by the Federal agency).

The instructions for completing line 10j state:

> Enter the recipient share of actual cash disbursements or outlays (less any rebates, refunds, or other credits) including payments to subrecipients and contractors. This amount may include the value of allowable third party in-kind contributions and recipient share of program income used to finance the non-Federal share of the project or program. Note: On the final report this line should be equal to or greater than the amount of Line 10i.

The instructions for completing line 10k state:

Enter the amount of Line 10i minus Line 10j. If recipient share in Line 10j is greater than the required match amount in line 10i, enter zero.

**Effect**

The department underreported recipient share of non-federal expenditures to FEMA. Providing incorrect information to FEMA may result in decision makers being provided incorrect information to base decisions on.

**Recommendation**

F&A – Military Fiscal and TEMA's PA division should work together to identify the information needed to complete the reports and develop procedures to retrieve the information and provide the information timely to staff responsible for SF-425 preparation.

**Management's Comment**

We concur. F&A - Military and TEMA staff identified the issue prior to the 2019 single audit and have corrected reporting guidelines for nonfederal share reporting relating to Federal Financial Reports (FFRs). Updated checklists within Standard Operation Procedures identify that TEMA will work with the Fiscal Office to provide State and Local shares to be reported. Quarterly and cumulative State and local shares will be reconciled by the Program Manager using the programmatic external database. Non-Federal Share will be provided via a certification form that will be signed by the Program Manager. The Fiscal Office will receive certification no less than one week prior to the FFR deadline. The criteria noted above will be implemented for the Quarter Ending March 2020 reporting period.

| | |
|---|---|
| **Finding Number** | 2019-036 |
| **CFDA Number** | 97.036 |
| **Program Name** | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |
| **Federal Agency** | Department of Homeland Security |
| **State Agency** | Department of Military |
| **Federal Award Identification Number** | PA-04-TN-1909, PA-04-TN-4320, PA-04-TN-4171, PA-04-TN-4005, PA-04-TN-1979, PA-04-TN-4293, PA-04-TN-4189, PA-04-TN-1974, PA-04-TN-4211 |
| **Federal Award Year** | 2017 through 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Military did not review all subrecipient audit reports**

**Condition**

We identified three instances where subrecipients were required to have an audit, but management did not review the audit. These audits covered the fiscal year 2018 subrecipients whose audits were required to be completed in fiscal year 2019.

In addition, the listing used by the Office of Program Monitoring to select contracts for monitoring was not adequate to ensure that Program Monitoring knew which subrecipients were required to have an audit completed. Although the listing obtained from each program area includes total funding obligated by the contract, it does not include amounts passed through to the subrecipient during the fiscal year.

**Cause**

The Office of Program Monitoring uses a listing of all open contracts within the Department of Military from the prior year to develop the Subrecipient Monitoring Plan for the current fiscal year (i.e., fiscal year 2019's plan is developed based on contracts open during fiscal year 2018). The Office of Program Monitoring selects some contracts from this list for monitoring. Part of the office's monitoring includes reviewing the subrecipients' most recent audit report. Since the department does not select every contract every year for monitoring, it is not reviewing all required audits for each subrecipient every year.

**Criteria**

Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 331(f), states that the department must "[v]erify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Section 200.501 Audit requirements."

Regarding single audit requirements, 2 CFR 200.501(a) states that a "non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

**Effect**

Although we determined the three audits had been completed, management's not reviewing each subrecipient's audit report every year increases the risk that management may fail to issue required management decisions if the subrecipient has findings. The failure to issue management decisions may allow noncompliance to continue for an extended period of time.

Not including amounts paid by the department to the subrecipient on the contract listing prevents the reviewer from readily knowing if the subrecipient was required to have an audit.

**Recommendation**

The department should develop procedures to review audit reports yearly for subrecipients that have not been selected for monitoring by the Office of Program Monitoring. Additionally, the listing used by the Office of Program Monitoring to review subrecipient audits should include the amount passed through to the subrecipient for the prior year, to aid the office in identifying subrecipients requiring an audit.

**Management's Comment**

We concur. The Program Monitoring section of the State Military Department Administrative Services division has established and implemented controls to monitor all Subrecipients' audit reports, identifying those who have expended $750,000 or more in Federal Awards during the Fiscal year, and follow up on any related findings. The Tennessee Emergency Management Agency has agreed to aid in identifying those Subrecipients requiring an audit and to provide more detailed reporting of Subrecipients' expended Federal Awards during the fiscal year.

The Program Monitoring section has been completing this process for all contracts monitored, approximately 1/3 of the Subrecipient contracts in a fiscal year. Program Monitoring will now increase their verification of Federal Awards disbursed and follow up on any related findings for all Subrecipient Contracts identified by TEMA.

| | |
|---|---|
| **Finding Number** | 2019-037 |
| **CFDA Number** | 20.106 |
| **Program Name** | Airport Improvement Program |
| **Federal Agency** | Department of Transportation |
| **State Agency** | Department of Transportation |
| **Federal Award Identification Number** | Various |
| **Federal Award Year** | Various |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Transportation's Aeronautics Division management did not submit or submitted incomplete information on financial reports to the Federal Aviation Administration**

**Background and Criteria**

The Department of Transportation (the department), as the administrator of the Airport Improvement Program participating in the State Block Grant Program,[60] is required to submit financial reports to summarize grant expenditures and the status of project funds. The department is required to submit the financial reports or approved equivalent reports to the federal government via the Memphis Airport District Office (Memphis ADO). The Memphis ADO operates in the Federal Aviation Administration's (FAA) Southern Regional Office and serves Tennessee. As stated in the *State Block Grant Program Advisory Circular 150/5100-21*, Chapter 3.10, "Federal Financial Reporting," the department is required to submit the following financial reports:

1. *Standard Form (SF)-425, Federal Financial Report*

   [The SF-425] report, or an ADO/RO [Airport District Office/Regional Office] approved equivalent, must be submitted annually for each open grant[61] to monitor outlays and program income on a cash or accrual basis. This report is due 90 days after the end of each federal fiscal year and must also be submitted as a final financial report during closeout.[62]

[60] States that participate in the State Block Grant Program assume responsibility for administering Airport Improvement Program grants at "other than primary" airports. The department is responsible for determining which airports will receive funds for ongoing project administration.
[61] An open grant is a grant that has funding available to be expended.
[62] Closeout is the process to finalize a grant that was fully expended.

2. *Standard Form (SF)-270*

   [The SF-270, Request for Advance or Reimbursement] report, or an equivalent ADO/RO approved equivalent report, must be submitted annually to summarize requests for block grant reimbursements for non-construction projects.

3. *Standard Form (SF)-271*

   [The SF-271, Outlay Report and Request for Reimbursement for Construction Program], or an ADO/RO approved equivalent report, must be submitted annually to summarize requests for reimbursement for construction projects.

<u>ADO-approved Equivalent Reports</u>

To determine if the department was approved to submit any equivalent reports, as allowed by the *Advisory Circular*, we verified reporting requirements with the Memphis ADO. According to the Program Manager at the Memphis ADO, the ADO has not approved an equivalent report for the SF-425 reports; thus, the department must submit the SF-425 reports annually for each open grant and at closeout (a final SF-425).

The Memphis ADO Program Manager did confirm, however, that the ADO had approved the department's Memorandum of Agreement (MOA) Annual Report as an approved equivalent report for both the SF-270 and SF-271 reports. As stated in the department's 2006 MOA with the FAA to administer Airport Improvement Program funds under the State Block Grant Program, the reporting requirement, including the six key report items, for the MOA Annual Report is as follows:

- *MOA Annual Repor*t (in lieu of SF-270 and SF-271)

  TDOT will provide an annual report to MEM-ADO [Memphis ADO] by December 15th of each year outlining program activity for the preceding fiscal year. The annual report shall include [1] a brief summary of each project, [2] percentage of completion, [3] problems encountered and [4] funds expended and [5] balances, and [6] why the project needed.

## <u>**Condition**</u>

We found that the Aeronautics Division's Director and Assistant Director failed to gain their own understanding of the federal reporting requirements, which led to management failing to submit reports and/or submitting incomplete reports to the Memphis ADO and the FAA.

<u>SF-425 Annual Federal Financial Report</u>

As of September 30, 2018, the federal fiscal year-end, the department had eight open grants with the FAA. We found that the Aeronautics Director and Assistant Director failed to submit to the federal agency all eight (100%) SF-425 annual federal financial reports due on December 29, 2018. The reports related to the following open grants:

1. 3-47-SBGP-49-2015,
2. 3-47-SBGP-50-2016,
3. 3-47-SBGP-51-2016,
4. 3-47-SBGP-52-2017,
5. 3-47-SBGP-53-2017,
6. 3-47-SBGP-54-2018,
7. 3-47-SBGP-55-2018, and
8. 3-47-SBGP-56-2018.

SF-425 Final Federal Financial Report

During the period July 1, 2018, through June 30, 2019, the Aeronautics Division closed four Airport Improvement Program grants that required SF-425 final federal financial reports. We found that although the department's Aeronautics Assistant Director submitted all four SF-425 final federal financial reports, three reports were incomplete. Specifically, for three SF-425 final federal financial reports, for grants 3-47-SBGP-49-2015, 3-47-SBGP-51-2016, and 3-47-SBGP-55-2018, the department did not report the basis of accounting or the reporting period end date.

Memorandum of Agreement (MOA) Annual Report

For the MOA Annual Report due by December 15, 2018, the department did not include three of six required key report line items (50%). Specifically, the Aeronautics Assistant Director did not include "the percentage of completion," "the problems encountered", or "why the project was needed."

Risk Assessment

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that Aeronautics Division management did not identify any risks associated with the Airport Improvement Program's federal financial reports, including submitting incomplete reports, and any mitigating controls.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 "Identify, Analyze, and Respond to Risks," of the Green Book,

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

## Cause

The Aeronautics Division's Director and Assistant Director believed that the problem occurred due to miscommunications among the FAA, the Memphis ADO, and the department. The Director and Assistant Director stated that they were following the reporting guidelines established in the 2006 MOA, believing that those were the only reporting requirements the department needed to follow, and replaced all of the department's reporting requirements. The 2006 MOA only listed that the department must submit an annual report and the final closeout documents. The Director and Assistant Director also stated that they were aware that the FAA planned on updating the MOA with all states participating in the State Block Grant Program, which would include additional reporting requirements. However, they stated that the FAA has not presented the department with a new MOA to sign, and the department's 2006 MOA is still in effect. The Director and Assistant Director also stated that since no representative from the FAA or Memphis ADO communicated the reporting insufficiencies to the department, the Director and Assistant Director did not know their understanding of the department's federal reporting requirements was flawed.

For the incomplete SF-425 final federal financial reports, the Assistant Director stated that he did not know the appropriate accounting basis, so he left them blank. For the incomplete MOA Annual Report, the Director and Assistant Director stated that the FAA approved the 2018 MOA Annual Report format; however, they indicated that this approval was verbal but were unable to provide any corroborating evidence of this format approval.

## Effect

Without accurate financial reporting, neither the state nor the federal awarding agency can make appropriate programmatic decisions based on the contents of the reports. By failing to submit applicable financial reporting to the FAA, the division is not in compliance with applicable reporting regulations, which prevents the FAA and ADO from compiling standard information about the grants. Moreover, without demonstrating that the State of Tennessee can be a responsible custodian of grant funding, the federal government may decide to revoke current funding or to decrease future funding.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in Title 2, *Code of Federal Regulations*, Part 200, Section 338, "If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," including, as described in Part 200, Section 207, "Specific conditions," "Requiring additional, more detailed financial reports."

## Recommendation

The Commissioner should ensure that management develops effective controls to achieve compliance with applicable federal reporting requirements; assigns employees to be responsible for ongoing monitoring of the risks and any mitigating controls; and acts if deficiencies occur. The Commissioner should ensure that department staff assess all significant risks, including the risks noted in this finding, in the department's annual risk assessment.

The Aeronautics Division Director and Assistant Director must submit complete and accurate applicable financial reports to the Federal Aviation Administration and/or the Memphis Airport District Office. The Director and Assistant Director should obtain detailed written confirmation of their reporting requirements from the FAA. The Director and Assistant Director should establish, document, and implement a formal policy and procedure that ensures staff correctly identify, complete, and submit reports for each applicable grant.

**Management's Comment**

We concur. The Aeronautics Division will work with the Federal Aviation Administration (FAA) to confirm and detail report requirements. This confirmation will include any exceptions necessary to accommodate the State Block Grant Program. Required reporting will be documented in a new MOA with the FAA. Data elements will be identified and collected for report development, formal policy and procedures will be written, and effective controls established with levels of review. Policy and procedures will be documented and approved by September 1, 2020.

| | |
|---|---|
| **Finding Number** | 2019-038 |
| **CFDA Number** | 20.106 |
| **Program Name** | Airport Improvement Program |
| **Federal Agency** | Department of Transportation |
| **State Agency** | Department of Transportation |
| **Federal Award Identification Number** | Various |
| **Federal Award Year** | Various |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring<br>Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The department's monitoring procedures were not sufficient to ensure its subrecipients complied with airport revenue spending requirements**

**Background and Criteria**

Pursuant to Title 49, *United States Code*, Chapter 471, Section 33, "the revenues generated by an airport that is the subject of Federal assistance may not be expended for any purpose other than the capital or operating costs of (1) the airport; (2) the local airport system; or (3) any other local facility that is owned or operated by the person or entity that owns or operates the airport that is directly and substantially related to the air transportation of passengers or property." The Department of Transportation (the department) refers to the owner or operator of an airport as a "sponsor" [subrecipient] and monitors these sponsors to ensure revenue is spent as noted above and is not diverted for an unallowed activity.

The department, through its subrecipient monitoring process, is responsible for monitoring airport subrecipients to determine that revenue generated by airports is only used for capital and operating costs. In fiscal year 2019, the department's procedures to monitor airport revenues by its External Audit staff were to 1) review all subrecipients' Single Audits[63] for any findings related to the Airport Improvement Program and 2) complete a Detail Review Guide for Aeronautics Division subrecipients that were selected for monitoring as part of the state's Central Procurement Office's Policy 2013-007.[64] During fiscal year 2019, there were 64 subrecipients of the Airport Improvement Program.

[63] Single Audits are conducted by an external party, such as a certified public accounting firm. Since the department's process involves reviews of subrecipients' Single Audits, we reviewed previous Compliance Supplements to ensure the revenue diversion compliance requirements had not changed.

[64] Central Procurement Office's Policy 2013-007 requires the department to monitor all of its subrecipients at least once every three years.

**Condition and Cause**

The department's monitoring process and procedures were not sufficient to ensure that subrecipients actually spent airport revenues in accordance with federal requirements. The External Audit Director believed that the department met compliance with federal requirements by reviewing subrecipients who had received a Single Audit. The External Audit Director, however, did not consider that all airports would not be tested for the revenue diversion compliance requirement unless the Airport Improvement Program met the major program threshold under the Single Audit.

Additionally, based on our review of the department's monitoring tool, the Detail Review Guide, the guide's revenue diversion monitoring objective steps did not include testing of airport revenues and related spending of those revenues. As such, the department's monitoring efforts based on the guide were ineffective. Furthermore, based on our review of completed Detail Review Guides, we found that External Audit staff relied on the airport sponsor's attestation that airport revenues were used only for capital or operating costs. According to the External Audit Director, the department believed that the implemented processes that were in place appropriately addressed the risks associated with improper airport revenue use.

Risk Assessment

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify any risks associated with ineffective monitoring activities and a mitigating control.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Effect**

Because the department does not have sufficient monitoring procedures, misuse of revenues by airport subrecipients could go undetected. If revenues are found to be diverted from capital and operating costs, penalties imposed for revenue diversion may be up to three times the amount of the revenues that were used in violation of the requirement.

**Recommendation**

The department's External Audit staff should ensure all airport sponsors receiving Airport Improvement Program financial assistance have used all airport revenues for permitted purposes. The External Audit Director should enhance the department's subrecipient monitoring procedures to ensure there is no unlawful revenue diversion. In addition, the External Audit

Director should update the monitoring tool to ensure it provides monitors with the relevant objectives. Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. The department is aware that not all airports are subject to the single audit requirement and that not all single audits will have the Airport Improvement Program audited as a major program. While the department has monitoring processes in place to review airport revenue and costs, the department recognizes these processes were not consistently applied and sufficiently documented in monitoring work. In order to ensure that airports receiving Airport Improvement Program funding are reviewed to determine that revenues are used in accordance with federal requirements, the Department will review and update the Detail Review Guide for the Aeronautics Division by March 1, 2020, in order to establish a clear objective related to monitoring for revenue diversion and to document the review of airport revenues and costs in order to test for unlawful revenue diversion.

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|---|---|
| **Finding Number** | 2019-039 |
| **CFDA Number** | 20.106 |
| **Program Name** | Airport Improvement Program |
| **Federal Agency** | Department of Transportation |
| **State Agency** | Department of Transportation |
| **Federal Award Identification Number** | Various |
| **Federal Award Year** | Various |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Special Test and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Aeronautics Division's management did not establish proper internal controls to ensure compliance with Davis-Bacon Act provisions**

**Background and Criteria**

The Davis-Bacon Act requires laborers and mechanics employed by contractors or subcontractors on federal contracts to be paid no less than the prevailing wage rate that the U.S. Department of Labor has established for that locale. In order to ensure that contractors and subcontractors are paying workers the applicable prevailing wage rate, federal regulations stipulate that construction contracts in excess of $2,000 include Davis-Bacon Act provisions. Title 29, *Code of Federal Regulations* (CFR), Part 5, Section 5.5(a), states that prevailing wage rate clauses must be included "in any contract in excess of $2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds. . . ."

In addition, federal regulations stipulate that contractors and subcontractors must submit weekly certified payrolls to the Department of Transportation. According to Title 29, CFR, Section 3.4,

> Each weekly statement . . . shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work.

According to the Aeronautics Division's Project Managers, they oversee compliance with the Davis-Bacon and related acts by documenting receipt of the certified payrolls and verifying the accuracy of the wage scale rates contained therein.

We obtained and analyzed a list of construction contract expenditures for fiscal year 2019 that were from 143 unique projects. We took the listing of unique projects and created a population of each project paired with each week in a year; this resulted in a population of 7,579 possible payroll periods.[65] We then selected a random and systematic sample of 60 payroll periods to test. If the week selected at random did not have any construction work performed, the next available payroll period with construction work was tested. We found that the 60 payroll periods tested resulted from 32 unique projects.

**Condition, Cause, and Effect**

Our testwork revealed that for 17 of the 32 projects tested (53%), the department did not include the prevailing wage rate or Davis-Bacon Act clause in the construction contracts. Based on inquiry with management, the contract template used did not include the Davis-Bacon Act provisions, and management believed a general *Compliance with FAA Regulations* provision was sufficient if there were specific provisions omitted.

Because Aeronautics Division management did not include the prevailing wage rate provisions in the construction contracts, contractors were not aware that they must comply with these requirements.

Additionally, we found that for 59 of the 60 payroll periods tested (98%), the department did not ensure compliance with federal and state wage rate requirements as noted below:

- For 59 of the payroll periods tested, the department did not ensure the contractor complied with the 7-day submission deadline. The contractor either never submitted these payrolls or submitted them up to 406 days late.
- For 58 of the payroll periods tested, the department did not adequately document and/or maintain records to verify when the payrolls were received.

We found that the Aeronautics Division's management did not have written policies and procedures to ensure Davis-Bacon Act compliance; therefore, staff did not always maintain or document the date the contractors and subcontractors submitted the certified payrolls and did not always include the Davis-Bacon Act clause in contracts. As a result, the division is unable to ensure compliance with 29 CFR 3.4, including withholding contractors' payments until all required certified payrolls are submitted. Management attributed the errors noted above to department staff lacking training and understanding of federal wage rate requirements.

Risk Assessment

Given the problems identified during our fieldwork, we also reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management's risk assessment did not identify the specific risks and mitigating controls associated with wage rate requirements.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in

[65] The number of possible payroll periods was calculated by pairing each project with 53 weeks in a year (365 days per year / 7 days per week = 52.14 weeks per year, rounded up to 53 weeks in a year).

federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7 of the Green Book, "Identify, Analyze, and Respond to Risks,"

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Recommendation**

Aeronautics Division management should ensure that all construction contracts in excess of $2,000 contain the prevailing wage rate provisions. Additionally, division management should ensure staff are properly trained on policies and procedures for maintaining documentation of communication with all contractors and subcontractors and for withholding payments until contractors or subcontractors submit certified payrolls as required. Division management should ensure that all contractors and subcontractors understand the contract requirement to submit certified payrolls within seven days of the payroll ending period.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. The Aeronautics Division has communicated to all airports and representative consulting firms that weekly certified payrolls must be submitted to the Aeronautics Division within seven days after the regular payment date of the payroll period. Additionally, following receipt of certified payrolls and prior to approving related invoices, TDOT Project Managers shall verify the accuracy of the wage scale rates contained therein. The TDOT Project Manager will return an invoice to the sponsor unpaid if they are not in compliance with Davis-Bacon provisions. For invoices in compliance with the provisions, the TDOT Project manager will upload the associated certified payrolls with each invoice containing labor performed by contractors or subcontractors. TDOT Program Monitors shall verify that the related payrolls have been uploaded prior to creating the Voucher in Edison. This provides two levels of review. These procedures were effective February 3, 2020. Policy and procedures will be updated to reflect these requirements by April 1, 2020.

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|---|---|
| **Finding Number** | 2019-040 |
| **CFDA Number** | 20.106 |
| **Program Name** | Airport Improvement Program |
| **Federal Agency** | Department of Transportation |
| **State Agency** | Department of Transportation |
| **Federal Award Identification Number** | Various |
| **Federal Award Year** | Various |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Repeat Finding** | 2018-043 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior audit, the Department of Transportation did not provide adequate internal controls in three specific areas**

The Department of Transportation did not design and monitor internal controls in three specific areas. For two of the three areas, we are reporting internal control deficiencies that were reported from the prior audit because management's corrective action was not sufficient. Ineffective implementation of internal controls increases the likelihood of errors, data loss, and inability to continue operations.

Ineffective implementation and operation of internal controls increases the likelihood of errors, data loss, and the inability to continue operations. Pursuant to Standard 4.40 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated*. We provided management with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

We reviewed the department's December 2018 Financial Integrity Act Risk Assessment and determined that management listed the risk of two areas; however, the department did not have an effective control to mitigate its risk. Also, management did not identify the risk of the third area and a mitigating control.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Principle 7, "Identify, Analyze, and Respond to Risks," of the Green Book,

> **7.02** Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses.

**Recommendation**

Management should ensure that these conditions are remedied by the prompt development and consistent implementation of internal controls in this area. Management should implement effective controls to ensure compliance with applicable requirements; assign staff the responsibility for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comments**

Department of Transportation

We concur in part. To address the identified control weaknesses, TDOT Divisions will work in partnership with other State agencies to ensure adherence to revised procedures and enforcement of policy requirements by holding accountable those who violate procedures that are in place. Risk assessments will be updated along with corresponding mitigating controls.

Department of Finance and Administration

We concur. STS has revised certain processes and implemented additional internal controls to further mitigate the risk associated with this finding.

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|---|---|
| **Finding Number** | 2019-041 |
| **CFDA Number** | 15.605, 15.611, and 15.626 |
| **Program Name** | Fish and Wildlife Cluster |
| **Federal Agency** | Department of the Interior |
| **State Agency** | Tennessee Wildlife Resources Agency |
| **Federal Award Identification Number** | TN-FWE-F18AF00534, TN-FWE-F18AF01139, and TN-FWE-F18AF01079 |
| **Federal Award Year** | 2018 and 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Subrecipient monitoring needs improvement**

**Condition**

The Tennessee Wildlife Resources Agency's overall subrecipient monitoring was not adequate to ensure compliance with federal regulations. Our testwork revealed three specific problems relating to the agency's subrecipient monitoring:

- The monitoring plan did not include a grant recipient that management believes is a subrecipient.
- The amounts paid to subrecipients were not identified on the Schedule of Expenditures of Federal Awards (SEFA).
- The agency did not document the monitoring activities that staff performed for the subrecipients.

**Criteria**

Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 331 states that pass-through entities must monitor the subrecipients' activities as necessary to ensure the subawards are used for authorized purposes.

2 CFR 200.510 requires the auditee to identify "the total amount provided to subrecipients from each Federal program" on the SEFA. In addition, the SEFA instructions from the Department of Finance and Administration also include this requirement.

The use of checklists and other tools to document monitoring activities helps ensure that staff performing monitoring activities examine the risks that management identified as being likely to occur and/or having a significant impact on operations.

**Cause**

Management recently became aware of subrecipient monitoring requirements through a report from the Department of the Interior, Office of Inspector General, dated December 11, 2018, citing concerns with "insufficient oversight of subawards." Agency personnel stated that they did not document monitoring because of a lack of personnel. Management indicated that staff did not identify one of the subrecipients was due to an oversight. Management stated that they did not separately identify payments to subrecipients on the SEFA because they were unaware of how to report that information.

**Effect**

The effectiveness of the agency's subrecipient monitoring activities is reduced when staff do not include all identified subrecipients on the monitoring plan and do not document monitoring activities. Not identifying expenditures to subrecipients on the SEFA is noncompliance and incorrectly suggests that there were no subrecipient expenditures for the fish and wildlife cluster.

**Recommendation**

The agency should document subrecipient monitoring activities and include all subrecipients on the monitoring plan. The agency should also identify amounts paid to subrecipients for each program using the SEFA instructions provided by the Department of Finance and Administration.

**Management's Comment**

We concur. The agency does not have a separate monitoring staff. Program managers will be assigned the responsibility of monitoring documentation. By June 30, 2020, checklists and instructions will be provided to program managers to improve monitoring documentation efforts. Management will ensure subrecipients are included in the monitoring plan. Management will separately identify payments to subrecipients on the FY20 SEFA, which will be completed by centralized accounting staff assigned by Finance & Administration. This process will be overseen by the departmental controller.

| | |
|---|---|
| **Finding Number** | 2019-042 |
| **CFDA Number** | 15.605 and 15.611 |
| **Program Name** | Fish and Wildlife Cluster |
| **Federal Agency** | Department of the Interior |
| **State Agency** | Tennessee Wildlife Resources Agency |
| **Federal Award Identification Number** | TN-FWE-F18AF00534 |
| **Federal Award Year** | 2017 and 2018 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Program Income |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $290,787.00 |

**The Tennessee Wildlife Resources Agency did not always use program income in accordance with federal requirements, resulting in questioned costs of $290,787.00**

## Condition

According to records provided by the former Tennessee Wildlife Resources Agency (TWRA) controller, the agency received $1,399,707.22 of program income for the TN-FWE-F18AF00534 award. The agency used the entire amount to meet matching requirements. However, the Notice of Award allows only $1,000,000 to be used as matching funds. The remaining $399,707.22 should be used in accordance with the deduction method. Using the matching method on the $399,707.22, instead of the deduction method resulted in excess draws of $290,787.00 which is federal questioned cost.

## Criteria

The Notice of Grant Award specifies that $1,000,000 of program income may be used in accordance with the matching method.

Title 2, *Code of Federal Regulations*, Part 200, Section 307 outlines use of program income:

> **(e)** ***Use of program income.*** . . . When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.
>
> > **(1)** ***Deduction.*** Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

> **(2) *Addition.*** With prior approval of the Federal awarding agency . . . program income may be added to the Federal award by the Federal awarding agency and the non-Federal agency. The program income must be used for the purposes and under the conditions of the Federal award.
>
> **(3) *Cost sharing or matching.*** With prior approval of the Federal award agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.

**Cause**

Since the grant requires two different treatments of program income and the treatment used can significantly affect the amount drawn from the federal government, TWRA needs to use ongoing procedures to monitor program income levels to ensure the agency is using program income correctly during the draw process. However, the staff responsible for draws stated that the levels of program income were not considered during the draw process, so at the time of the draw, the agency was not aware of the proper use of the program income.

**Effect**

The agency overbilled the federal government $290,787.00 and overstated federal revenue by $290,787.00 on the state's financial statements.

**Recommendation**

As long as there is a possibility that different treatments of program income may be necessary during an award, TWRA should establish an ongoing process to monitor program income received to allow the agency to apply it properly during the draw process.

**Management's Comment**

We concur. TWRA is currently aware of the CFR § 200.307, Program Income, and its requirement to revert to the deductive method once the grant application program income estimate has been met. Beginning July 1, 2019, the centralized accounting group began a monthly process of documenting and tracking the program income received and sending this information to the Federal Aid Coordinator. We will include the program income in Edison for tracking purposes. Per discussions with the U.S. Fish and Wildlife Service, they requested that we reduce our future draw by $290,787 on the current (FY20) comprehensive grant to account for the overdraw that occurred in FY19.

| | |
|---|---|
| **Finding Number** | 2019-043 |
| **CFDA Number** | 10.553, 10.555, 10.556, 10.559, 10.558, 84.010, 84.027, 84.048, 84.173, and 84.367 |
| **Program Name** | Child Nutrition Cluster<br>Child and Adult Care Food Program<br>Title I Grants to Local Educational Agencies<br>Special Education Cluster<br>Career and Technical Education – Basic Grants to States<br>Supporting Effective Instruction State Grants |
| **Federal Agency** | Department of Agriculture<br>Department of Education |
| **State Agency** | Department of Human Services<br>Department of Education |
| **Federal Award Identification Number** | 201818(17)N109945, 201919N109945, 175TN331N1099, 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, 195TN340N1050, S010A160042, S010A170042, S010A180042, H027A160052, H027A170052, H027A180052, H173A160095, H173A170095, H173A180095, V048A160042, V048A170042, V048A180042, S367A160040, S367A170040, and S367A180040 |
| **Federal Award Year** | 2016 through 2019 |
| **Finding Type** | Significant Deficiency (84.010, 84.027, 84.173, 84.048, and 84.367)<br>Material Weakness (10.553, 10.555, 10.556, 10.559, and 10.558) |
| **Compliance Requirement** | Activities Allowed or Unallowed (Significant Deficiency - 84.010, 84.367, 84.048, 84.027, and 84.173; Material Weakness - 10.553, 10.555, 10.556, 10.559 and 10.558)<br>Allowable Costs/Cost Principles (Significant Deficiency - 84.010, 84.367, 84.048, 84.027, and 84.173; Material Weakness - 10.553, 10.555, 10.556, 10.559 and 10.558)<br>Cash Management (Significant Deficiency - 84.048; Material Weakness - 10.553, 10.555, and 10.556)<br>Eligibility (Significant Deficiency - 84.010, 84.367, 84.048; Material Weakness - 10.553, 10.555, 10.556, 10.559 and 10.558)<br>Matching, Level of Effort, Earmarking (Significant Deficiency - 84.010, 84.367, 84.048, 84.027, and 84.173)<br>Period of Performance (Significant Deficiency - 84.027 and 84.173)<br>Subrecipient Monitoring (Significant Deficiency - 84.010, 84.367, 84.048, 84.027, and 84.173)<br>Special Tests and Provisions (Significant Deficiency - 84.010, 84.367; Material Weakness - 10.553, 10.555, and 10.556) |
| **Repeat Finding** | 2018-046 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the last two audits, the Department of Education and the Department of Human Services did not ensure that the internal controls related to vendor-owned applications used for administering federal programs were appropriately designed and operating effectively**

**Background**

The Tennessee Department of Education (TDOE) and the Tennessee Department of Human Services (DHS) have both contracted with Software as a Service (SaaS) information technology vendors to establish applications that the departments use to administer federal programs. These SaaS vendors contracted with Infrastructure as a Service (IaaS) information technology vendors to store and process application software and federal program data at data centers in the cloud that the IaaS vendors own and operate.

One SaaS vendor developed and maintains the Tennessee: Meals, Accounting, and Claiming (TMAC) application and the Tennessee Information Payment System (TIPS) application used by TDOE and DHS, respectively. The departments use these computer applications to process eligibility applications and meal reimbursement claims for the Child Nutrition Cluster[66] and the Child and Adult Care Food Program. The applications also collect and house data that the departments use to determine eligibility, to report performance to the U.S. Department of Agriculture, and to maintain the source documentation for payments related to these programs.

Two SaaS vendors developed and maintained TDOE's ePlan application and the EasyIEP application. Local educational agencies use ePlan to apply for federal education grants; to submit and revise related plans (such as needs assessments and prioritized goals and strategies) and reports (such as expenditure tracking, the budget summary, and year-to-date expenditures); to report expenditures and request reimbursements; and to process budget amendments and plan revisions. The local educational agencies submit, and TDOE reviews and approves, applications, plans, and reports entirely within ePlan.

Local educational agencies use EasyIEP to manage individual education plans (IEPs) for special needs students and to report data used in the *Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals with Disabilities Education Act*.

**Prior Audit Results and Management's Corrective Action**

TMAC and TIPS

In the prior audit, both TDOE and DHS were unable to obtain System and Organization Controls (SOC) examination reports from the SaaS vendor for TMAC and TIPs covering the vendor's controls because the vendor did not have a SOC examination completed. The SaaS vendor did

[66] The Child Nutrition Cluster consists of the School Breakfast Program, the National School Lunch Program, and the Special Milk Program for Children, which TDOE administers, as well as the Summer Food Service Program, which DHS administers.

provide the departments with the SOC 2 Type 2[67] examination reports on the controls administered by the IaaS at the data center hosting sites; however, DHS management did not review the IaaS vendor's SOC examination report until we asked for evidence of its review.

ePlan and EasyIEP

In the prior audit, we found that TDOE did not document its review of ePlan's IaaS vendor's SOC examination report. In addition, TDOE did not obtain and review a SOC examination report that was available from the EasyIEP SaaS vendor until we asked for it during our audit. In addition, TDOE did not obtain and review a SOC report that was available from the vendor that administered controls at the data center hosting site.

Management's Corrective Action

Both TDOE and DHS management concurred with the prior audit finding and stated they understood the importance of safeguarding third-party-managed systems, and moving forward, they will ensure their contracts include the appropriate internal controls language adopted by the state's Central Procurement Office in September 2018.

Furthermore, DHS will include a SOC 2 Type 2 requirement in any new contract. TDOE planned to establish a process to obtain and review the EasyIEP vendor's SOC report annually after its completion. For TMAC and ePlan, TDOE planned to discuss with each vendor the appropriate way to obtain an understanding of internal controls of their systems.

**Condition**

Although federal regulations require the departments to do so, as noted in the last two audits, TDOE and DHS management still did not evaluate 1) whether the SaaS and IaaS vendors implemented controls over processing and storing federal program data or 2) whether the implemented controls were designed and operating effectively to ensure the departments could properly administer federal programs. Except as noted below, management did not consistently evaluate internal controls either internally or by obtaining and reviewing an independent examination, such as a SOC examination report, which would adequately describe the SaaS and IaaS vendors' internal controls and the auditor's opinion on the effectiveness of controls.

TMAC and TIPS

As addressed in prior audit findings, the departments were again unable to obtain a SOC examination from the SaaS vendor for TMAC and TIPS covering the vendor's controls that applied to the audit period. In August 2019, the SaaS vendor did provide both departments a commitment letter stating that the vendor would perform a SOC examination; however, this SOC

[67] SOC examinations are examinations completed by Certified Public Accountants in accordance with American Institute of Certified Public Accountants standards and are applicable to service organizations such as the SaaS vendor and IaaS vendor. The SOC 1 Type 2 and the SOC 2 Type 2 reports provide the most information to management and other auditors regarding the design and effectiveness of internal controls. SOC 1 Type 2 reports focus on internal control over financial reporting, and SOC 2 Type 2 reports focus on data security, availability, processing integrity, confidentiality, and/or privacy.

examination did not commence until after the audit period and would take between 6 and 18 months to complete. In DHS's contact extension with the SaaS vendor in November 2019, DHS required that the SaaS vendor be subject to an annual SOC 2 Type 2 examination. The SaaS vendor did obtain and submit to the departments the most current SOC 2 Type 2 examination report on the controls administered by the IaaS vendor at the data center hosting sites. Neither TDOE nor DHS management provided any evidence of review of the IaaS vendor's SOC report.

<u>ePlan</u>

TDOE obtained from the SaaS vendor for ePlan a SOC 1 Type 2 examination that covered the period October 1, 2017, to September 30, 2018. In addition, the SaaS vendor obtained and submitted to TDOE a SOC report on the controls administered by the IaaS vendor at the data center hosting site. TDOE management reportedly reviewed the SaaS vendor's SOC 1 examination report and the IaaS vendor's SOC 2 examination report but did not document its review.

<u>EasyIEP</u>

TDOE obtained a SOC 2 examination report from the SaaS vendor for EasyIEP which applied to part of the audit period. TDOE management did not provide evidence of review of the SaaS vendor's SOC report. In addition, the SaaS vendor did not obtain and submit to TDOE the most current SOC examination report on the controls administered by the IaaS vendor at the data center hosting site.

<u>Departments' Risk Assessments</u>

We reviewed the Department of Education and the Department of Human Services' December 2018 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of ineffective internal controls related to vendor-owned applications and a mitigating control.

**<u>Criteria</u>**

"Standards for Financial and Program Management," Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 303, "Internal Controls," states,

> The non-Federal entity must:
>
> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Sections 3.09 through 3.11 of the Green Book,

> Management develops and maintains documentation of its internal control system.
>
> Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. . . .
>
> Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.

"Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," 2 CFR 200.62, states,

> Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
>
> (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
>
> (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

## Cause

The state's Central Procurement Office and both departments did not include language in the original contracts that required an independent examination of the SaaS vendor's or the IaaS vendor's internal controls. Additionally, the departments' procedures did not provide for a review of the SaaS vendor's or the IaaS vendor's internal controls to ensure they were appropriately designed and operating effectively, both prior to the awarding of the contracts and on an ongoing basis.

DHS did obtain a contract extension with the SaaS vendor with provisions for a SOC report. However, this contract was not executed until the current contract expired in November 2019 and was not in effect during the audit period. Likewise, TDOE executed a new contract with the SaaS vendor for ePlan, but the contract was not effective until after the end of the audit period.

**Effect**

TMAC and TIPS

TDOE and DHS processed approximately $397 million and $71 million, respectively, in reimbursements to Child Nutrition Cluster and Child and Adult Care Food Program subrecipients in fiscal year 2019. Failure to provide an independent examination of internal controls over TMAC and TIPS prevents the departments' managements from obtaining assurance that the reimbursements processed and information collected are accurate, complete, and comply with federal requirements. Because the SaaS vendor did not disclose sufficient information about its internal controls during fieldwork, we cannot conclude on whether controls were implemented or operating effectively. Furthermore, without knowing whether the SaaS vendor implemented any controls, we could not rely on the IaaS vendor's examination report. We were unable to achieve our audit objectives related to critical system controls.

ePlan

For the major programs supported by ePlan, TDOE approved approximately $587 million in reimbursement requests to subrecipients in ePlan for the major programs audited. Management's failure to monitor internal controls over ePlan prevents management from ensuring that reimbursements processed and information collected are accurate, complete, and comply with federal requirements.

EasyIEP

For the major program supported by EasyIEP, TDOE managed plans for approximately 185,683 students. Failure to monitor internal controls over EasyIEP prevents TDOE management from ensuring that information collected to comply with federal requirements is complete and accurate. In addition, ineffective controls could compromise the confidentiality of student information.

**Recommendation**

Management of both TDOE and DHS should ensure that internal controls related to their applications are appropriately designed and operating effectively. In addition, for future contracts with contractors that will be hosting services in the cloud, the departments should obtain an understanding of internal controls and assess control risks associated with proper administration of the federal grants before awarding the contracts.

Management should implement effective controls to address the risks noted in this finding and update the risk assessment as necessary; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

Department of Education

We concur. The department understands the importance of safeguarding state information in a third-party managed system. All new contracts have adopted the required language to obtain a SOC Type II audit from our vendors. For some vendors, we are awaiting the completion of their first SOC audits. Additionally, in the spirit of continuous improvement, the Department will review and modify its processes as necessary to catalog and evaluate SOC reports received from vendors.

Department of Human Services

We concur.

The Software as a Service (SaaS) vendor initiated a System and Organization Controls (SOC) review process in August 2019 which are the items noted in this finding and which was brought to the attention of the Comptroller's Office. The Department also executed a contract extension with the SaaS vendor in November 2019 which prescribes the Department's requirements for annual SOC Type II audits and reporting.

# Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **Unclustered Programs** | | | | | |
| | **Peace Corps** | | | | | |
| 08.U01 | Peace Corps PC-15-8-053 Wood | | PC-15-8-053 | | $ 534.97 | $ - |
| **Subtotal Peace Corps** | | | | | $ 534.97 | $ - |
| | **Department of Agriculture** | | | | | |
| 10.001 | Agricultural Research Basic and Applied Research | | | | $ 2,176,089.44 | $ - |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | | | | 1,025,164.47 | - |
| 10.156 | Federal-State Marketing Improvement Program | | | | 57,191.84 | - |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | | | | 407,519.82 | 293,899.15 |
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash) | | | | 10,689,586.61 | 10,689,586.61 |
| 10.202 | Cooperative Forestry Research | | | | 750,029.09 | - |
| 10.203 | Payments to Agricultural Experiment Stations Under the Hatch Act | | | | 6,847,096.63 | - |
| 10.215 | Sustainable Agriculture Research and Education | University of Georgia | 2014-38640-22155 | $ (3,305.42) | | |
| | | Virginia Polytechnic Institute and State University | 2015-38640-23780 | 3,333.79 | | |
| | | | | | 28.37 | - |
| 10.216 | 1890 Institution Capacity Building Grants | | | | 391,835.99 | 38,115.26 |
| 10.217 | Higher Education - Institution Challenge Grants Program | | | | 72,627.19 | - |
| 10.220 | Higher Education - Multicultural Scholars Grant Program | North Carolina Agricultural and Technical State University | 2014-38413-21797 | | 36,764.11 | - |
| 10.226 | Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants | | | | 120,774.71 | 47,949.00 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.303 | Integrated Programs | | | | 53,979.75 | - |
| 10.310 | Agriculture and Food Research Initiative (AFRI) | | | $ 340,023.28 | | |
| | | Vanderbilt University | 2017-68001-26352 | 59,514.61 | | |
| | | | | | 399,537.89 | 201,060.52 |
| 10.311 | Beginning Farmer and Rancher Development Program | | | | 246,421.23 | 2,601.67 |
| 10.319 | Farm Business Management and Benchmarking Competitive Grants Program | | | | 3,712.64 | - |
| 10.326 | Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | | | | 79,978.68 | 5,332.01 |
| 10.328 | National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program | | | $ 245,631.63 | | |
| | | University of Florida | 2015-70020-24397 | 5,486.25 | | |
| | | | | | 251,117.88 | 117,776.35 |
| 10.329 | Crop Protection and Pest Management Competitive Grants Program | | | | 226,058.49 | - |
| 10.351 | Rural Business Development Grant | | | $ 47,632.28 | | |
| | | Middle Tennessee Industrial Development Association | C17-0909 | 3,638.47 | | |
| | | Middle Tennessee Industrial Development Association | NONE PROVIDED | 16,527.94 | | |
| | | | | | 67,798.69 | - |
| 10.443 | Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers | | | | 72,485.01 | 6,000.00 |
| 10.500 | Cooperative Extension Service | | | $ 5,509,749.79 | | |
| | | University of Minnesota | 2014-41520-22191 | 91,678.56 | | |
| | | | | | 5,601,428.35 | 3,224.97 |
| 10.511 | Smith-Lever Funding (Various Programs) | | | | 10,838,130.54 | - |
| 10.512 | Agriculture Extension at 1890 Land-grant Institutions | | | | 1,439,337.65 | - |
| 10.541 | Child Nutrition-Technology Innovation Grant | | | | 7,929.55 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | | | | 91,830,956.52 | 71,964,783.22 |
| 10.558 | Child and Adult Care Food Program | | | $ 70,868,006.66 | | |
| | | Our Daily Bread of Tenessee Inc. | HS-1961 | 51.94 | | |
| | | | | | 70,868,058.60 | 69,438,278.13 |
| 10.560 | State Administrative Expenses for Child Nutrition | | | | 6,047,773.36 | 1,050,841.00 |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | | | | 67,101.15 | 64,877.00 |
| 10.576 | Senior Farmers Market Nutrition Program | | | | 405,431.07 | 383,642.30 |
| 10.578 | WIC Grants To States (WGS) | | | | 2,388,465.59 | 2,707.15 |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | | | | 854,091.44 | 353,207.19 |
| 10.582 | Fresh Fruit and Vegetable Program | | | | 3,373,439.56 | 3,373,439.56 |
| 10.589 | Child Nutrition Direct Certification Performance Awards | | | | 5,500.63 | 5,500.63 |
| 10.652 | Forestry Research | | | | 407,262.66 | - |
| 10.664 | Cooperative Forestry Assistance | | | | 2,275,317.72 | 824,083.13 |
| 10.675 | Urban and Community Forestry Program | | | | 163,106.27 | 69,420.62 |
| 10.676 | Forest Legacy Program | | | | 2,984.39 | - |
| 10.678 | Forest Stewardship Program | | | | 248,560.33 | - |
| 10.680 | Forest Health Protection | | | | 378,830.97 | 6,767.62 |
| 10.691 | Good Neighbor Authority | | | | 42,870.00 | - |
| 10.699 | Partnership Agreements | | | | 41,531.84 | - |
| 10.777 | Norman E. Borlaug International Agricultural Science and Technology Fellowship | | | | 37,229.60 | - |
| 10.855 | Distance Learning and Telemedicine Loans and Grants | | | | 584,844.24 | - |
| 10.861 | Public Television Station Digital Transition Grant Program | | | | 151,907.00 | - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.874 | Delta Health Care Services Grant Program | | | | 168,276.27 | - |
| 10.902 | Soil and Water Conservation | | | $ 887,506.82 | | |
| | | Alcorn State University | 68-3AQ75-18-004 | 18,092.05 | | |
| | | | | | 905,598.87 | 228,775.11 |
| 10.903 | Soil Survey | | | | 1,694.60 | - |
| 10.912 | Environmental Quality Incentives Program | | | $ 187,596.62 | | |
| | | Pheasants Forever, Inc | WLFW 2.0 | 3,364.71 | | |
| | | | | | 190,961.33 | - |
| 10.920 | Grassland Reserve Program | | | | 6,252.58 | - |
| 10.950 | Agricultural Statistics Reports | | | | 144.00 | - |
| 10.961 | Scientific Cooperation and Research | | | | 4.85 | - |
| 10.U01 | USDA FS Resilient Agriculture-Walker | | 16-CR-11330110-062 | | 3,628.51 | - |
| 10.U02 | USDA FS Silviculture 2019-Clatterbuck | | NASP12 | | 151,979.19 | - |
| 10.U03 | Our Daily Bread of Tennessee - Moran | Our Daily Bread of Tenessee Inc. | unknown | | 3,669.34 | - |
| **Subtotal Department of Agriculture** | | | | | $ 223,470,097.10 | $ 159,171,868.20 |
| | | | **Department of Commerce** | | | |
| 11.303 | Economic Development Technical Assistance | | | | $ 240,969.90 | $ - |
| 11.549 | State and Local Implementation Grant Program | | | | 194,519.02 | - |
| 11.611 | Manufacturing Extension Partnership | | | | 3,273,242.10 | - |
| 11.620 | Science, Technology, Business and/or Education Outreach | | | | 12,238.00 | - |
| **Subtotal Department of Commerce** | | | | | $ 3,720,969.02 | $ - |
| | | | **Department of Defense** | | | |
| 12.002 | Procurement Technical Assistance For Business Firms | | | | $ 433,177.99 | $ - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 12.112 | Payments to States in Lieu of Real Estate Taxes | | | | 939,762.87 | 939,762.87 |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | | | | 234,934.22 | - |
| 12.300 | Basic and Applied Scientific Research | | | | 52,276.45 | 14,435.26 |
| 12.400 | Military Construction, National Guard | | | | 81,180.00 | - |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | | | | 37,373,460.02 | - |
| 12.404 | National Guard ChalleNGe Program | | | | 3,352,412.35 | - |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering | Academy of Applied Sciences | 19-871-031 | $ 28,741.78 | | |
| | | Academy of Applied Sciences | unknown | -531.44 | | |
| | | American Lightweight Materials Manufacturing Innovation Institute (ALMMII) | PO 0034 | -415.35 | | |
| | | American Lightweight Materials Manufacturing Innovation Institute (ALMMII) | PO 0066 | -7,500.22 | | |
| | | American Lightweight Materials Manufacturing Innovation Institute (ALMMII) | PO 4003-02 MOD 1 | 108,883.98 | | |
| | | | | | 129,178.75 | - |
| 12.901 | Mathematical Sciences Grants | | | | 9,863.50 | - |
| 12.902 | Information Security Grants | | | | 230,879.34 | - |
| 12.903 | GenCyber Grants Program | | | | 147,262.21 | 15,949.91 |
| 12.905 | CyberSecurity Core Curriculum | | | | 49,097.69 | 23,108.83 |
| 12.U01 | Army IPA-18-0002 Bray | | IPA-18-0002 | | 7,511.44 | - |
| 12.U02 | Education Partnership Agreement | | 16-EPA-RQ-10 | | 70,337.70 | - |
| **Subtotal Department of Defense** | | | | | $ 43,111,334.53 | $ 993,256.87 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **Department of Housing and Urban Development** | | | | | |
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | $ 29,282,188.91 | $ 28,479,820.55 |
| 14.231 | Emergency Solutions Grant Program | | | 3,420,995.09 | 3,236,381.51 |
| 14.239 | Home Investment Partnerships Program | | | 7,999,108.92 | 7,334,823.70 |
| 14.241 | Housing Opportunities for Persons with AIDS | | | 1,192,260.57 | 1,161,814.78 |
| 14.267 | Continuum of Care Program | | | 156,387.60 | - |
| 14.275 | Housing Trust Fund | | | 177,168.83 | - |
| 14.401 | Fair Housing Assistance Program State and Local | | | 548,064.00 | - |
| 14.896 | Family Self-Sufficiency Program | | | 259,205.37 | - |
| 14.U01 | Office of Manufactured Housing | | DU100K900016709 | 255,678.00 | - |
| 14.U02 | City of Knoxville ESG 2018/19 Patterson | City of Knoxville Community Development | C-19-0003 | 15,217.29 | - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 43,306,274.58 | $ 40,212,840.54 |
| **Department of the Interior** | | | | | |
| 15.252 | Abandoned Mine Land Reclamation (AMLR) | | | $ 1,362,477.18 | $ 304,412.70 |
| 15.608 | Fish and Wildlife Management Assistance | | | 228,276.38 | - |
| 15.615 | Cooperative Endangered Species Conservation Fund | | | 585,411.82 | - |
| 15.631 | Partners for Fish and Wildlife | | | 39,311.93 | 39,311.93 |
| 15.663 | NFWF-USFWS Conservation Partnership | National Fish and Wildlife Foundation | 1904.16.052925 | 3,285.79 | - |
| 15.808 | U.S. Geological Survey Research and Data Collection | | | 44,171.94 | - |
| 15.810 | National Cooperative Geologic Mapping | | | 75,363.89 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 15.904 | Historic Preservation Fund Grants-In-Aid | | | $ 672,572.83 | | |
| | | Alabama Historical Commission | C83201250 | 20,653.37 | | |
| | | | | | 693,226.20 | 605,760.85 |
| 15.916 | Outdoor Recreation Acquisition, Development and Planning | | | | 1,086,264.01 | - |
| 15.939 | National Heritage Area Federal Financial Assistance | | | | 452,215.22 | 452,215.22 |
| 15.981 | Water Use and Data Research | | | | 14,782.55 | 14,782.55 |
| 15.U01 | FWS Tennessee NWR Complex - Pelren | | F15AC00277 | | 10,759.34 | - |
| **Subtotal Department of the Interior** | | | | | $ 4,595,546.25 | $ 1,416,483.25 |
| | | | **Department of Justice** | | | |
| 16.017 | Sexual Assault Services Formula Program | | | | $ 602,411.02 | $ 563,387.09 |
| 16.111 | Joint Law Enforcement Operations (JLEO) | | | | 20,014.01 | - |
| 16.525 | Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | | | | 174,361.14 | - |
| 16.540 | Juvenile Justice and Delinquency Prevention | | | | 794,571.61 | 620,261.19 |
| 16.550 | State Justice Statistics Program for Statistical Analysis Centers | | | | 62,017.19 | - |
| 16.554 | National Criminal History Improvement Program (NCHIP) | | | | 687,342.72 | 995.79 |
| 16.575 | Crime Victim Assistance | | | | 38,193,111.95 | 34,215,228.34 |
| 16.576 | Crime Victim Compensation | | | | 3,825,000.00 | - |
| 16.582 | Crime Victim Assistance/Discretionary Grants | | | | 130,879.04 | 105,179.93 |
| 16.585 | Drug Court Discretionary Grant Program | | | $ 564,602.41 | | |
| | | Tennessee Association of Drug Court Professionals | NONE | 4,799.04 | | |
| | | | | | 569,401.45 | 558,475.12 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 16.588 | Violence Against Women Formula Grants | | | | 3,067,623.46 | 1,862,592.20 |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | | | | 391,544.68 | - |
| 16.603 | Corrections Technical Assistance/Clearinghouse | | | | 12,209.61 | - |
| 16.607 | Bulletproof Vest Partnership Program | | | | 3,957.99 | - |
| 16.710 | Public Safety Partnership and Community Policing Grants | | | | 794,603.18 | - |
| 16.726 | Juvenile Mentoring Program | National 4-H Council | 4-H NMP 8 | $ 49,034.16 | | |
| | | National 4-H Council | 4-H NMP 9 | 22,371.12 | | |
| | | National 4-H Council | JU-FX-0022 | 4,378.14 | | |
| | | | | | 75,783.42 | - |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | | | | 5,187,784.64 | 3,649,962.11 |
| 16.741 | DNA Backlog Reduction Program | | | | 1,047,201.69 | - |
| 16.742 | Paul Coverdell Forensic Sciences Improvement Grant Program | | | | 158,833.53 | - |
| 16.745 | Criminal and Juvenile Justice and Mental Health Collaboration Program | | | | 46,051.87 | 43,874.62 |
| 16.750 | Support for Adam Walsh Act Implementation Grant Program | | | | 508,297.56 | - |
| 16.754 | Harold Rogers Prescription Drug Monitoring Program | | | | 162,945.93 | - |
| 16.812 | Second Chance Act Reentry Initiative | | | | 59,532.52 | 30,383.68 |
| 16.813 | NICS Act Record Improvement Program | | | | 677,338.25 | (22,672.56) |
| 16.825 | Smart Prosecution Initiative | | | | 141,724.39 | 78,517.51 |
| 16.828 | Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program | | | | 23,629.87 | - |
| 16.833 | National Sexual Assault Kit Initiative | City of Memphis-Memphis Police Department | 2015-AK-BX-K004 | | 36,893.78 | - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 16.838 | Comprehensive Opioid Abuse Site-Based Program | | | | 364,332.46 | 352,073.97 |
| 16.842 | Opioid Affected Youth Initiative | | | | 42,202.85 | - |
| 16.922 | Equitable Sharing Program | | | | 1,616,483.10 | - |
| 16.U01 | Govenors Task Force Marijuana | | 2018-110 | | 414,072.22 | - |
| 16.U02 | Govenors Task Force Marijuana | | 2019-110 | | 219,398.04 | - |
| 16.U03 | Task Force OT | | DEA MARSHALL OFF | | 14,521.22 | - |
| 16.U04 | Task Force OT | | ICEJOPS 118N02432 | | 15,784.33 | - |
| 16.U05 | Task Force OT | | ICEJOPS 119N02797 | | 11,288.29 | - |
| 16.U06 | Task Force OT | | JTTF 0511 | | 5,171.02 | - |
| 16.U07 | Task Force OT | | OCDETF SESI | | 37,093.22 | - |
| 16.U08 | Task Force OT | | OCDETF SETNW0217 | | 3,339.70 | - |
| 16.U09 | Task Force OT | | USSJOPS 318173292 | | 4,216.48 | - |
| 16.U10 | Task Force OT | | USSJOPS 318644084 | | 11,888.60 | - |
| 16.U11 | Task Force OT | | USSJOPS 319644084 | | 16,019.96 | - |
| **Subtotal Department of Justice** | | | | | $ 60,230,877.99 | $ 42,058,258.99 |
| | | | **Department of Labor** | | | |
| 17.002 | Labor Force Statistics | | | | $ 995,746.53 | $ - |
| 17.005 | Compensation and Working Conditions | | | | 112,445.82 | - |
| 17.225 | Unemployment Insurance | | | $ 244,389,169.99 | | |
| | | Southeast Tennessee Development District | LW05F181RESEA18 | 7,905.98 | | |
| | | | | | 244,397,075.97 | 372,352.54 |
| 17.235 | Senior Community Service Employment Program | | | | 1,419,382.03 | 1,317,641.61 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 17.245 | Trade Adjustment Assistance | | | | 1,946,759.83 | 50,879.10 |
| 17.261 | WIOA Pilots, Demonstrations, and Research Projects | | | | (15,666.71) | - |
| 17.268 | H-1B Job Training Grants | | | $ 1,487,039.45 | | |
| | | Greater Memphis Alliance for a Competitive Workforce | HG-30131-17-60-A-47-GMACWORKFORCE-UofM | 193,799.18 | | |
| | | Memphis BioWorks | HG-22604-12-0-A-47-SW | 9,171.80 | | |
| | | Memphis BioWorks | HG-26665-15-60-A-47 | 151,718.74 | | |
| | | | | | 1,841,729.17 | - |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) | | | | 731,525.17 | - |
| 17.273 | Temporary Labor Certification for Foreign Workers | | | | 155,958.63 | - |
| 17.277 | WIOA National Dislocated Worker Grants / WIA National Emergency Grants | | | | 918,001.63 | 916,834.28 |
| 17.282 | Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | | | $ 146,573.96 | | |
| | | Greater Memphis Alliance for a Competitive Workforce | TC-26495-14-60-12-TCAT | 76,997.98 | | |
| | | | | | 223,571.94 | - |
| 17.502 | Occupational Safety and Health Susan Harwood Training Grants | | | | 122,464.22 | - |
| 17.503 | Occupational Safety and Health State Program | | | | 3,872,283.59 | - |
| 17.504 | Consultation Agreements | | | | 1,035,983.83 | - |
| 17.600 | Mine Health and Safety Grants | | | | 192,081.63 | - |
| 17.720 | Disability Employment Policy Development | | | | 748,887.45 | - |
| **Subtotal Department of Labor** | | | | | $ 258,698,230.73 | $ 2,657,707.53 |
| | | **Department of State** | | | | |
| 19.009 | Academic Exchange Programs - Undergraduate Programs | FHI 360 Family Health International | 18002307 | $ 118,758.79 | | |
| | | FHI 360 Family Health International | 19002774 | 9,242.47 | | |
| | | | | | $ 128,001.26 | $ - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 19.033 | Global Threat Reduction | | | 34,329.32 | - |
| 19.040 | Public Diplomacy Programs | Partners of the Americas | S-CO200-16-GR175 | 13,576.87 | - |
| 19.415 | Professional and Cultural Exchange Programs - Citizen Exchanges | | | 1,157,382.66 | 999,851.04 |
| 19.U01 | 2019 Fulbright Pakistan Reentry | Institute of International Education | CNV258000-MOU | 91,677.80 | - |
| 19.U02 | Inst of Intl Edu Inc HHH1801 Neisler | Institute of International Education | HHH1801_UTK_02.08.19 | 23,492.39 | - |
| **Subtotal Department of State** | | | | $ 1,448,460.30 | $ 999,851.04 |
| | **Department of Transportation** | | | | |
| 20.106 | Airport Improvement Program | | | $ 31,845,195.57 | $ 31,845,195.57 |
| 20.218 | Motor Carrier Safety Assistance | | | 6,665,426.37 | - |
| 20.232 | Commercial Driver's License Program Implementation Grant | | | 556,123.72 | - |
| 20.237 | Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements | | | 188,258.95 | - |
| 20.240 | Fuel Tax Evasion-Intergovernmental Enforcement Effort | | | 7,877.53 | - |
| 20.505 | Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | | | 1,367,937.80 | 1,259,365.23 |
| 20.509 | Formula Grants for Rural Areas and Tribal Transit Program | | | 20,253,554.92 | 19,904,976.99 |
| 20.520 | Paul S. Sarbanes Transit in the Parks | | | 7,990.00 | 7,990.00 |
| 20.528 | Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program | | | 4,582,971.06 | 4,277,263.01 |
| 20.607 | Alcohol Open Container Requirements | | | 12,080,607.13 | 2,553,799.80 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 20.614 | National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements | | | $ 204,886.15 | | |
| | | National Safety Council | DTNH22-15-H-00473 AMENDMENT | 72,464.89 | | |
| | | | | | 277,351.04 | 34,308.93 |
| 20.700 | Pipeline Safety Program State Base Grant | | | | 1,085,588.57 | - |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | | | | 255,513.69 | 60,664.40 |
| **Subtotal Department of Transportation** | | | | | $ 79,174,396.35 | $ 59,943,563.93 |
| **Department of the Treasury** | | | | | | |
| 21.016 | Equitable Sharing | | | | $ 202,800.88 | $ - |
| **Subtotal Department of the Treasury** | | | | | $ 202,800.88 | $ - |
| **Appalachian Regional Commission** | | | | | | |
| 23.001 | Appalachian Regional Development (See individual Appalachian Programs) | | | | $ 141,443.86 | $ - |
| 23.002 | Appalachian Area Development | | | | 6,109,906.25 | 5,480,584.53 |
| 23.011 | Appalachian Research, Technical Assistance, and Demonstration Projects | | | | 337,313.35 | 53,234.14 |
| **Subtotal Appalachian Regional Commission** | | | | | $ 6,588,663.46 | $ 5,533,818.67 |
| **Equal Employment Opportunity Commission** | | | | | | |
| 30.U01 | Unknown | | 45310018C0051 | | $ 153,570.00 | $ - |
| **Subtotal Equal Employment Opportunity Commission** | | | | | $ 153,570.00 | $ - |
| **General Services Administration** | | | | | | |
| 39.003 | Donation of Federal Surplus Personal Property (Noncash) | | | | $ 2,176,433.92 | $ - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 39.011 | Election Reform Payments | | | | 574,419.75 | - |
| **Subtotal General Services Administration** | | | | | $ 2,750,853.67 | $ - |
| | **Library of Congress** | | | | | |
| 42.U01 | Teaching with Primary Sources | | GA08C0077 | | $ 130,147.62 | $ - |
| **Subtotal Library of Congress** | | | | | $ 130,147.62 | $ - |
| | **National Aeronautics and Space Administration** | | | | | |
| 43.001 | Science | University of Toledo | NNX16AC54A | | $ 120,356.34 | $ - |
| 43.007 | Space Operations | | | | 932.80 | - |
| 43.008 | Education | | | $ 135,827.53 | | |
| | | Vanderbilt University | 3799-019687 | 24,975.16 | | |
| | | Vanderbilt University | 3807-019687 | 11,250.00 | | |
| | | Vanderbilt University | NNX15AR73H | 5,451.29 | | |
| | | Vanderbilt University | UNIV59308 | 8,353.48 | | |
| | | | | | 185,857.46 | - |
| **Subtotal National Aeronautics and Space Administration** | | | | | $ 307,146.60 | $ - |
| | **National Endowment For the Arts** | | | | | |
| 45.025 | Promotion of the Arts Partnership Agreements | | | $ 790,000.00 | | |
| | | South Arts | 5546 | 2,188.00 | | |
| | | | | | $ 792,188.00 | $ 746,100.00 |
| **Subtotal National Endowment For the Arts** | | | | | $ 792,188.00 | $ 746,100.00 |
| | **National Endowment For the Humanities** | | | | | |
| 45.129 | Promotion of the Humanities Federal/State Partnership | Humanities Tennessee | A1-2543 | $ 2,044.84 | | |
| | | Humanities Tennessee | A1-2676 | 6,038.38 | | |
| | | | | | $ 8,083.22 | $ - |
| 45.160 | Promotion of the Humanities Fellowships and Stipends | | | | 69,260.08 | - |
| **Subtotal National Endowment For the Humanities** | | | | | $ 77,343.30 | $ - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **Institute of Museum and Library Services** | | | | | |
| 45.310 | Grants to States | | | $ 3,061,709.61 | $ 227,786.66 |
| 45.313 | Laura Bush 21st Century Librarian Program | | | 168,714.17 | - |
| **Subtotal Institute of Museum and Library Services** | | | | $ 3,230,423.78 | $ 227,786.66 |
| **Small Business Administration** | | | | | |
| 59.037 | Small Business Development Centers | | | $ 2,524,132.19 | $ 76,527.31 |
| **Subtotal Small Business Administration** | | | | $ 2,524,132.19 | $ 76,527.31 |
| **Tennessee Valley Authority** | | | | | |
| 62.U01 | Ocoee Trust Fund | | ENOCOEETRUSTF07 | $ 113,711.01 | $ - |
| 62.U02 | TVA - Solar Farm 8500021516 - Patterson | | 8500021516 | 450,423.02 | - |
| 62.U03 | TVA Diversity-Middlebrooks-FY19 | | Unknown | 11,500.00 | - |
| 62.U04 | TVA Diversity-Ridley-FY18 | | Unknown | (443.16) | - |
| 62.U05 | TVA PO #3549180 TN River Tr Collett | | 99998950 3549180 | 42,976.88 | - |
| 62.U06 | TVA Plant Communities Eradication-Harper | | 2593722 | 13,240.53 | - |
| 62.U07 | TVA Tall Fescue Eradication-Harper | | 3500197 | 11,322.86 | - |
| 62.U08 | TVA- MCClung Museum - Baumann | | 26601.82 | 26,601.82 | - |
| 62.U09 | Tennessee Valley Authority Emergency Preparedness | | FY2015-2019TVA Award | 1,471,376.92 | 216,505.04 |
| **Subtotal Tennessee Valley Authority** | | | | $ 2,140,709.88 | $ 216,505.04 |
| **Department of Veterans Affairs** | | | | | |
| 64.005 | Grants to States for Construction of State Home Facilities | | | $ 22,991.04 | $ - |
| 64.015 | Veterans State Nursing Home Care | | | 34,009,902.68 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 64.034 | VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces | | | 49,669.97 | - |
| 64.054 | Research and Development | | | 137,070.74 | - |
| 64.101 | Burial Expenses Allowance for Veterans | | | 1,273,032.00 | - |
| 64.124 | All-Volunteer Force Educational Assistance | | | 506,169.21 | - |
| 64.203 | Veterans Cemetery Grants Program | | | 2,829,856.04 | - |
| 64.U01 | Educational Assistance Annual Reporting | | ANNUAL REPORTING FEES | 6,473.70 | - |
| 64.U02 | Support Veterans | | 11908142 | 12,375.00 | - |
| 64.U03 | VA Medical Center IPA Agreements-Waters | | unknown | 202,040.64 | - |
| 64.U04 | Veterans Affairs Annual Reporting Fee (ARF) | | unknown | 150.00 | - |
| **Subtotal Department of Veterans Affairs** | | | | $ 39,049,731.02 | $ - |
| | **Environmental Protection Agency** | | | | |
| 66.001 | Air Pollution Control Program Support | | | $ (78.30) | $ - |
| 66.032 | State Indoor Radon Grants | | | 231,757.40 | - |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | | 367,119.69 | - |
| 66.040 | State Clean Diesel Grant Program | | | 247,209.51 | 247,209.51 |
| 66.204 | Multipurpose Grants to States and Tribes | | | 64,083.20 | - |
| 66.419 | Water Pollution Control State, Interstate, and Tribal Program Support | | | 159,232.59 | - |
| 66.433 | State Underground Water Source Protection | | | 69,195.45 | - |
| 66.454 | Water Quality Management Planning | | | 240,312.34 | 65,913.95 |
| 66.460 | Nonpoint Source Implementation Grants | | | 2,373,730.56 | 837,610.14 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 66.461 | Regional Wetland Program Development Grants | | | | 192,293.05 | - |
| 66.605 | Performance Partnership Grants | | | | 2,774,757.22 | - |
| 66.608 | Environmental Information Exchange Network Grant Program and Related Assistance | | | | 65,158.06 | - |
| 66.701 | Toxic Substances Compliance Monitoring Cooperative Agreements | | | | 77,762.74 | - |
| 66.707 | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | | | | 331,691.40 | - |
| 66.708 | Pollution Prevention Grants Program | | | | 34,987.19 | - |
| 66.716 | Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies | eXtenions Foundation | SA-2017-44 | $ 12,788.60 | | |
| | | eXtenions Foundation | SA-2019-26 | 9,070.90 | | |
| | | | | | 21,859.50 | - |
| 66.801 | Hazardous Waste Management State Program Support | | | | 1,914,104.28 | - |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | | | | 161,175.75 | - |
| 66.804 | Underground Storage Tank Prevention, Detection and Compliance Program | | | | 743,453.28 | - |
| 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | | | | 1,874,502.28 | - |
| 66.809 | Superfund State and Indian Tribe Core Program Cooperative Agreements | | | | 67,065.91 | - |
| 66.817 | State and Tribal Response Program Grants | | | | 833,521.23 | - |
| 66.U01 | Wastewater Training Assistance | | T1604TC6038 | | 720.63 | - |
| **Subtotal Environmental Protection Agency** | | | | | $ 12,845,614.96 | $ 1,150,733.60 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **Nuclear Regulatory Commission** | | | | | |
| 77.008 | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | | | | $ 427,156.59 | $ - |
| **Subtotal Nuclear Regulatory Commission** | | | | | $ 427,156.59 | $ - |
| | **Department of Energy** | | | | | |
| 81.041 | State Energy Program | | | | $ 806,770.71 | $ - |
| 81.042 | Weatherization Assistance for Low-Income Persons | | | | 2,711,563.90 | 2,291,469.69 |
| 81.049 | Office of Science Financial Assistance Program | | | | 15,000.00 | - |
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | | | $ 308,912.02 | | |
| | | North Carolina State University | SUBAWARD 2017-3030-01 | 20,834.64 | | |
| | | | | | 329,746.66 | - |
| 81.119 | State Energy Program Special Projects | | | | 128,372.57 | 62,769.47 |
| 81.128 | Energy Efficiency and Conservation Block Grant Program (EECBG) | | | | (8,878.74) | - |
| 81.136 | Long-Term Surveillance and Maintenance | | | | 4,203,755.20 | 215,672.98 |
| 81.214 | Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis | | | | 1,977,649.33 | 174,657.04 |
| 81.U01 | Argonne Natl Lab-Workshops-IESP-Dongarra | | 9F-31202 | | 33,890.30 | - |
| 81.U02 | CNS - Pantex - Ridley | | DE-NA0001942 | | 14,123.26 | - |
| 81.U03 | Nat'l 4-H Career Pathway Evln-Donaldson | National 4-H Council | unknown | | 20,429.87 | - |
| **Subtotal Department of Energy** | | | | | $ 10,232,423.06 | $ 2,744,569.18 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Department of Education** | | | | | | |
| 84.002 | Adult Education - Basic Grants to States | | | | $ 9,153,046.99 | $ 5,476,795.44 |
| 84.010 | Title I Grants to Local Educational Agencies | | | $ 300,687,172.04 | | |
| | | Hamilton County Department of Education | P57913 | 176,378.78 | | |
| | | | | | 300,863,550.82 | 297,187,786.68 |
| 84.011 | Migrant Education State Grant Program | | | | 1,272,358.32 | 1,272,358.32 |
| 84.013 | Title I State Agency Program for Neglected and Delinquent Children and Youth | | | | 183,401.79 | 183,401.79 |
| 84.031 | Higher Education Institutional Aid | | | | 13,939,492.35 | - |
| 84.048 | Career and Technical Education -- Basic Grants to States | | | | 24,590,921.21 | 21,832,198.38 |
| 84.051 | Career and Technical Education -- National Programs | | | | 158,350.11 | 81,348.44 |
| 84.120 | Minority Science and Engineering Improvement | | | | 69,449.73 | - |
| 84.126 | Rehabilitation Services Vocational Rehabilitation Grants to States | | | | 53,943,441.81 | 3,352,502.16 |
| 84.129 | Rehabilitation Long-Term Training | | | | 179,998.77 | - |
| 84.144 | Migrant Education Coordination Program | | | | 6,606.76 | 6,606.76 |
| 84.177 | Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | | | | 609,794.48 | - |
| 84.181 | Special Education-Grants for Infants and Families | | | | 12,516,298.15 | 8,267,716.82 |
| 84.184 | School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs) | | | | 48,090.59 | - |
| 84.187 | Supported Employment Services for Individuals with the Most Significant Disabilities | | | | 343,164.00 | - |
| 84.196 | Education for Homeless Children and Youth | | | | 1,600,963.12 | 1,469,582.17 |
| 84.200 | Graduate Assistance in Areas of National Need | | | | 164,173.15 | - |

**State of Tennessee**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 84.282 | Charter Schools | | | | 5,379,711.91 | 5,182,052.78 |
| 84.287 | Twenty-First Century Community Learning Centers | | | | 26,145,159.70 | 25,312,384.38 |
| 84.323 | Special Education - State Personnel Development | | | | 1,111,673.27 | 124,959.27 |
| 84.325 | Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | | | $ 587,359.79 | | |
| | | Salus University | UTK 88404 FALL 2018 | 74,636.20 | | |
| | | University of Florida | H325A120003 | 817.8 | | |
| | | | | | 662,813.79 | - |
| 84.330 | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | | | | 503,699.43 | - |
| 84.334 | Gaining Early Awareness and Readiness for Undergraduate Programs | | | | 6,696,885.57 | 4,469,103.39 |
| 84.335 | Child Care Access Means Parents in School | | | | 347,622.22 | - |
| 84.336 | Teacher Quality Partnership Grants | | | | 27,677.02 | - |
| 84.358 | Rural Education | | | | 4,092,574.24 | 3,907,709.81 |
| 84.365 | English Language Acquisition State Grants | | | | 6,128,677.72 | 5,860,220.40 |
| 84.366 | Mathematics and Science Partnerships | | | $ 1,714,048.86 | | |
| | | Bedford County | UNKNOWN | 1,550.00 | | |
| | | Hawkins County Schools | S366B160043 | 106,891.06 | | |
| | | Murfreesboro City Schools | S366B150043 | 6,072.30 | | |
| | | | | | 1,828,562.22 | 1,702,503.24 |
| 84.367 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | | | $ 33,872,830.92 | | |
| | | National Writing Project Corporation | 08-TN04-SEED2019-C3WPAI | 8,245.08 | | |
| | | National Writing Project Corporation | 94-TN02 | -1,028.55 | | |
| | | National Writing Project Corporation | A17-0942-002 | 12,123.29 | | |
| | | | | | 33,892,170.74 | 33,106,707.54 |
| 84.369 | Grants for State Assessments and Related Activities | | | | 7,243,602.00 | - |
| 84.372 | Statewide Longitudinal Data Systems | | | | 1,575,276.17 | 489,383.55 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 84.374 | Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund) | | | | 239,333.53 | 217,314.66 |
| 84.377 | School Improvement Grants | | | | 2,236,952.66 | 2,241,007.52 |
| 84.382 | Strengthening Minority-Serving Institutions | | | | 535,653.95 | - |
| 84.396 | State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act | | | | (35,098.51) | (35,098.51) |
| 84.407 | Transition Programs for Students with Intellectual Disabilities into Higher Education | | | $ 312,848.02 | | |
| | | Vanderbilt University | UNIV59739 | 5,154.13 | | |
| | | | | | 318,002.15 | - |
| 84.411 | Education Innovation and Research (formerly Investing in Innovation (i3) Fund) | | | | 109,885.52 | - |
| 84.419 | Preschool Development Grants | | | | 17,001,262.60 | 16,314,759.30 |
| 84.424 | Student Support and Academic Enrichment Program | | | | 14,471,131.56 | 14,301,425.16 |
| 84.938 | Hurricane Education Recovery | | | | 629,196.22 | 629,196.22 |
| 84.U01 | NAEP State Coordinator/Basic Participation Contract | | N/A | | 140,982.65 | - |
| 84.U02 | Campbell Cty Sch Math Counts 3 Hodge | Campbell County Schools | unknown | | 11,776.19 | - |
| **Subtotal Department of Education** | | | | | $ 550,938,286.67 | $ 452,953,925.67 |
| | | **National Archives and Records Administration** | | | | |
| 89.003 | National Historical Publications and Records Grants | | | | $ 38,559.87 | $ 32,482.94 |
| **Subtotal National Archives and Records Administration** | | | | | $ 38,559.87 | $ 32,482.94 |
| | | **Delta Regional Authority** | | | | |
| 90.201 | Delta Area Economic Development | | | | $ 3,990.02 | $ - |
| **Subtotal Delta Regional Authority** | | | | | $ 3,990.02 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **Election Assistance Commission** | | | | | |
| 90.401 | Help America Vote Act Requirements Payments | | | $ 300,836.83 | $ 300,420.14 |
| 90.404 | 2018 HAVA Election Security Grants | | | 1,571,896.04 | 1,531,182.35 |
| **Subtotal Election Assistance Commission** | | | | $ 1,872,732.87 | $ 1,831,602.49 |
| **Department of Health and Human Services** | | | | | |
| 93.041 | Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation | | | $ 82,052.00 | $ 78,277.00 |
| 93.042 | Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | | | 320,261.15 | 320,261.15 |
| 93.043 | Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | | | 385,221.00 | 385,221.00 |
| 93.048 | Special Programs for the Aging, Title IV, and Title II, Discretionary Projects | | | 42,054.83 | 28,265.63 |
| 93.052 | National Family Caregiver Support, Title III, Part E | | | 3,290,946.00 | 3,290,946.00 |
| 93.065 | Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure | | | 15,425.31 | - |
| 93.070 | Environmental Public Health and Emergency Response | | | 320,095.49 | 90,350.03 |
| 93.071 | Medicare Enrollment Assistance Program | | | 594,536.14 | 577,756.60 |
| 93.072 | Lifespan Respite Care Program | | | 264,905.36 | 249,575.41 |
| 93.073 | Birth Defects and Developmental Disabilities - Prevention and Surveillance | | | 233,449.72 | - |
| 93.074 | Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | | | 13,697,913.86 | 6,001,872.97 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.079 | Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | | | | 59,838.61 | 54,918.00 |
| 93.087 | Enhance Safety of Children Affected by Substance Abuse | | | | (955.82) | (1,925.97) |
| 93.090 | Guardianship Assistance | | | | 7,706,705.13 | - |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | | | | 1,056,531.07 | - |
| 93.103 | Food and Drug Administration Research | | | | 10,000.00 | - |
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | | | | 3,650,595.32 | 2,307,448.42 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | | | $ 406,727.35 | | |
| | | Vanderbilt University Medical Center | VUMC59412 | 129,943.37 | | |
| | | | | | 536,670.72 | 54,570.59 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | | | 913,040.34 | 680,645.17 |
| 93.124 | Nurse Anesthetist Traineeship | | | | 91,598.92 | - |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | | | | 193,848.90 | - |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | | | | 4,278,659.80 | 937,299.51 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | | | | 907,960.00 | 805,960.00 |
| 93.165 | Grants to States for Loan Repayment Program | | | | 450,000.00 | 790,000.00 |
| 93.173 | Research Related to Deafness and Communication Disorders | | | | 42,985.63 | - |
| 93.197 | Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | | | | 254,342.07 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.211 | Telehealth Programs | | | $ 144,095.30 | | |
| | | The Summit Foundation | 19-141 | 42,477.62 | | |
| | | | | | 186,572.92 | - |
| 93.217 | Family Planning Services | | | | 7,927,185.49 | 1,131,349.67 |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | | | | 276,456.79 | 276,456.79 |
| 93.235 | Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program | | | | 1,549,990.23 | 1,180,144.35 |
| 93.240 | State Capacity Building | | | | 317,842.87 | - |
| 93.241 | State Rural Hospital Flexibility Program | | | | 228,933.44 | 379,711.08 |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance | | | $ 9,013,498.78 | | |
| | | County of Rutherford Tennessee | SAMHSA 17 | 54,200.01 | | |
| | | | | | 9,067,698.79 | 7,142,631.15 |
| 93.247 | Advanced Nursing Education Workforce Grant Program | | | | 1,029,800.01 | - |
| 93.251 | Universal Newborn Hearing Screening | | | | 202,063.35 | 111,826.42 |
| 93.262 | Occupational Safety and Health Program | | | | 38,882.59 | - |
| 93.268 | Immunization Cooperative Agreements | | | | 4,268,617.67 | 804,473.56 |
| 93.268 | Immunization Cooperative Agreements (Noncash) | | | | 85,786,091.12 | |
| 93.270 | Viral Hepatitis Prevention and Control | | | | 513,136.39 | - |
| 93.273 | Alcohol Research Programs | | | | 41,456.14 | - |
| 93.283 | Centers for Disease Control and Prevention Investigations and Technical Assistance | | | | 217,672.50 | - |
| 93.301 | Small Rural Hospital Improvement Grant Program | | | | 176,047.92 | 156,546.03 |
| 93.305 | PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF) | | | | 1,139,742.25 | 385,882.53 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.317 | Emerging Infections Programs | | | | 3,012,501.25 | 2,236,813.67 |
| 93.319 | Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas | | | | 384,989.18 | - |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | | | | 8,132,239.12 | 135,603.01 |
| 93.324 | State Health Insurance Assistance Program | | | | 1,058,358.69 | 804,260.52 |
| 93.325 | Paralysis Resource Center | Christopher & Dana Reeve Foundation | 90PR3002-02-01 | | 103.50 | - |
| 93.336 | Behavioral Risk Factor Surveillance System | | | | 290,252.16 | - |
| 93.354 | Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | | | | 2,277,512.73 | 488,656.30 |
| 93.359 | Nurse Education, Practice Quality and Retention Grants | | | | 708,831.09 | 68,213.66 |
| 93.369 | ACL Independent Living State Grants | | | | 412,442.49 | 265,629.71 |
| 93.413 | The State Flexibility to Stabilize the Market Grant Program | | | | 76,354.00 | - |
| 93.426 | Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke | | | | 797,810.33 | 401,471.32 |
| 93.464 | ACL Assistive Technology | | | | 418,300.61 | 277,232.93 |
| 93.516 | Public Health Training Centers Program | Emory University | A176162 | $ 19,182.20 | | |
| | | Emory University | T846384 | 9,791.56 | | |
| | | | | | 28,973.76 | - |
| 93.521 | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF | | | | 2,198,294.14 | 577,000.86 |
| 93.526 | Grants for Capitall Development in Health Centers | | | | 92,798.52 | 92,798.52 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.539 | PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds | | | | 1,606,492.20 | 253,854.79 |
| 93.556 | Promoting Safe and Stable Families | | | | 7,938,289.92 | - |
| 93.563 | Child Support Enforcement | | | | 48,436,336.71 | - |
| 93.564 | Child Support Enforcement Research | | | | 26,200.47 | - |
| 93.568 | Low-Income Home Energy Assistance | | | | 69,232,774.68 | 68,635,955.81 |
| 93.569 | Community Services Block Grant | | | | 15,421,579.43 | 14,896,618.39 |
| 93.586 | State Court Improvement Program | | | | 566,963.31 | - |
| 93.590 | Community-Based Child Abuse Prevention Grants | | | | 565,036.13 | - |
| 93.597 | Grants to States for Access and Visitation Programs | | | | 142,240.04 | - |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | | | | 911,106.64 | - |
| 93.600 | Head Start | | | $ 3,662,568.58 | | |
| | | Porter-Leath Childrens Center | Unknown | 353,999.57 | | |
| | | Shelby County Government | CA084475 | -0.55 | | |
| | | Shelby County Government | CA114475 | -280.5 | | |
| | | | | | 4,016,287.10 | 554,497.95 |
| 93.603 | Adoption and Legal Guardianship Incentive Payments | | | | 2,311,574.11 | - |
| 93.624 | ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance | | | | 9,702,059.46 | 1,329,064.34 |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | | | $ 1,587,599.25 | | |
| | | Alabama A&M University | G7-467651-UM | 14,463.24 | | |
| | | | | | 1,602,062.49 | 444,150.64 |
| 93.632 | University Centers for Excellence in Developmental Disabilities Education, Research, and Service | | | | 594,277.41 | - |
| 93.643 | Children's Justice Grants to States | | | | 294,200.75 | - |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | | | | 8,766,963.16 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 93.648 | Child Welfare Research Training or Demonstration | | | 665,079.49 | - |
| 93.652 | Adoption Opportunities | Harmony Family Center | unknown | 64,132.88 | - |
| 93.658 | Foster Care Title IV-E | | | 61,702,609.71 | - |
| 93.659 | Adoption Assistance | | | 59,479,634.47 | - |
| 93.667 | Social Services Block Grant | | | 29,127,912.05 | 4,591,155.87 |
| 93.669 | Child Abuse and Neglect State Grants | | | 628,106.96 | - |
| 93.671 | Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | | | 1,990,857.10 | 1,898,386.82 |
| 93.674 | John H. Chafee Foster Care Program for Successful Transition to Adulthood | | | 2,276,815.87 | - |
| 93.733 | Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF) | | | 69,442.90 | - |
| 93.735 | State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF) | | | 306,551.58 | 45,017.20 |
| 93.747 | Elder Abuse Prevention Interventions Program | | | 12,451.03 | - |
| 93.753 | Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program | | | 81,653.44 | - |
| 93.757 | State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | | | 404,893.83 | 149,869.41 |
| 93.758 | Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | | | 1,042,332.76 | 367,796.79 |
| 93.761 | Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF) | | | 48,632.46 | 8,747.00 |
| 93.764 | PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants) | | | 14,083.66 | (1,516.34) |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.767 | Children's Health Insurance Program | | | | 146,177,353.81 | - |
| 93.788 | Opioid STR | | | | 14,131,984.78 | 11,263,891.83 |
| 93.791 | Money Follows the Person Rebalancing Demonstration | | | | 7,083,237.16 | - |
| 93.815 | Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC). | | | | 872,261.04 | 381.00 |
| 93.817 | Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | | | | 680,657.58 | 680,657.58 |
| 93.847 | Diabetes, Digestive, and Kidney Diseases Extramural Research | | | | 87,959.71 | - |
| 93.865 | Child Health and Human Development Extramural Research | | | | 84,520.28 | - |
| 93.866 | Aging Research | | | | 45,160.98 | - |
| 93.876 | Antimicrobial Resistance Surveillance in Retail Food Specimens | | | | 179,435.26 | - |
| 93.884 | Grants for Primary Care Training and Enhancement | | | | 381,687.42 | - |
| 93.898 | Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | | | | 3,339,696.13 | 158,791.06 |
| 93.912 | Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program | Le Bonheur Community Health and Well-Being | DELTA 2017/2018 | $ 22,282.19 | | |
| | | Le Bonheur Community Health and Well-Being | DELTA 2019 | 35,853.07 | | |
| | | | | | 58,135.26 | - |
| 93.913 | Grants to States for Operation of State Offices of Rural Health | | | | 178,245.61 | 20,344.28 |
| 93.917 | HIV Care Formula Grants | | | | 29,830,998.15 | 10,998,685.85 |
| 93.940 | HIV Prevention Activities Health Department Based | | | | 6,409,543.58 | 4,499,693.12 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | | | 432,366.25 | 146,212.09 |
| 93.945 | Assistance Programs for Chronic Disease Prevention and Control | | | (174,876.11) | 18,690.56 |
| 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | | | 369,357.40 | - |
| 93.958 | Block Grants for Community Mental Health Services | | | 12,848,056.72 | 12,726,142.13 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | | | 31,715,221.27 | 31,509,750.62 |
| 93.870 | Maternal, Infant and Early Childhood Home Visiting Grant Program | | | 9,611,196.94 | 7,821,686.66 |
| 93.977 | Sexually Transmitted Diseases (STD) Prevention and Control Grants | | | 1,916,856.86 | 870,864.43 |
| 93.981 | Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools | | | 808,928.59 | 144,631.44 |
| 93.991 | Preventive Health and Health Services Block Grant | | | 1,493,109.88 | 1,054,728.95 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | | | 11,119,656.53 | 639,585.36 |
| 93.U01 | CDC Healthy Outreach (H20)-Jarvandi | | 1 NU58DP006558-01-00 | 266,922.05 | - |
| 93.U02 | Nat'l Partnership (PETE) 10728 Webster | National Partnership for Environmental Technology Education | 10728 | 29,444.87 | - |
| 93.U03 | Nat'l Partnership (PETE) 10764 Webster | National Partnership for Environmental Technology Education | 10764 DOE AUTH Y9 | 11,133.86 | - |
| 93.U04 | Nat'l Partnership (PETE) 18-19 Webster | National Partnership for Environmental Technology Education | 10757 | 131,424.87 | - |
| 93.U05 | National Safe Place Hadjiharalambous | National Safe Place | 90-CY6942-01-00 | 39,768.25 | - |
| **Subtotal Department of Health and Human Services** | | | | $ 782,465,712.77 | $ 209,296,479.22 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **Corporation For National and Community Service** | | | | | |
| 94.003 | State Commissions | | | | $ 330,298.10 | $ 71,748.00 |
| 94.006 | AmeriCorps | | | | 4,448,448.09 | 4,448,448.09 |
| 94.007 | Program Development and Innovation Grants | | | | 143,781.21 | 16,457.50 |
| 94.021 | Volunteer Generation Fund | | | | 295,763.13 | 283,914.96 |
| **Subtotal Corporation For National and Community Service** | | | | | $ 5,218,290.53 | $ 4,820,568.55 |
| | **Executive Office of the President** | | | | | |
| 95.001 | High Intensity Drug Trafficking Areas Program | | | $ 148,210.50 | | |
| | | Office of National Drug Control Policy | G18AP0001A | 132,598.62 | | |
| | | Office of National Drug Control Policy | G19AP0001A | 80,375.09 | | |
| | | | | | $ 361,184.21 | $ - |
| 95.007 | Research and Data Analysis | University of Baltimore | 7 | | 139,862.62 | 63,487.60 |
| 95.U01 | Executive Office President FY18Wanamaker | | CEAP7C08 | | 8,582.07 | - |
| **Subtotal Executive Office of the President** | | | | | $ 509,628.90 | $ 63,487.60 |
| | **Department of Homeland Security** | | | | | |
| 97.008 | Non-Profit Security Program | | | | $ 9,875.00 | $ 9,875.00 |
| 97.023 | Community Assistance Program State Support Services Element (CAP-SSSE) | | | | 132,091.38 | - |
| 97.029 | Flood Mitigation Assistance | | | | 349,177.92 | 346,138.53 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | | 45,174,278.82 | 40,318,375.56 |
| 97.039 | Hazard Mitigation Grant | | | | 1,755,345.78 | 1,429,571.00 |
| 97.041 | National Dam Safety Program | | | | 79,658.14 | - |
| 97.042 | Emergency Management Performance Grants | | | | 6,837,115.94 | 3,192,731.51 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 97.043 | State Fire Training Systems Grants | | | 11,492.70 | - |
| 97.044 | Assistance to Firefighters Grant | | | 333,334.00 | - |
| 97.045 | Cooperating Technical Partners | | | 75,000.00 | - |
| 97.046 | Fire Management Assistance Grant | | | 23,165.12 | - |
| 97.047 | Pre-Disaster Mitigation | | | 51,596.41 | 47,340.22 |
| 97.067 | Homeland Security Grant Program | | | 3,068,621.61 | 2,736,780.53 |
| 97.082 | Earthquake Consortium | | | 11,171.44 | - |
| **Subtotal Department of Homeland Security** | | | | $ 57,911,924.26 | $ 48,080,812.35 |
| | **Agency For International Development** | | | | |
| 98.U01 | Borlaug Higher Education for Agricultural Research & Development (BHEARD) | Michigan State University | RC102095 | $ 11,688.05 | $ - |
| **Subtotal Agency For International Development** | | | | $ 11,688.05 | $ - |
| | **State Justice Institute** | | | | |
| 99.U02 | Court Technical Assistance | | SJI-16-T-146 | $ (1,137.85) | $ - |
| 99.U03 | Court Technical Assistance | | SJI-18-E-019 | 4,747.20 | - |
| **Subtotal State Justice Institute** | | | | $ 3,609.35 | $ - |
| **Total Unclustered Programs** | | | | $ 2,198,184,050.12 | $ 1,035,229,229.63 |
| | **Research and Development Cluster** | | | | |
| | **Department of Agriculture** | | | | |
| | **Agricultural Marketing Service** | | | | |
| 10.156 | Federal-State Marketing Improvement Program | | | $ 61,452.19 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 10.167 | Transportation Services | | | 105,974.39 | - |
| **Subtotal Agricultural Marketing Service** | | | | $ 167,426.58 | $ - |
| | **Agricultural Research Service** | | | | |
| 10.001 | Agricultural Research Basic and Applied Research | | | $ 1,308,983.16 | $ - |
| **Subtotal Agricultural Research Service** | | | | $ 1,308,983.16 | $ - |
| | **Animal and Plant Health Inspection Service** | | | | |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal | | | $ 328,751.65 | $ - |
| **Subtotal Animal and Plant Health Inspection Service** | | | | $ 328,751.65 | $ - |
| | **Economic Research Service** | | | | |
| 10.253 | Consumer Data and Nutrition Research | | | $ 1,067.25 | $ - |
| **Subtotal Economic Research Service** | | | | $ 1,067.25 | $ - |
| | **Farm Service Agency** | | | | |
| 10.069 | Conservation Reserve Program | | | $ 82,151.36 | $ 57,942.68 |
| **Subtotal Farm Service Agency** | | | | $ 82,151.36 | $ 57,942.68 |
| | **Foreign Agricultural Service** | | | | |
| 10.777 | Norman E. Borlaug International Agricultural Science and Technology Fellowship | | | $ 90,022.30 | $ - |
| 10.960 | Technical Agricultural Assistance | | | 109,250.66 | - |
| **Subtotal Foreign Agricultural Service** | | | | $ 199,272.96 | $ - |
| | **Forest Service** | | | | |
| 10.652 | Forestry Research | | | $ 56,923.35 | $ - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.664 | Cooperative Forestry Assistance | | | $ 266,015.36 | | |
| | | National Fish and Wildlife Foundation | 1904.16.052925 | 23,590.55 | | |
| | | | | | 289,605.91 | 43,018.19 |
| 10.675 | Urban and Community Forestry Program | | | | 67,070.51 | - |
| 10.680 | Forest Health Protection | | | | 133,711.37 | - |
| **Subtotal Forest Service** | | | | | $ 547,311.14 | $ 43,018.19 |
| | **National Institute of Food and Agriculture** | | | | | |
| 10.200 | Grants for Agricultural Research, Special Research Grants | University of Florida | 2015-34383-23708 | | $ 8,667.28 | $ - |
| 10.202 | Cooperative Forestry Research | | | | 76,823.93 | - |
| 10.203 | Payments to Agricultural Experiment Stations Under the Hatch Act | Auburn University | PC026819 | $ 10,000.00 | | |
| | | Auburn University | PC028633 | 10,000.00 | | |
| | | | | | 20,000.00 | - |
| 10.205 | Payments to 1890 Land-Grant Colleges and Tuskegee University | | | | 3,302,064.80 | - |
| 10.207 | Animal Health and Disease Research | | | | 23,796.34 | - |
| 10.210 | Higher Education - Graduate Fellowships Grant Program | | | | 80,378.00 | - |
| 10.215 | Sustainable Agriculture Research and Education | University of Georgia | 2015-38640-23780 | $ 2,666.48 | | |
| | | University of Georgia | 2016-38640-25382 | 17,744.49 | | |
| | | University of Georgia | 2017-38640-26914 | 98,877.04 | | |
| | | | | | 119,288.01 | - |
| 10.216 | 1890 Institution Capacity Building Grants | | | $ 683,473.60 | | |
| | | Alabama A&M University | 2017-38821-26426 | 43,066.38 | | |
| | | | | | 726,539.98 | 34,790.00 |
| 10.217 | Higher Education - Institution Challenge Grants Program | | | $ 42,945.43 | | |
| | | Cornell University | 73365-10457 | 1,072.15 | | |
| | | | | | 44,017.58 | - |
| 10.219 | Biotechnology Risk Assessment Research | | | | 193,352.45 | 130,966.11 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.220 | Higher Education - Multicultural Scholars Grant Program | | | | 62,519.50 | - |
| 10.303 | Integrated Programs | | | | 260,558.46 | - |
| 10.307 | Organic Agriculture Research and Extension Initiative | | | | 304,093.51 | 123,777.54 |
| 10.309 | Specialty Crop Research Initiative | | | $ 1,095,100.08 | | |
| | | Cornell University | 79598-10782 | 50,753.37 | | |
| | | | | | 1,145,853.45 | 638,273.41 |
| 10.310 | Agriculture and Food Research Initiative (AFRI) | | | $ 6,082,326.94 | | |
| | | Resources for the Future | unknown | 8,531.98 | | |
| | | | | | 6,090,858.92 | 1,465,466.71 |
| 10.312 | Biomass Research and Development Initiative Competitive Grants Program (BRDI) | | | | 372,418.18 | 223,267.50 |
| 10.319 | Farm Business Management and Benchmarking Competitive Grants Program | | | | 182,751.31 | - |
| 10.320 | Sun Grant Program | University of Georgia | SUB00001628 | | 59,085.18 | - |
| 10.326 | Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | | | $ 436,401.87 | | |
| | | Sam Houston State University | 22138A | 116,759.68 | | |
| | | | | | 553,161.55 | 333,085.81 |
| 10.330 | Alfalfa and Forage Research Program | | | | 15,724.85 | 9,548.61 |
| 10.331 | Food Insecurity Nutrition Incentive Grants Program | AARP Foundation | 2015-70018-23332 | | 62,684.17 | - |
| 10.336 | Veterinary Services Grant Program | | | | 5,632.43 | - |
| **Subtotal National Institute of Food and Agriculture** | | | | | $ 13,710,269.88 | $ 2,959,175.69 |
| **Natural Resources Conservation Service** | | | | | | |
| 10.072 | Wetlands Reserve Program | | | | $ 356,001.43 | $ 1,770.83 |
| 10.903 | Soil Survey | | | | 11,562.41 | - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.912 | Environmental Quality Incentives Program | | | $ 9,038.42 | | |
| | | Pheasants Forever, Inc | WLFW2018-03 | 7,638.00 | | |
| | | Pheasants Forever, Inc | WLFW2018-06 | 26,798.31 | | |
| | | Pheasants Forever, Inc | WLFW 2018-07 | 7,259.45 | | |
| | | Pheasants Forever, Inc | WLFW 2018-09 | 3,692.40 | | |
| | | | | | 54,426.58 | - |
| **Subtotal Natural Resources Conservation Service** | | | | | $ 421,990.42 | $ 1,770.83 |
| | | **Rural Business Cooperative Service** | | | | |
| 10.868 | Rural Energy for America Program | | | | $ 5,210.38 | $ - |
| **Subtotal Rural Business Cooperative Service** | | | | | $ 5,210.38 | $ - |
| | | **USDA, Office of the Chief Economist** | | | | |
| 10.290 | Agricultural Market and Economic Research | | | | $ 15,915.50 | $ - |
| **Subtotal USDA, Office of the Chief Economist** | | | | | $ 15,915.50 | $ - |
| | | **Other Programs** | | | | |
| 10.RD | USDA 16-JV-11221636-104 Sims | | 16-JV-11221636-104 | | $ 53,695.89 | $ - |
| 10.RD | USDA FS 14JV11330144059- Poudyal | | 14-JV-11330144-059 | | 3,017.92 | - |
| 10.RD | USDA FS 17-CR-11330145-057 Nagle | | 17-CR-11330145-057 | | 14,810.46 | - |
| 10.RD | USDA FS AG4568C140036 SRS Support-Belli | | AG-4568-C-14-0036 | | 57,206.12 | - |
| 10.RD | USDA FS American Chestnut-Schlarbaum | | 14-JV-11242316-148 | | 11,102.36 | - |
| 10.RD | USDA FS Cherokee Song Birds - Buehler | | 16-CS-11080400-009 | | 8,584.09 | - |
| 10.RD | USDA FS Expl Exp NVUM data - Poudyal | | 18-JV-11330144-064 | | 39,361.98 | - |
| 10.RD | USDA FS FPL Analysis Lumber - Young | | 16-JV-11111137-047 | | 47.39 | - |
| 10.RD | USDA FS Genetic Specialist 14-Schlarbaum | | 14-CS-11083133-001 | | 19,942.30 | - |
| 10.RD | USDA FS Land Between the Lakes-Keyser | | 16-PA-11086002-015 | | 2,711.24 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 10.RD | USDA FS Mgt & Ecological Processes-Belli | | 15-CR-11330134-007 | | 9,532.99 | - |
| 10.RD | USDA FS Mill Dynamics Exploring - Hodges | | 17-CR-11330145-060 | | 18,330.62 | - |
| 10.RD | USDA FS NVUM 028 - Schexnayder | | 17-CS-11081114-028 | | 44,502.39 | - |
| 10.RD | USDA FS NVUM Chattahoochee-Schexnayder | | 18-CS-11080300-061 | | 46,241.97 | - |
| 10.RD | USDA FS NVUM Data Entry - Schexnayder | | 18-CS-11132424-175 | | 72,437.67 | - |
| 10.RD | USDA FS NVUM Mississippi - Schexnayder | | 18-CS-11080700-004 | | 64,704.82 | - |
| 10.RD | USDA FS SRS FIA Tick Path-Trout-Fryxell | | 12456818P0046 | | 6,898.89 | - |
| 10.RD | USDA FS Yr 3 Thousand Canker Hadziabdic | | 17-JV-11272139-081 | | 8,713.53 | - |
| **Subtotal Other Programs** | | | | | $ 481,842.63 | $ - |
| **Subtotal Department of Agriculture** | | | | | $ 17,270,192.91 | $ 3,061,907.39 |
| | | **Department of Commerce** | | | | |
| | | **Economic Development Administration** | | | | |
| 11.020 | Cluster Grants | | | | $ 157,894.66 | $ 38,853.80 |
| **Subtotal Economic Development Administration** | | | | | $ 157,894.66 | $ 38,853.80 |
| | | **Economic Development Administration** | | | | |
| 11.030 | Science and Research Park Development Grants | | | | $ 49,232.92 | $ - |
| **Subtotal Economic Development Administration** | | | | | $ 49,232.92 | $ - |
| | | **National Institute of Standards and Technology** | | | | |
| 11.609 | Measurement and Engineering Research and Standards | | | $ 12,786.24 | | |
| | | City of Memphis | 70NANB18H247 | 163,932.13 | | |
| | | | | | $ 176,718.37 | $ - |
| **Subtotal National Institute of Standards and Technology** | | | | | $ 176,718.37 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **National Oceanic and Atmospheric Administration** | | | | | |
| 11.459 | Weather and Air Quality Research | | | | $ 131,961.46 | $ - |
| 11.478 | Center for Sponsored Coastal Ocean Research Coastal Ocean Program | Northeastern University | 505161-78050 | | 103,704.05 | - |
| **Subtotal National Oceanic and Atmospheric Administration** | | | | | $ 235,665.51 | $ - |
| **Subtotal Department of Commerce** | | | | | $ 619,511.46 | $ 38,853.80 |
| | **Department of Defense** | | | | | |
| | **Advanced Research Projects Agency** | | | | | |
| 12.910 | Research and Technology Development | | | | $ 2,747,442.11 | $ 725,907.24 |
| **Subtotal Advanced Research Projects Agency** | | | | | $ 2,747,442.11 | $ 725,907.24 |
| | **Defense Threat Reduction Agency** | | | | | |
| 12.351 | Scientific Research - Combating Weapons of Mass Destruction | | | $ 810,329.62 | | |
| | | Vanderbilt University | UNIV 59030 | 56,877.44 | | |
| | | | | | $ 867,207.06 | $ 331,356.81 |
| **Subtotal Defense Threat Reduction Agency** | | | | | $ 867,207.06 | $ 331,356.81 |
| | **Dept of the Air Force** | | | | | |
| 12.800 | Air Force Defense Research Sciences Program | | | $ 1,431,090.13 | | |
| | | Embry-Riddle Aeronautical University | 241507 | 13,541.07 | | |
| | | Seoul National University | FA2386-17-1-4081 | 1,374.60 | | |
| | | The Henry M Jackson Foundation for Advancement of Military Medicine | 4493 | 12,878.59 | | |
| | | | | | $ 1,458,884.39 | $ 23,302.83 |
| **Subtotal Dept of the Air Force** | | | | | $ 1,458,884.39 | $ 23,302.83 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Dept of the Army** | | | | | | |
| 12.010 | Youth Conservation Services | | | | $ (0.24) | $ - |
| 12.420 | Military Medical Research and Development | | | $ 2,432,199.11 | | |
| | | Cedar-Sinai Medical Center | 1513772 | 2,584.56 | | |
| | | Children's Research Institute | 17SFRN33630027 | 70,954.91 | | |
| | | Children's Research Institute | 17SFRN33670451 | 63,759.39 | | |
| | | Children's Research Institute | 7U01NS081041 05 | 7,763.90 | | |
| | | University of Texas at San Antonio | 159413/155536 | 175,461.20 | | |
| | | University of Utah | 10050259 | 9,958.69 | | |
| | | University of Virginia | GG12052 157875 | 44,522.18 | | |
| | | | | | 2,807,203.94 | 109,763.27 |
| 12.431 | Basic Scientific Research | | | | 1,658,213.40 | 303,109.21 |
| **Subtotal Dept of the Army** | | | | | $ 4,465,417.10 | $ 412,872.48 |
| **Dept of the Navy** | | | | | | |
| 12.300 | Basic and Applied Scientific Research | | | $ 5,063,667.89 | | |
| | | American Lightweight Materials Manufacturing Innovation Institute | unknown | 1,924.01 | | |
| | | | | | $ 5,065,591.90 | $ 1,261,318.09 |
| **Subtotal Dept of the Navy** | | | | | $ 5,065,591.90 | $ 1,261,318.09 |
| **National Security Agency (NSA)** | | | | | | |
| 12.901 | Mathematical Sciences Grants | | | | $ 31,458.24 | $ - |
| 12.902 | Information Security Grants | | | $ 107,504.19 | | |
| | | Purdue University | SUBAWARD 4104-84250 Amend 1 | 7,526.00 | | |
| | | | | | 115,030.19 | - |
| **Subtotal National Security Agency (NSA)** | | | | | $ 146,488.43 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **Office of the Secretary of Defense** | | | | | |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering | | | $ 312,954.55 | | |
| | | Battelle Memorial Institute | PO US001-0000504972 CO15 MOD 12 | 156,376.14 | | |
| | | | | | $ 469,330.69 | $ - |
| **Subtotal Office of the Secretary of Defense** | | | | | $ 469,330.69 | $ - |
| | **Uniformed Services University of the Health Sciences (USUHS)** | | | | | |
| 12.750 | Uniformed Services University Medical Research Projects | The Henry M Jackson Foundation for Advancement of Military Medicine | 3733/PO 896142 | | $ 21,726.28 | $ - |
| **Subtotal Uniformed Services University of the Health Sciences (USUHS)** | | | | | $ 21,726.28 | $ - |
| | **Other Programs** | | | | | |
| 12.RD | ADL PAL Learning Science Community | | W911QY-17-C-0034 | | $ 167,600.82 | $ - |
| 12.RD | AF AEDC/FMF FA9101-19-F-0012 Vakili | | FA9101-19-F-0012 | | 12,909.94 | - |
| 12.RD | AF AEDC FA9101-15-D-0002/17-F-0052 Bond | | FA9101-15-D-0002 | | 143,664.12 | - |
| 12.RD | AF AEDC FA9101-15-D-0002 Bond | | FA9101-15-D-0002 | | 1,847.85 | - |
| 12.RD | AF AEDC FA9101-19-F-0015 Bond | | FA9101-19-F-0015 | | 356,898.53 | - |
| 12.RD | AF AFTC FA9101-15-D-0002/17-F-0035 Kreth | | FA9101-15-D-0002 | | 153,564.62 | - |
| 12.RD | AF AFTC FA9101-15-D-0002/18-F-0017 Kreth | | FA9101-15-D0002 | | 37,437.85 | - |
| 12.RD | AF FA9101-15-D-0002 Moeller | | FA9101-15-D-0002 | | (1,041.17) | - |
| 12.RD | AF-FA9101-19-F-0013-Moeller | | FA9101-19-F-0013 | | 24,940.84 | - |
| 12.RD | Defenses and Countermeasures of Jamming Attacks in Wireless Mesh Networks 2016-19 | | N00174-16-C-0015 | | 1,375.71 | - |
| 12.RD | DLA SP4701-17-C-0062 Sawhney | | SP4701-17-C-0062 | | 60,700.73 | - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 12.RD | DLA SP4701-18-C-0025 Sawhney | | SP4701-18-C-0025 | 267,334.96 | 26,963.35 |
| 12.RD | DOD - Installations Species Bat- Willcox | | W912HZ-17-2-0020 | 125,827.20 | - |
| 12.RD | DOD SOCOM H92222-17-C-0006 Steadman | | H92222-17-C-0006 | 139,705.78 | 60,817.81 |
| 12.RD | DOD WHS-AD-FOA-18 Taylor | | WHS-AD-FOA-18 | 31,042.05 | - |
| 12.RD | DTRA-HDTRA117C0044-Hall | | HDTRA117C0044 | 316,476.27 | - |
| 12.RD | MOSAIC mPerf | | 2017-17042800006 | 910,429.14 | 737,394.59 |
| 12.RD | ONR SP010302D0014 Applesauce-Zivanovic | | SP010302D0014 | (10,339.33) | - |
| 12.RD | Partitioning Signal and Noise Using Non-linear Thresholding | | FA9453-18-C-0064 | 66,869.28 | - |
| 12.RD | Sandia Natl Lab PO1864859 Andrew Yu | | 1864859 | 75,566.49 | - |
| 12.RD | TSNRP Grant HU0001-15-1-TS08-N15-P01 | | HU0001101TS08-N15P01 | 11,542.68 | 17,739.38 |
| 12.RD | TSNRP Grant HU0001-17-1-TS05 | | HU0001-17-1-TS05 | 230,391.75 | 98,506.34 |
| 12.RD | USACE W912DW-17-P-0043 Loeffler | | W912DW-17-P-0043 | 173,456.96 | - |
| 12.RD | USACE W912HQ-13-C-0055 Loeffler | | W912HQ-13-C-0055 | (34,524.58) | - |
| 12.RD | ALMMII Joining R2-4 0004D-9 Feng | American Lightweight Materials Manufacturing Innovation Institute ALMMII) | 0004D-9 JOINING R2-4 | 180,813.76 | - |
| 12.RD | ALMMII - LIFT TEMP5 R2 0003C-7 Feng | American Lightweight Materials Manufacturing Innovation Institute ALMMII) | 0003C-7 TMP5 R2 LIFT | 3,914.68 | - |
| 12.RD | Research Services | MIT Lincoln Laboratory | PO 7000293007 CHANGE ORDER 10 | 272,277.87 | - |
| 12.RD | Riverside ResDRC.1265.000.17-00077 Abedi | Riverside Research Institute | DRC.1265.00077.17 | 37,994.98 | - |
| 12.RD | Southern Methodist Univ-GA00176 Williams | Southern Methodist University | GA00176-7501 | 40,080.97 | - |
| 12.RD | Univ of Dayton Res RSC16117 Schmisseur | University of Dayton | RSC16117 | 4,659.01 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 12.RD | Univ of Dayton Res RSC17067 Schmisseur | University of Dayton | RSC17067 | 1,314,751.25 | - |
| 12.RD | Univ of Dayton Res RSC18026 Compton | University of Dayton | RCS18026 | 60,572.79 | - |
| 12.RD | Update of UFC 3-220-01N Soil Mechanics (DM7.1) | Virginia Polytechnic Institute and State University | SUBAWARD 418357-19C95 | 49,583.98 | - |
| 12.RD | UR-PAL3 | University of Southern California | 95837461 | 65,989.18 | - |
| **Subtotal Other Programs** | | | | $ 5,294,316.96 | $ 941,421.47 |
| **Subtotal Department of Defense** | | | | $ 20,536,404.92 | $ 3,696,178.92 |
| | | **Department of Housing and Urban Development** | | | |
| | | **Office of Lead Hazard Control and Healthy Homes** | | | |
| 14.906 | Healthy Homes Technical Studies Grants | Columbia University | 2(GG010683) | $ 5,760.42 | $ - |
| **Subtotal Office of Lead Hazard Control and Healthy Homes** | | | | $ 5,760.42 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 5,760.42 | $ - |
| | | **Department of the Interior** | | | |
| | | **National Park Service** | | | |
| 15.926 | American Battlefield Protection | | | $ 281.40 | $ - |
| 15.945 | Cooperative Research and Training Programs - Resources of the National Park System | | | 434,705.00 | - |
| **Subtotal National Park Service** | | | | $ 434,986.40 | $ - |
| | | **Office of Surface Mining, Reclamation and Enforcement** | | | |
| 15.255 | Science and Technology Projects Related to Coal Mining and Reclamation | | | $ 513.44 | $ - |
| **Subtotal Office of Surface Mining, Reclamation and Enforcement** | | | | $ 513.44 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **U.S. Fish and Wildlife Service** | | | | | | |
| 15.608 | Fish and Wildlife Management Assistance | | | | $ 50.00 | $ - |
| 15.615 | Cooperative Endangered Species Conservation Fund | | | $ 81,793.09 | | |
| | | Commonwealth of Virginia | EP2932791 | 24.97 | | |
| | | The Nature Conservancy | 1041 UT 09062018 | 83,057.22 | | |
| | | | | | 164,875.28 | - |
| 15.616 | Clean Vessel Act | | | | 205,023.28 | - |
| 15.622 | Sportfishing and Boating Safety Act | | | | 400,000.00 | - |
| 15.623 | North American Wetlands Conservation Fund | | | | 100,000.00 | - |
| 15.631 | Partners for Fish and Wildlife | | | | 200,000.00 | - |
| 15.634 | State Wildlife Grants | | | $ 2,165,509.39 | | |
| | | Southeastern Association of Fish and Wildlife Agency | SEAFWA 2017-2020-MTSU | 6,774.20 | | |
| | | Southeastern Association of Fish and Wildlife Agency | SE-U2-F17AP00752 | 35,300.21 | | |
| | | Southeastern Association of Fish and Wildlife Agency | unknown | 3,976.62 | | |
| | | Tennessee Wildlife Resource Foundation, LLC | 37137 | 220.57 | | |
| | | | | | 2,211,780.99 | - |
| 15.650 | Research Grants (Generic) | | | | 16,950.40 | - |
| 15.655 | Migratory Bird Monitoring, Assessment and Conservation | | | | 10,992.43 | - |
| 15.657 | Endangered Species Conservation - Recovery Implementation Funds | | | $ 156,782.37 | | |
| | | Commonwealth of Kentucky | 4243111130000D2 | 180.42 | | |
| | | Commonwealth of Kentucky | F15AC00372 | 2.35 | | |
| | | | | | 156,965.14 | - |
| 15.660 | Endangered Species - Candidate Conservation Action Funds | | | | 18,390.49 | - |
| 15.664 | Fish and Wildlife Coordination and Assistance | The Nature Conservancy | 1041 UT 070116 01 | | (722.20) | - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 15.670 | Adaptive Science | | | $ 70,768.06 | | |
| | | Association of Fish & Wildlife Agencies | unknown | 8,625.00 | | |
| | | | | | 79,393.06 | - |
| 15.678 | Cooperative Ecosystem Studies Units | | | | 77,153.55 | - |
| **Subtotal U.S. Fish and Wildlife Service** | | | | | $ 3,640,852.42 | $ - |
| | **U.S. Geological Survey** | | | | | |
| 15.805 | Assistance to State Water Resources Research Institutes | | | | $ 68,405.89 | $ 11,927.34 |
| 15.807 | Earthquake Hazards Program Assistance | | | | 871,722.92 | - |
| 15.808 | U.S. Geological Survey Research and Data Collection | | | | 146,867.83 | - |
| 15.810 | National Cooperative Geologic Mapping | | | | 8,617.89 | - |
| 15.812 | Cooperative Research Units | | | | 32,833.50 | - |
| **Subtotal U.S. Geological Survey** | | | | | $ 1,128,448.03 | $ 11,927.34 |
| | **Other Programs** | | | | | |
| 15.RD | Assessment of Benthic Macroinvertebrate Response to Antimycin During Brook Trout Restoration in Little Cataloochee of Great Smoky Mountains National Park | | P17PX01962 | | $ 1,371.96 | $ - |
| 15.RD | USDI-NPS-GSMNP Case Hughes | | unknown | | 1,138.00 | - |
| 15.RD | USDI-USGS G17AC00039 Thomson | | G17AC00039 | | 51,395.13 | - |
| 15.RD | US Fish & Wildlife 140F0418P0267 Cyr | | 140F0418P0267 | | 4,560.87 | - |
| 15.RD | Research Support Agreement | Kentucky Waterways Alliance | F15AC00372 | | 2,924.48 | - |
| **Subtotal Other Programs** | | | | | $ 61,390.44 | $ - |
| **Subtotal Department of the Interior** | | | | | $ 5,266,190.73 | $ 11,927.34 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Department of Justice** | | | | | | |
| **Office of Justice Programs** | | | | | | |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | | | $ 452,096.37 | | |
| | | Arizona State University | ASUB00000227 | 27,571.61 | | |
| | | Lincoln Memorial University | 2018010101 | 64,054.30 | | |
| | | | | | $ 543,722.28 | $ - |
| 16.562 | Criminal Justice Research and Development Graduate Research Fellowships | | | | 39,877.65 | - |
| 16.582 | Crime Victim Assistance/Discretionary Grants | International Association of Chiefs of Police | V3-GX-K066 | $ 10,882.71 | | |
| | | International Association of Chiefs of Police | VF-GX-K011 | 15,231.69 | | |
| | | | | | 26,114.40 | - |
| 16.606 | State Criminal Alien Assistance Program | | | | 312,249.00 | - |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | City of Memphis | 2016-DG-BX-K143 | $ 18,628.16 | | |
| | | City of Memphis | 2018-DG-BX-K010 | 39,069.70 | | |
| | | | | | 57,697.86 | - |
| 16.833 | National Sexual Assault Kit Initiative | City of Memphis | 33271 | | 103,360.22 | - |
| **Subtotal Office of Justice Programs** | | | | | $ 1,083,021.41 | $ - |
| **Other Programs** | | | | | | |
| 16.RD | U.S. Marshals Service Joint Law Enforcement Operations Taskforce | | M-19-D75-O-000108 | | $ 148,014.25 | $ - |
| 16.RD | Ambassadors for Christ Proj REACH Nobles | Ambassadors for Christ | unknown | | 8,181.68 | - |
| 16.RD | Southwest Research M99020RR Icove | Southwest Research Institute | 00-338-7891 | | 19,567.21 | - |
| **Subtotal Other Programs** | | | | | $ 175,763.14 | $ - |
| **Subtotal Department of Justice** | | | | | $ 1,258,784.55 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **Department of Labor** | | | | | |
| | **Employment and Training Administration** | | | | | |
| 17.268 | H-1B Job Training Grants | Memphis Bioworks Foundation | HG-26665-15-60-A-47 | | $ 14,494.25 | $ - |
| **Subtotal Employment and Training Administration** | | | | | $ 14,494.25 | $ - |
| **Subtotal Department of Labor** | | | | | $ 14,494.25 | $ - |
| | **Department of State** | | | | | |
| | **Bureau of International Security and Nonproliferation** | | | | | |
| 19.033 | Global Threat Reduction | | | | $ 904,875.25 | $ - |
| **Subtotal Bureau of International Security and Nonproliferation** | | | | | $ 904,875.25 | $ - |
| **Subtotal Department of State** | | | | | $ 904,875.25 | $ - |
| | **Department of Transportation** | | | | | |
| | **Federal Aviation Administration** | | | | | |
| 20.109 | Air Transportation Centers of Excellence | | | | $ 76,676.47 | $ - |
| **Subtotal Federal Aviation Administration** | | | | | $ 76,676.47 | $ - |
| | **Federal Highway Administration** | | | | | |
| 20.200 | Highway Research and Development Program | | | $ 109,547.00 | | |
| | | National Academy of Sciences | NCHRP-183 | 66,168.84 | | |
| | | | | | $ 175,715.84 | $ - |
| 20.215 | Highway Training and Education | | | $ 4,094.00 | | |
| | | California State University Long Beach Research Foundation | SG99416100 | 45,039.45 | | |
| | | | | | 49,133.45 | - |
| **Subtotal Federal Highway Administration** | | | | | $ 224,849.29 | $ - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Federal Motor Carrier Safety Administration** | | | | | | |
| 20.237 | Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements | | | | $ 48,655.85 | $ - |
| **Subtotal Federal Motor Carrier Safety Administration** | | | | | $ 48,655.85 | $ - |
| **Office of the Secretary** | | | | | | |
| 20.701 | University Transportation Centers Program | | | $ 1,013,359.49 | | |
| | | Florida Atlantic University | UR-K69 Total | 300,452.33 | | |
| | | University of Florida | SUBAWARD UFDSP00011677 AMEND 6 | 42,320.27 | | |
| | | Western Michigan University | DTRT-13-G-UTC60 | 78,183.00 | | |
| | | | | | $ 1,434,315.09 | $ 343,595.40 |
| **Subtotal Office of the Secretary** | | | | | $ 1,434,315.09 | $ 343,595.40 |
| **Subtotal Department of Transportation** | | | | | $ 1,784,496.70 | $ 343,595.40 |
| **Department of Transportation** | | | | | | |
| **Other Programs** | | | | | | |
| 20.RD | Natl Acad Science SUB0001288 Brakewood | The National Academies of Sciences | 0001288/J-07(SA-4 | | $ 22,035.12 | $ - |
| **Subtotal Other Programs** | | | | | $ 22,035.12 | $ - |
| **Subtotal Department of Transportation** | | | | | $ 22,035.12 | $ - |
| **Department of the Treasury** | | | | | | |
| **Other Programs** | | | | | | |
| 21.RD | IPA Pankaj Jain | | IPA Pankaj Jain | | $ 77,515.51 | $ - |
| **Subtotal Other Programs** | | | | | $ 77,515.51 | $ - |
| **Subtotal Department of the Treasury** | | | | | $ 77,515.51 | $ - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Appalachian Regional Commission** | | | | | | |
| **Other Programs** | | | | | | |
| 23.011 | Appalachian Research, Technical Assistance, and Demonstration Projects | | | | $ 91,217.67 | $ - |
| **Subtotal Other Programs** | | | | | $ 91,217.67 | $ - |
| **Subtotal Appalachian Regional Commission** | | | | | $ 91,217.67 | $ - |
| **General Services Administration** | | | | | | |
| **Other Programs** | | | | | | |
| 39.RD | GSA BBD GS05Q17BMP0026 (Labor) Cody | | GS05Q17BMP0026 | | $ 51,065.46 | $ - |
| **Subtotal Other Programs** | | | | | $ 51,065.46 | $ - |
| **Subtotal General Services Administration** | | | | | $ 51,065.46 | $ - |
| **National Aeronautics and Space Administration** | | | | | | |
| **Other Programs** | | | | | | |
| 43.001 | Science | | | $ 1,327,990.59 | | |
| | | Brown University | 1184 | 66,122.89 | | |
| | | Colgate University | CU-201501 | 26,417.29 | | |
| | | Johns Hopkins University | 124810 | 5,348.95 | | |
| | | Johns Hopkins University | 125677 | 21,423.60 | | |
| | | Mercyhurst University | M0250-UTK-201731 | 16,940.13 | | |
| | | SETI Institute | SC3132 | 36,534.15 | | |
| | | Smithsonian Astrophysical Observatory | AR6-17009X | 94.72 | | |
| | | Smithsonian Astrophysical Observatory | G06-17017X | 2,057.37 | | |
| | | Smithsonian Astrophysical Observatory | G07-18014X | 25,157.91 | | |
| | | Smithsonian Astrophysical Observatory | G08-19011F | 5,813.00 | | |
| | | Space Telescope Science Institute | HST-GO-14180.007-A | 7,463.64 | | |
| | | Universities Space Research Association | 02282-01 | 18,240.07 | | |
| | | University of North Carolina at Chapel Hill | SUBAWARD 5111899 | 47,034.06 | | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | | Vanderbilt University | 3801-019687 | 48,567.17 | | |
| | | Vanderbilt University | UNIV60010 | 10,548.72 | | |
| | | | | | $ 1,665,754.26 | $ 341,707.31 |
| 43.002 | Aeronautics | | | | 1,986,314.35 | 1,562,682.83 |
| 43.007 | Space Operations | | | | 47,848.12 | - |
| 43.008 | Education | Vanderbilt University | 3795-019687 | $ 15,310.25 | | |
| | | Vanderbilt University | 3800-019687 | 137,253.13 | | |
| | | Vanderbilt University | 3855-019687 | 29,719.44 | | |
| | | Vanderbilt University | SUBAWARD UNIV59412 AMEND 4 | 53,769.78 | | |
| | | Vanderbilt University | UNIV59415-3798-019687 | 42,028.19 | | |
| | | Vanderbilt University | UNIV59434 | 5,693.07 | | |
| | | Vanderbilt University | UNIV59438 | 9,902.48 | | |
| | | | | | 293,676.34 | - |
| 43.RD | JPL-NASA 1534944 McSween | | 1534944 | | 644.20 | - |
| 43.RD | JPL-NASA PO#1624285 Balas | | 1624285 | | 11,297.83 | - |
| 43.RD | NASA 80MSFC19M0003 Hu | | 80MSFC19M0003 | | 28,088.95 | - |
| 43.RD | NASA 80NSSC17K0508 Moersch | | 80NSSC17K0508 | | 150,787.71 | - |
| 43.RD | NASA 80NSSC18K0615 Zinkle | | 80NSSC18K0615 | | 67,257.96 | - |
| 43.RD | NASA 80NSSC19M0101 Heilbronn | | 80NSSC19M0101 | | 30,634.43 | - |
| 43.RD | NASA NNX17AI10A Heilbronn | | NNX17AI10A | | 99,062.20 | - |
| 43.RD | Panchromatic Comparative Exoplanetary Treasury Program 2017-20 | Space Telescope Science Institute | NAS5-26555 | | 43,007.95 | - |
| 43.RD | Southwest Research K99062JRG Emery | Southwest Research Institute | K99062JRG | | 20,664.00 | - |
| 43.RD | The Johns Hopkins (JHUAPL)153797 Thomson | Johns Hopkins University Applied Physics Laboratory | 153797 | | 4,187.73 | - |
| **Subtotal Other Programs** | | | | | $ 4,449,226.03 | $ 1,904,390.14 |
| **Subtotal National Aeronautics and Space Administration** | | | | | $ 4,449,226.03 | $ 1,904,390.14 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **National Endowment For the Humanities** | | | | | | |
| **Other Programs** | | | | | | |
| 45.160 | Promotion of the Humanities Fellowships and Stipends | | | | $ 38,525.04 | $ - |
| 45.161 | Promotion of the Humanities Research | | | | 302,246.34 | - |
| **Subtotal Other Programs** | | | | | $ 340,771.38 | $ - |
| **Subtotal National Endowment For the Humanities** | | | | | $ 340,771.38 | $ - |
| **Institute of Museum and Library Services** | | | | | | |
| **Other Programs** | | | | | | |
| 45.313 | Laura Bush 21st Century Librarian Program | | | | $ 4,470.34 | $ - |
| **Subtotal Other Programs** | | | | | $ 4,470.34 | $ - |
| **Subtotal Institute of Museum and Library Services** | | | | | $ 4,470.34 | $ - |
| **National Science Foundation** | | | | | | |
| **Other Programs** | | | | | | |
| 47.041 | Engineering Grants | | | $ 8,364,478.97 | | |
| | | Lehigh University | 543406-78001 | -12,363.19 | | |
| | | Syracuse University | 28250-04301-S10 | 6,065.90 | | |
| | | | | | $ 8,358,181.68 | $ 1,364,884.96 |
| 47.049 | Mathematical and Physical Sciences | | | $ 5,025,330.45 | | |
| | | University of Delaware | 47797 | 7,421.80 | | |
| | | University of Notre Dame | QUARKNET PROGRAM | 1,620.13 | | |
| | | Vanderbilt University | DMR-1507505 | 1,327.70 | | |
| | | | | | 5,035,700.08 | 52,036.14 |
| 47.050 | Geosciences | | | $ 668,786.22 | | |
| | | Columbia University | 63 (GG009393) | -1,208.61 | | |
| | | Southern California Earthquake Center | 91267407 | 20,722.04 | | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | | | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|---|
| | | State University of New York | R1041551 | | 134,307.63 | | |
| | | University of Southern California | 104888833 | | 42,003.67 | | |
| | | | | | | 864,610.95 | 30,913.81 |
| 47.070 | Computer and Information Science and Engineering | | | $ | 6,680,498.60 | | |
| | | Asheville-Buncombe Technical Community College | 1501535 | | 4,216.04 | | |
| | | Carnegie Mellon University | 1122183-333033 | | 196,348.48 | | |
| | | University of Southern California | 65744092 | | 4,823.28 | | |
| | | | | | | 6,885,886.40 | 629,966.60 |
| 47.074 | Biological Sciences | | | $ | 7,321,009.63 | | |
| | | Dartmouth College | R823 | | 55,462.01 | | |
| | | Tufts University | NSF026 | | 3,397.50 | | |
| | | Wake Forest University | 18-001 | | 45,775.14 | | |
| | | | | | | 7,425,644.28 | 124,818.50 |
| 47.075 | Social, Behavioral, and Economic Sciences | | | | | 521,746.27 | 56,904.13 |
| 47.076 | Education and Human Resources | | | $ | 8,335,334.94 | | |
| | | Auburn University | 17-COSAM-200591-MTSU | | 1,650.00 | | |
| | | California State University San Marcos Corporation | 92240/85026-TTU AMEND 2 | | 98,118.05 | | |
| | | Fisk University | 2035 | | 11,318.09 | | |
| | | Grinnell College | 2064154-02 | | 7,506.48 | | |
| | | Howard University | DUE-1255441 | | 342.17 | | |
| | | Indian River State College | 1600558 | | 85,410.97 | | |
| | | Kentucky Community and Technical College System | 1601183 | | 138,024.35 | | |
| | | Lorain County Community College | 1801010 | | 3,476.55 | | |
| | | Mathematical Association of America | 3-8-710-953 | | 24,509.58 | | |
| | | Purdue University | SUBAWARD: 4101-79545 | | 32,665.58 | | |
| | | Rochester Institute of Technology | 31587-01 | | 24,457.30 | | |
| | | Tuskegee University | HRD-1820981 | | 8,877.75 | | |
| | | University of Chicago | FP066089 | | 19,352.71 | | |
| | | University of the District of Columbia | 2017DC001 | | 75,036.72 | | |
| | | University of Wisconsin-Madison | 565K950 | | 174,629.47 | | |
| | | | | | | 9,040,710.71 | 1,378,235.25 |
| 47.079 | Office of International Science and Engineering | | | $ | 77,822.80 | | |
| | | University of South Dakota | UP1700296-TTU1 AMEND 1 | | 45,389.88 | | |
| | | | | | | 123,212.68 | - |
| 47.RD | CURENT Membership Admin - Federal | | unknown | | | 120,651.61 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 47.RD | IUCRC Federal Membership Rawn | | unknown | 7,407.08 | - |
| 47.RD | NSF 1650390 Gross | | 1650390 | (2,055.96) | - |
| 47.RD | NSF 1738262 Faber | | 1738262 | 20,089.91 | - |
| 60.RD | SSEC Colorado LASER | | 17-PO-620-0000381000 | 7,315.86 | - |
| 60.RD | SSEC Colorado LASER | | 18-PO-620-0000405258 | 17,704.33 | - |
| **Subtotal Other Programs** | | | | $ 38,426,805.88 | $ 3,637,759.39 |
| **Subtotal Smithsonian Institution** | | | | $ 38,426,805.88 | $ 3,637,759.39 |
| | **Tennessee Valley Authority** | | | | |
| | **Other Programs** | | | | |
| 62.RD | Ocoee Trust Fund | | PO 4326358 | $ 3,034.93 | $ - |
| 62.RD | TVA 3927225 Transmission Mod 18 Mohammed | | 3927225 | 23,555.68 | - |
| 62.RD | TVA 5008705 GIS Inventory Mix 19 | | 5008705 | 10,033.92 | - |
| 62.RD | TVA Develop Survey - Poudyal | | 4875687 | 5,400.00 | - |
| 62.RD | TVA Freshwater Mussels Tellico-Alford | | 4807938 | 7,473.55 | - |
| 62.RD | TVA PB Dashboard 4027472 Sartipi 18 | | 4027472 | 45,563.21 | - |
| 62.RD | TVA PO#3110516 (99998950) Murray | | 3110516 99998950 | 63,131.00 | - |
| 62.RD | TVA PO#3384674 (Contract 99998950)Bray | | 3384674(99998950) | 16,361.64 | - |
| 62.RD | TVA PO #3569737 Henson Branch Horn | | 99998950 3569737 | 3,679.13 | - |
| 62.RD | TVA PO #3614689 (Contract 7493) Cyr | | 3614689 (7493) | 6,150.81 | - |
| 62.RD | TVA PO #3768259 (7493) Cyr | | 3768259 (7493) | 4,286.46 | - |
| 62.RD | TVA PO #3796730 (99998950) Shefner | | 3796730(99998950) | 9,303.84 | - |
| 62.RD | TVA PO #3814523 (7493) Cyr | | 3814523 (7493) | 5.17 | - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 62.RD | TVA PO #4424298 (9392) Lofaro | | 4424298 (9392) | 28,321.00 | - |
| 62.RD | TVA PO 4424160(Contract99998950) Nagle | | 4424160(99998950 | 7,972.64 | - |
| 62.RD | TVA Summer Tri-Colored Bats - Willcox | | 5094907 | 1,637.37 | - |
| 62.RD | TVA Tree Improvement FY 17-Schlarbaum | | 2646637/3357438 | 1,959.61 | - |
| **Subtotal Other Programs** | | | | $ 237,869.96 | $ - |
| **Subtotal Tennessee Valley Authority** | | | | $ 237,869.96 | $ - |
| | **Department of Veterans Affairs** | | | | |
| | **National Cemetery System** | | | | |
| 64.203 | Veterans Cemetery Grants Program | | | $ 31,237.12 | $ - |
| **Subtotal National Cemetery System** | | | | $ 31,237.12 | $ - |
| | **VA Health Administration Center** | | | | |
| 64.054 | Research and Development | | | $ 113,853.81 | $ - |
| **Subtotal VA Health Administration Center** | | | | $ 113,853.81 | $ - |
| | **Other Programs** | | | | |
| 64.034 | VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces | | | $ 44,452.58 | $ - |
| 64.RD | VA Medical Center IPA Agreements | | unknown | 113,503.16 | - |
| **Subtotal Other Programs** | | | | $ 157,955.74 | $ - |
| **Subtotal Department of Veterans Affairs** | | | | $ 303,046.67 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Environmental Protection Agency** | | | | | | |
| **Other Programs** | | | | | | |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | Memphis and Shelby County Health Department | CA1920060 | | $ 108,351.35 | $ - |
| 66.440 | Urban Waters Small Grants | | | | 10,852.79 | - |
| 66.461 | Regional Wetland Program Development Grants | | | | 41,202.89 | - |
| 66.509 | Science To Achieve Results (STAR) Research Program | Emory University | T602415 | $ 74,548.06 | | |
| | | Johns Hopkins University | 2003148196 | 84,925.30 | | |
| | | Kansas State University | S18012.01 | 9,942.75 | | |
| | | Meharry Medical College | 170207PJ027-02 | 51,426.78 | | |
| | | | | | 220,842.89 | - |
| 66.516 | P3 Award: National Student Design Competition for Sustainability | | | | 5,242.72 | - |
| 66.605 | Performance Partnership Grants | | | | 452,384.65 | - |
| 66.814 | Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements | Kansas State University | SA17197 | | 82,415.44 | - |
| 66.RD | US EPA IPA NC-0304-18-18E Tran | | 0304-18-18E | | 15,977.67 | - |
| **Subtotal Other Programs** | | | | | $ 937,270.40 | $ - |
| **Subtotal Environmental Protection Agency** | | | | | $ 937,270.40 | $ - |
| **Nuclear Regulatory Commission** | | | | | | |
| **Other Programs** | | | | | | |
| 77.008 | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | | | | $ 133,978.92 | $ - |
| **Subtotal Other Programs** | | | | | $ 133,978.92 | $ - |
| **Subtotal Nuclear Regulatory Commission** | | | | | $ 133,978.92 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|---|
| **Department of Energy** | | | | | | | |
| **Other Programs** | | | | | | | |
| 81.049 | Office of Science Financial Assistance Program | | | $ 11,321,735.35 | | | |
| | | Case Western Reserve University Rainbow Babies Children's Hospital | RES512388 | 71,135.28 | | | |
| | | Case Western Reserve University Rainbow Babies Children's Hospital | RES513718 | 604,018.26 | | | |
| | | University of Chicago | FP069705 | 333.41 | | | |
| | | University of Notre Dame | 202373 | 22,732.86 | | | |
| | | University of Notre Dame | 203132UTK | 29,881.90 | | | |
| | | | | | $ 12,049,837.06 | | $ 3,480,134.10 |
| 81.057 | University Coal Research | | | | 3,419.28 | | - |
| 81.086 | Conservation Research and Development | | | $ 149,221.91 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-3.1 | 1,232,126.85 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-3.11 | 43,070.22 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-3.15 | 58,355.20 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-3.2-02 | 282,077.27 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-3.7 | 49,829.94 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-3.9 | 46,041.05 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-4.2 | 452,221.25 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-5.1-01 | 3,618,969.60 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-5.2 | 60,403.55 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-5.4 | 222,651.41 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-5.5 | 103,413.31 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-5.6 | 309,081.87 | | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.1 | 228,941.12 | | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.18 | 25,112.84 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.19 | 25,183.91 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.20 | 2,296.50 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.21 | 19,119.75 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.7 | 334,443.53 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.8 | 31,345.20 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-7.1-01 | 1,177,540.67 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-7.2 | 40,324.41 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-7.3 | 8,086.66 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-7.4 | 16,919.15 | | |
| | | | | | 8,536,777.17 | 5,039,180.62 |
| 81.087 | Renewable Energy Research and Development | | | | 913,911.35 | 378,155.63 |
| 81.089 | Fossil Energy Research and Development | | | | 131,911.42 | - |
| 81.112 | Stewardship Science Grant Program | | | | 574,728.96 | 50,720.66 |
| 81.113 | Defense Nuclear Nonproliferation Research | | | | 5,573.92 | (2,496.14) |
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | | | | 955,687.97 | 275,309.44 |
| 81.121 | Nuclear Energy Research, Development and Demonstration | | | | 1,057,639.22 | 242,406.83 |
| 81.122 | Electricity Delivery and Energy Reliability, Research, Development and Analysis | University of Illinois | DE-OE0000780 | | 11,002.73 | - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 81.123 | National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program | Florida Agricultural and Mechanical University | DE-NA0003679 | $ 68,125.34 | | |
| | | North Carolina Agricultural and Technical State University | DE-NA0003867 | 69,067.34 | | |
| | | University of Texas | DE-NA0003865 | 145,427.21 | | |
| | | | | | 282,619.89 | - |
| 81.135 | Advanced Research Projects Agency - Energy | | | | 850,406.84 | 470,605.55 |
| 81.RD | Alliance Sustainable XAT-9-92055-01 Liu | | XAT-9-92055-01 | | 66,046.33 | - |
| 81.RD | Alliance Sustainable XEU-6-62565 Greene | | XEU-6-62565 | | 342.15 | - |
| 81.RD | Alliance Sustainable XEU-6-62566 Greene | | XEC-6-62566-01 | | 10,607.34 | - |
| 81.RD | Ames Laboratory SC-19-47 Jagode | | SC-19-497 | | 25,345.72 | - |
| 81.RD | Argonne National Lab 7F-30144 Zhao | | 7F-30144 | | 34,763.14 | - |
| 81.RD | Argonne Natl Lab 4F-30621 Greene | | 4F-30621 | | 44,811.09 | - |
| 81.RD | Brookhaven National Lab 312946 Batista | | 312946 | | 9,471.12 | - |
| 81.RD | CNS, LLC - 4300095878 - Babu | | 4300095878 | | 4,438.60 | - |
| 81.RD | CNS, LLC4300101264 Blache | | 4300101264 | | 10,909.87 | - |
| 81.RD | CNS, LLC 4300105431 Noon | | 4300105431 | | 16,483.73 | - |
| 81.RD | CNS, LLC 4300105484 Noon | | 4300105484 | | 57,839.50 | - |
| 81.RD | CNS, LLC 4300105533 Li | | 4300105533 | | 122,999.77 | - |
| 81.RD | CNS, LLC 4300106563 Kuney | | 4300106563 | | 5,582.68 | - |
| 81.RD | CNS, LLC 4300106564 Jin | | 4300106564 | | 3,061.63 | - |
| 81.RD | CNS, LLC 4300106652 Cathey | | 4300106652 | | 20,556.11 | - |
| 81.RD | CNS, LLC 4300150930 Hayward | | 4300150930 | | (2,089.33) | - |
| 81.RD | CNS, LLC 4300151362 Choo | | 4300151362 | | 137,405.13 | - |
| 81.RD | CNS, LLC 4300151365 Choo | | 4300151365 | | 73,500.58 | - |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 81.RD | CNS, LLC 4300151563 Murray | | 4300151563 | 11,951.00 | - |
| 81.RD | CNS, LLC 4300151881 Cragwall | | 4300151881 | 6,508.37 | - |
| 81.RD | CNS, LLC 4300151978 Miller | | 4300151978 | 1,984.71 | - |
| 81.RD | CNS, LLC 4300152172 Blache | | 4300152172 | 68,683.17 | - |
| 81.RD | CNS, LLC 4300153139 Sawhney | | 430053139 | 53,340.98 | - |
| 81.RD | CNS, LLC 4300153540 Sawhney | | 4300153540 | 38,507.94 | - |
| 81.RD | CNS, LLC 4300153669 Cragwall | | 4300153669 | 79,111.63 | - |
| 81.RD | CNS, LLC 4300153751 Cathey | | 4300153751 | 82,195.80 | - |
| 81.RD | CNS, LLC 4300154554 Jin | | 4300154554 | 40,198.39 | - |
| 81.RD | CNS, LLC 4300154555 Noon | | 4300154555 | 109,213.75 | - |
| 81.RD | CNS, LLC 4300155076 Noon | | 4300155076 | 40,316.74 | - |
| 81.RD | CNS, LLC 4300157307 Noon | | 4300157307 | 12,512.04 | - |
| 81.RD | CNS LLC 4300154515 Kuney | | 4300154515 | 6,380.01 | - |
| 81.RD | CNS LLC 4300155098 Li | | 4300155098 | 182,215.37 | - |
| 81.RD | CNS LLC 4300156115 Hale | | 4300156115 | 72,525.46 | - |
| 81.RD | CNS UT NA Y12-7Z0411A1 Hall | | 4300158265 | 11,483.01 | - |
| 81.RD | FERMI Research Alliance 626582 Spanier | | 626582 | 44,996.78 | - |
| 81.RD | Honeywell FM&T LLC N000178639 Dadmun | | N000178639 | (9,986.20) | - |
| 81.RD | Honeywell FM&T LLC N000180951 Kilbey | | N000180951 | (21,605.30) | - |
| 81.RD | Honeywell FM&T LLC N000266797 Compton | | N000266797 | 125,084.20 | - |
| 81.RD | Honeywell FM&T LLC N000267021 Kilbey | | N000267021 | 60,953.49 | - |
| 81.RD | Honeywell FM&T LLC N000267026 Dadmun | | N000267026 | 32,064.54 | - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 81.RD | Honeywell FM&T LLC N000293287 Dadmun | | N000293287 | 93,779.51 | - |
| 81.RD | Honeywell FM&T LLC N000293731 Compton | | N000293731 | 98,350.55 | - |
| 81.RD | Honeywell FM&T LLC N000295075 Kilbey | | N000295075 | 77,460.80 | - |
| 81.RD | Lawrence Berkeley NatLab7229788(51)Hazen | | 7229788 | 286,311.13 | - |
| 81.RD | LLNL B621559 Dongarra | | B621559 | 127,501.57 | - |
| 81.RD | LLNL B626206 Qi | | B626206 | 50,000.00 | - |
| 81.RD | LLNL B627883 MPI Applicat Skjellum 18-19 | | B627883 | 53,872.46 | - |
| 81.RD | LLNL B628830 Taufer | | B628830 | 104,409.79 | - |
| 81.RD | LLNL B633039 Hall | | B633039 | 10,959.04 | - |
| 81.RD | LLNL B633068 Taufer | | B633068 | 23,247.35 | - |
| 81.RD | LLNL BB633155 Dongarra | | B633155 | 36,798.19 | - |
| 81.RD | Los Alamos National Lab 400518 Batista | | 400518 | (479.48) | - |
| 81.RD | Los Alamos National Lab 428764 Chai | | 428764 | 20,797.41 | - |
| 81.RD | Los Alamos Natl Lab 425211 Wirth | | 425211 | 164,152.74 | - |
| 81.RD | Los Alamos Natl Lab 545877 Hauck | | 545877 | 3,624.00 | - |
| 81.RD | NREL XFC-7-70061-01 Zhang | | XFC-7-70061-01 | 52,587.39 | - |
| 81.RD | Oak Ridge WMA | | REORDOER-3-97-0702 | 193,016.45 | - |
| 81.RD | PNNL Battelle 398740 Zhao | | 398740 | 0.59 | - |
| 81.RD | Sandia Labs 1955959 Skjellum 19-20 | | 1955959 PO 2028062 | 9,248.30 | - |
| 81.RD | Sandia National Lab PO 1790512 Dongarra | | 1790512 | 125,782.25 | - |
| 81.RD | Sandia National Lab PO 1790519 Dongarra | | 1790519 | 182,738.00 | - |
| 81.RD | Sandia National Lab PO 1947695 Dongarra | | 1947695 | 80,706.70 | - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 81.RD | Sandia National Lab PO 1947696 Dongarra | | 1947696 | 123,848.76 | - |
| 81.RD | UCOR SC-16-024688, Rev.0 - Dolislager | | SC-16-024688 | 23,750.87 | - |
| 81.RD | UT-Battelle | | B0199BTL | 28,491,281.53 | - |
| 81.RD | Attack Prevention and Detection of Advanced Attacks on Controller Area Networks | UT-Battelle, LLC | 4000169233 | 11,707.03 | - |
| 81.RD | Battelle Energy Alliance 00126625 Zhang | Battelle Energy Alliance, LLC (BEA) | 126625 | (5,874.52) | - |
| 81.RD | Battelle Energy Alliance 214297 Brown | Battelle Energy Alliance, LLC (BEA) | 214297 | 66,706.01 | - |
| 81.RD | Battelle Energy Alliance 219596 Coble | Battelle Energy Alliance, LLC (BEA) | 219596 | 4,256.46 | - |
| 81.RD | Black Box: Highly Secure Environment for Health Data Computation | UT-Battelle, LLC | 4000167556 | 934.38 | - |
| 81.RD | Detection and Analysis of Malware in Critical Infrastructure | UT-Battelle, LLC | 4000158354 MOD 6 | 117,953.91 | - |
| 81.RD | Development and Improvement of High-Resolution Flood2D-GPU Modeling for Titan HPC Environment | UT-Battelle, LLC | 4000164401 MOD 1 | 112,064.54 | - |
| 81.RD | Dry Cooling Using Materials | Los Alamos National Security | 428790 | (2,429.94) | - |
| 81.RD | Evaluation of CMN Processors | UT-Battelle, LLC | 4000170665 | 12,573.44 | - |
| 81.RD | Microbial Enzyme Decomposition | UT-Battelle, LLC | DE-AC05-00OR22725 | 28,022.59 | - |
| 81.RD | MIMIR/MEASUR: A Live Dashboard Project for Industrial Devices | UT-Battelle, LLC | 4000168063 MOD 1 | 1,251.53 | - |
| 81.RD | Nuclear Hybrid Energy Systems: Desalination Case Study | UT-Battelle, LLC | 4000153274 MOD 2 | 18,808.18 | - |
| 81.RD | Simulation of HF Inverter Circuits for High-Power Wireless Charging | UT-Battelle, LLC | 4000167950 | 15,675.00 | - |
| 81.RD | The George Washington Univ 18-S18 Lang | The George Washington University | 18-S18 | 47,784.21 | - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 81.RD | UF6 Enrichment Levels | Argonne National Laboratory | 9F-60171 | | 207,700.18 | - |
| **Subtotal Other Programs** | | | | | $ 58,135,105.75 | $ 9,934,016.69 |
| **Subtotal Department of Energy** | | | | | $ 58,135,105.75 | $ 9,934,016.69 |
| | | **Department of Education** | | | | |
| | | **Institute of Education Sciences** | | | | |
| 84.305 | Education Research, Development and Dissemination | | | $ 334,324.91 | | |
| | | Georgia State University | SP00010952-03 | 169,791.86 | | |
| | | University of Michigan | R305H140028 | 94,121.34 | | |
| | | | | | $ 598,238.11 | $ 334,324.91 |
| 84.324 | Research in Special Education | | | | 645,303.54 | 263,940.65 |
| **Subtotal Institute of Education Sciences** | | | | | $ 1,243,541.65 | $ 598,265.56 |
| | | **Office of Elementary and Secondary Education** | | | | |
| 84.287 | Twenty-First Century Community Learning Centers | Commonwealth of Virginia | 00-780-DOE86788-S287C170047 | $ 68,486.98 | | |
| | | Commonwealth of Virginia | 780-86788-S287C160047 | 18,356.74 | | |
| | | | | | $ 86,843.72 | $ - |
| 84.365 | English Language Acquisition State Grants | | | | 298,493.90 | 127,437.83 |
| **Subtotal Office of Elementary and Secondary Education** | | | | | $ 385,337.62 | $ 127,437.83 |
| | | **Office of Postsecondary Education** | | | | |
| 84.200 | Graduate Assistance in Areas of National Need | | | | $ 135,602.15 | $ - |
| **Subtotal Office of Postsecondary Education** | | | | | $ 135,602.15 | $ - |
| | | **Other Programs** | | | | |
| 84.116 | Fund for the Improvement of Postsecondary Education | University of Minnesota | A00497004 | | $ 55,034.74 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 84.396 | State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act | Smithsonian Institution | U396B100097 | | 13,360.45 | - |
| **Subtotal Other Programs** | | | | | $ 68,395.19 | $ - |
| **Subtotal Department of Education** | | | | | $ 1,832,876.61 | $ 725,703.39 |
| **National Archives and Records Administration** | | | | | | |
| **Other Programs** | | | | | | |
| 89.003 | National Historical Publications and Records Grants | | | | $ 123,960.38 | $ - |
| **Subtotal Other Programs** | | | | | $ 123,960.38 | $ - |
| **Subtotal National Archives and Records Administration** | | | | | $ 123,960.38 | $ - |
| **Department of Health and Human Services** | | | | | | |
| **Administration For Children and Families** | | | | | | |
| 93.060 | Sexual Risk Avoidance Education | Ambassadors for Christ | 41091 | | $ 38,282.18 | $ - |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | Ambassadors for Christ | 41091 | | 50,628.35 | - |
| 93.557 | Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth | Ambassadors for Christ | unknown | | 56,075.37 | - |
| 93.670 | Child Abuse and Neglect Discretionary Activities | Community Alliance for the Homeless | 90CA1792 | | 76,021.10 | - |
| **Subtotal Administration For Children and Families** | | | | | $ 221,007.00 | $ - |
| **Centers For Disease Control and Prevention** | | | | | | |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | | | | $ 5,249.98 | $ - |
| 93.262 | Occupational Safety and Health Program | | | $ 198,333.99 | | |
| | | Center to Protect Workers Rights | unknown | 21,869.47 | | |
| | | | | | 220,203.46 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.315 | Rare Disorders: Research, Surveillance, Health Promotion, and Education | University of South Carolina | 18-3430 | | 8,135.47 | - |
| 93.939 | HIV Prevention Activities Non-Governmental Organization Based | St. Jude Children's Research Hospital | 150354110-7853657 | | 13,501.69 | - |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | Shelby County Government | CA1920892 | | 16,882.82 | - |
| **Subtotal Centers For Disease Control and Prevention** | | | | | $ 263,973.42 | $ - |
| | **Food and Drug Administration** | | | | | |
| 93.103 | Food and Drug Administration Research | | | | $ 1,393,423.07 | $ 73,396.28 |
| 93.367 | Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs | | | | 83,741.84 | - |
| **Subtotal Food and Drug Administration** | | | | | $ 1,477,164.91 | $ 73,396.28 |
| | **Health Resources and Services Administration** | | | | | |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | Hemophilia of Georgia, Inc. | 5 H30MC24046-07-00 | $ 7,519.87 | | |
| | | Vanderbilt University | T73MC30767 | 5,598.60 | | |
| | | | | | $ 13,118.47 | $ - |
| 93.247 | Advanced Nursing Education Workforce Grant Program | | | | 8,070.20 | - |
| 93.732 | Mental and Behavioral Health Education and Training Grants | | | | 534,247.69 | - |
| 93.912 | Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program | | | | 14,366.14 | - |
| **Subtotal Health Resources and Services Administration** | | | | | $ 569,802.50 | $ - |

**State of Tennessee**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | | **National Institutes of Health** | | | | |
| 93.077 | Family Smoking Prevention and Tobacco Control Act Regulatory Research | | | $ 15,938.43 | | |
| | | RTI International | 1-340-0216446-65333L | 93,536.43 | | |
| | | | | | $ 109,474.86 | $ - |
| 93.113 | Environmental Health | | | | 1,097,364.00 | - |
| 93.121 | Oral Diseases and Disorders Research | | | $ 479,511.84 | | |
| | | International Agency for Research on Cancer | DE25712 | 203,273.84 | | |
| | | International Agency for Research on Cancer | DE 25712 | 335,735.37 | | |
| | | International Agency for Research on Cancer | DE-25712 | 85,110.66 | | |
| | | University of California | 1350 G TB091 | 83,837.19 | | |
| | | | | | 1,187,468.90 | 48,477.12 |
| 93.143 | NIEHS Superfund Hazardous Substances_Basic Research and Education | | | | 9,822.69 | - |
| 93.172 | Human Genome Research | European Molecular Biology Laboratory (EMBL) | TENN-3125-01 | | 46,739.12 | - |
| 93.173 | Research Related to Deafness and Communication Disorders | | | $ 1,525,439.88 | | |
| | | University of Colorado Denver | FY19.211.005 | 46,232.09 | | |
| | | | | | 1,571,671.97 | 124,877.02 |
| 93.213 | Research and Training in Complementary and Integrative Health | Louisiana State University System | R21AI138136-17169-UT | | 11,648.49 | - |
| 93.233 | National Center on Sleep Disorders Research | | | | 79,196.67 | - |
| 93.242 | Mental Health Research Grants | | | $ 1,054,224.56 | | |
| | | Memorial Sloan-Kettering Institute for Cancer Research | BD525235 | 9,219.13 | | |
| | | Yale University | GK000701 | 42,519.17 | | |
| | | | | | 1,105,962.86 | 16,352.91 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.273 | Alcohol Research Programs | | | $ 1,809,559.33 | | |
| | | Jackson Laboratory | 207434 | 59,165.71 | | |
| | | McMaster University | 20007625 | 205,711.53 | | |
| | | | | | 2,074,436.57 | 158,656.37 |
| 93.279 | Drug Abuse and Addiction Research Programs | | | $ 1,705,427.72 | | |
| | | Oregon Social Learning Center | R01DA040416 | 26,490.00 | | |
| | | Dartmouth College | R847 | -53.35 | | |
| | | | | | 1,731,864.37 | 361,462.88 |
| 93.286 | Discovery and Applied Research for Technological Innovations to Improve Human Health | | | $ 1,682,972.26 | | |
| | | University of California, San Francisco | 10555sc | 38,296.77 | | |
| | | | | | 1,721,269.03 | 677,226.01 |
| 93.307 | Minority Health and Health Disparities Research | | | $ 17,688.45 | | |
| | | Bayou Clinic | U54MD008602-001MTSU | -1,383.97 | | |
| | | H. Lee Moffitt Cancer Center and Research Institute, Inc. | 11-19002-99-01-G1 | 30,641.76 | | |
| | | Johns Hopkins University | 2002898159 | 147,206.73 | | |
| | | Morehouse School of Medicine | TCCPP023 | 3,216.87 | | |
| | | Stanford University | 61698694-124963 | 25,544.47 | | |
| | | University of Utah | 10044779-03 | 149,694.81 | | |
| | | | | | 372,609.12 | 5,132.42 |
| 93.310 | Trans-NIH Research Support | | | | 33,545.68 | - |
| 93.351 | Research Infrastructure Programs | | | | 63,393.76 | - |
| 93.361 | Nursing Research | | | $ 771,367.75 | | |
| | | Dana-Farber Cancer Institute | 1283502 | 13,609.14 | | |
| | | University of Rochester | NR 014451 416553G | 1,096.78 | | |
| | | University of Rochester | NR 014451 416553G-05 | 25,446.34 | | |
| | | | | | 811,520.01 | 85,927.83 |
| 93.393 | Cancer Cause and Prevention Research | | | $ 1,192,844.43 | | |
| | | Baptist Cancer Center | 1001 | 33,569.15 | | |
| | | Northwestern University | 14549 | 10,217.49 | | |
| | | University of Utah | 10044693-01 | 100,915.35 | | |
| | | University of Utah | 10045740-02 | 124,853.03 | | |
| | | Washington University in St. Louis | CA-211939-02 | 208,417.56 | | |
| | | Washington University in St. Louis | WU-18-83 | 141,621.38 | | |
| | | | | | 1,812,438.39 | 157,972.00 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.394 | Cancer Detection and Diagnosis Research | | | $ 539,323.25 | | |
| | | Beckman Research Institute of the City of Hope | 524222001475 | 13,214.10 | | |
| | | Fred Hutchinson Cancer Research Center | 938544 | 15,594.12 | | |
| | | Rutgers, the State University of New Jersey | Subaward 0370 | 31,511.61 | | |
| | | | | | 599,643.08 | 16,692.85 |
| 93.395 | Cancer Treatment Research | | | $ 2,151,374.01 | | |
| | | St. Jude Children's Research Hospital | 110068200-7815256 | 37,314.63 | | |
| | | St. Jude Children's Research Hospital | 5 UM 1 CA-081457 21 | 9,280.52 | | |
| | | Tufts Medical Center | 5015650-SERV | 66,601.75 | | |
| | | University of Michigan | SUBK00008228 | 58,296.06 | | |
| | | | | | 2,322,866.97 | 64,653.37 |
| 93.396 | Cancer Biology Research | | | | 130,636.70 | - |
| 93.397 | Cancer Centers Support Grants | | | | 891,473.46 | - |
| 93.398 | Cancer Research Manpower | Meharry Medical College | R25CA214220 | | 6,088.57 | - |
| 93.837 | Cardiovascular Diseases Research | | | $ 5,090,188.01 | | |
| | | Vanderbilt University Medical Center | 2 R01 HL-132338 | -1,146.83 | | |
| | | Vanderbilt University Medical Center | R01 HL-132338.03 | 155,055.16 | | |
| | | Vanderbilt University Medical Center | VUMC 62247 | 185,140.31 | | |
| | | | | | 5,429,236.65 | 99,494.88 |
| 93.838 | Lung Diseases Research | | | $ 801,890.80 | | |
| | | La Jolla Institute for Allergy and Immunology | 26607-08-153-404 | 848.87 | | |
| | | Seattle Children's Hospital | 1U01 HL 114623-01 | 39,538.29 | | |
| | | | | | 842,277.96 | 251,738.08 |
| 93.839 | Blood Diseases and Resources Research | St Jude Children's Research Hospital | 112246030-7829530 | $ 206,452.67 | | |
| | | Washington University in St. Louis | WU-16-272 | 4,572.00 | | |
| | | Washington University in St. Louis | WU-16-272-MOD-21 | 13,665.20 | | |
| | | | | | 224,689.87 | - |
| 93.846 | Arthritis, Musculoskeletal and Skin Diseases Research | | | $ 3,105,458.93 | | |
| | | Children's Research Institute | 1 P50 AR 060836 | 580.06 | | |
| | | | | | 3,106,038.99 | 116,326.21 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.847 | Diabetes, Digestive, and Kidney Diseases Extramural Research | | | $ 4,999,139.54 | | |
| | | Case Western Reserve University Rainbow Babies Children's Hospital | RES512223 | -267.11 | | |
| | | Case Western Reserve University Rainbow Babies Children's Hospital | RES512838 | -7,189.93 | | |
| | | Case Western Reserve University Rainbow Babies Children's Hospital | RES513283 | 174,885.52 | | |
| | | Children's Hospital Research Foundation | 138511 | 139,890.18 | | |
| | | Jackson Laboratory | 210260 | -23,309.26 | | |
| | | Jackson Laboratory | 210260-0519-03 | 30,421.69 | | |
| | | Johns Hopkins University | DK 109163-03 | 14,243.83 | | |
| | | Kaiser Foundation Institute | RNG200628 | 3,040.75 | | |
| | | Kaiser Foundation Institute | RNG 200628 | -593.79 | | |
| | | Tufts Medical Center | 5008763-SERV | 886.74 | | |
| | | University of Miami School of Medicine | SP-000750-02 | 45,545.80 | | |
| | | University of Miami School of Medicine | SPC-000681 | 31,957.64 | | |
| | | University of Miami School of Medicine | SPC-000750 | 53,507.07 | | |
| | | University of Miami School of Medicine | SPC-000964 | 28,635.15 | | |
| | | University of Pennsylvania | 570169 | 18,312.58 | | |
| | | | | | 5,509,106.40 | 624,233.71 |
| 93.853 | Extramural Research Programs in the Neurosciences and Neurological Disorders | | | $ 3,689,988.22 | | |
| | | Emory University | NS065701 | 4,850.93 | | |
| | | Massachusetts General Hospital | 1 U01 NS 090259-01 | 36,061.73 | | |
| | | | | | 3,730,900.88 | 278,852.18 |
| 93.855 | Allergy and Infectious Diseases Research | | | $ 7,490,348.94 | | |
| | | La Jolla Institute for Allergy and Immunology | 21448-03-153-404 | 6,791.02 | | |
| | | St. Jude Children's Research Hospital | 112021050-7828744 | 78,898.87 | | |
| | | St. Jude Children's Research Hospital | 5 R01 AI 111449-03 | -8,924.05 | | |
| | | | | | 7,567,114.78 | 995,296.77 |
| 93.859 | Biomedical Research and Research Training | | | $ 6,047,979.97 | | |
| | | Memorial Sloan-Kettering Institute for Cancer Research | BD521943 | 48,406.78 | | |
| | | University of Notre Dame | 202870UTK | 2,097.15 | | |
| | | | | | 6,098,483.90 | 608,527.19 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| 93.865 | Child Health and Human Development Extramural Research | | | $ 1,681,617.40 | | |
| | | Illinois State University | A17-0146-S001 | 42,022.39 | | |
| | | Vanderbilt University Medical Center | VUMC 53269 | 170.16 | | |
| | | Vanderbilt University Medical Center | VUMC 54981 | 2,490.00 | | |
| | | Vanderbilt University Medical Center | VUMC64370 | 11,537.26 | | |
| | | Vanderbilt University Medical Center | W81XWH-15-1-0259-02 | 103,090.61 | | |
| | | | | | 1,840,927.82 | 301,116.11 |
| 93.866 | Aging Research | | | $ 2,590,174.05 | | |
| | | Hebrew Rehabilitation Center Institute for Aging Research | 90083 | 283,435.40 | | |
| | | Jackson Laboratory | 210262 | 15,030.74 | | |
| | | Jackson Laboratory | AG-054180-03 | 2,960.52 | | |
| | | Minneapolis Medical Research Foundation | AG029824 | 5,621.38 | | |
| | | University of Southern California | 115182679 | 53,422.80 | | |
| | | Wake Forest University | AG-058571-02 | 8,885.48 | | |
| | | Wake Forest University | WFUHS 552702 | 76,699.23 | | |
| | | | | | 3,036,229.60 | 54,007.96 |
| 93.867 | Vision Research | | | | 2,377,813.53 | (4,330.30) |
| 93.879 | Medical Library Assistance | University of Maryland | 1600679 | $ 4,375.00 | | |
| | | University of Maryland | 5UG4LM012340-03 | 1,671.00 | | |
| | | | | | 6,046.00 | - |
| 93.989 | International Research and Research Training | Florida International University | 800007920-04UG | | 36,606.03 | - |
| **Subtotal National Institutes of Health** | | | | | $ 57,596,607.68 | $ 5,042,693.57 |
| | | **Substance Abuse and Mental Health Services Administration** | | | | |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance | Appalachian Regional Coalition on Homelessness | CABHI-18 | $ 142,055.55 | | |
| | | Buffalo Valley, Inc | 1H79T1081413-01 | 58,114.77 | | |
| | | Buffalo Valley, Inc | 1H79TI080553-01 | 63,408.60 | | |
| | | Le Bonheur Community Health and Well-Being | PROJECT LAUNCH-UM 17/18.1 | 797.19 | | |
| | | Mending Hearts Inc | 1H79T1081374-01 | 61,855.20 | | |
| | | | | | $ 326,231.31 | $ - |
| **Subtotal Substance Abuse and Mental Health Services Administration** | | | | | $ 326,231.31 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **Other Programs** | | | | | | |
| 93.RD | Natl Cancer Inst- RFA-CA-15-020 donotuse | | RFA-CA-15-020 | | $ (41,511.99) | $ - |
| 93.RD | USPHS Grant AI100946-5 | | K 25 AI100946-5 | | (599.09) | - |
| 93.RD | USPHS Grant AI125324-01 | | R56 AI125324 | | 137,442.05 | - |
| 93.RD | AFDO Specific Instructor Trng-Thompson | Association of Food and Drug Officials | FD218 AND FD215 | | 102,829.23 | - |
| 93.RD | Univ of Notre Dame 208115UTK Emrich | University of Notre Dame | 208115UTK | | 68,048.28 | - |
| 93.RD | Wake Forest Sub HHSN268200900040C | Wake Forest University | WFUHS 330181 | | 24,318.88 | - |
| **Subtotal Other Programs** | | | | | $ 290,527.36 | $ - |
| **Subtotal Department of Health and Human Services** | | | | | $ 60,745,314.18 | $ 5,116,089.85 |
| **Department of Homeland Security** | | | | | | |
| **Domestic Nuclear Detection Office** | | | | | | |
| 97.077 | Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection | | | | $ 1,559,126.28 | $ 143,424.77 |
| **Subtotal Domestic Nuclear Detection Office** | | | | | $ 1,559,126.28 | $ 143,424.77 |
| **Federal Emergency Management Agency** | | | | | | |
| 97.005 | State and Local Homeland Security National Training Program | Norwich University Applied Research Institutes | 2018-010 | $ 55,919.29 | | |
| | | Norwich University Applied Research Institutes | SA 2015-014 | 34,515.85 | | |
| | | The Center for Rural Development | EMW-2017-CA-0052-S01 | 41,252.24 | | |
| | | The Center for Rural Development | FY16-00097-SOI-UT | 13,337.38 | | |
| | | University of Arkansas at Little Rock UALR | 18002-3 | 169,179.93 | | |
| | | University of Texas | 326080005B | -607.88 | | |
| | | University of Texas at San Antonio | 1000001516 | 113,410.22 | | |
| | | | | | $ 427,007.03 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 97.067 | Homeland Security Grant Program | | | 174,749.00 | - |
| **Subtotal Federal Emergency Management Agency** | | | | $ 601,756.03 | $ - |
| | **Science and Technology** | | | | |
| 97.062 | Scientific Leadership Awards | | | $ 88,939.33 | $ - |
| 97.104 | Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program | | | 39,590.88 | - |
| **Subtotal Science and Technology** | | | | $ 128,530.21 | $ - |
| | **U.S. Coast Guard** | | | | |
| 97.012 | Boating Safety Financial Assistance | | | $ 2,615,070.75 | $ - |
| **Subtotal U.S. Coast Guard** | | | | $ 2,615,070.75 | $ - |
| | **Other Programs** | | | | |
| 97.RD | Research on Computer-Based Methodologies | University of Southern California | 89865992 | $ 116,081.02 | $ - |
| **Subtotal Other Programs** | | | | $ 116,081.02 | $ - |
| **Subtotal Department of Homeland Security** | | | | $ 5,020,564.29 | $ 143,424.77 |
| | **Agency For International Development** | | | | |
| | **Other Programs** | | | | |
| 98.001 | USAID Foreign Assistance for Programs Overseas | | | $ 253,465.52 | $ 111,144.89 |
| 98.RD | Unknown | National Academy of Sciences | ESP-A-00-05-00001-00 | 9,050.53 | - |
| **Subtotal Other Programs** | | | | $ 262,516.05 | $ 111,144.89 |
| **Subtotal Agency For International Development** | | | | $ 262,516.05 | $ 111,144.89 |
| **Total Research and Development Cluster** | | | | $ 218,856,321.79 | $ 28,724,991.97 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| | **Student Financial Assistance Cluster** | | | | |
| | **Department of Education** | | | | |
| 84.007 | Federal Supplemental Educational Opportunity Grants | | | $ 8,448,261.97 | $ - |
| 84.033 | Federal Work-Study Program | | | 7,563,691.71 | - |
| 84.038 | Federal Perkins Loan Program_Federal Capital Contributions | | | 18,599,135.13 | - |
| 84.063 | Federal Pell Grant Program | | | 374,057,727.89 | - |
| 84.268 | Federal Direct Student Loans | | | 740,684,985.00 | - |
| 84.379 | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | | | 426,715.00 | - |
| 84.408 | Postsecondary Education Scholarships for Veteran's Dependents | | | 5,692.00 | - |
| **Subtotal Department of Education** | | | | $ 1,149,786,208.70 | $ - |
| | **Department of Health and Human Services** | | | | |
| 93.264 | Nurse Faculty Loan Program (NFLP) | | | $ 1,253,437.38 | $ - |
| 93.342 | Health Professions Student Loans, Including Primary Care Loan/Loans for Disadvantaged Students | | | 914,312.40 | - |
| 93.364 | Nursing Student Loans | | | 45,220.11 | - |
| **Subtotal Department of Health and Human Services** | | | | $ 2,212,969.89 | $ - |
| **Total Student Financial Assistance Cluster** | | | | $ 1,151,999,178.59 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **SNAP Cluster** | | | | | |
| **Department of Agriculture** | | | | | |
| 10.551 | Supplemental Nutrition Assistance Program | | | $ 1,329,286,588.34 | $ - |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | | | 84,668,875.53 | 799,476.40 |
| **Subtotal Department of Agriculture** | | | | $ 1,413,955,463.87 | $ 799,476.40 |
| **Total Snap Cluster** | | | | $ 1,413,955,463.87 | $ 799,476.40 |
| **Child Nutrition Cluster** | | | | | |
| **Department of Agriculture** | | | | | |
| 10.553 | School Breakfast Program | | | $ 113,880,431.97 | $ 113,880,431.97 |
| 10.555 | National School Lunch Program | | | 284,809,102.60 | 284,822,944.60 |
| 10.555 | National School Lunch Program (Noncash) | | | 37,562,368.57 | 37,562,368.57 |
| 10.556 | Special Milk Program for Children | | | 23,325.85 | 23,325.85 |
| 10.559 | Summer Food Service Program for Children | | | 13,077,246.49 | 12,769,791.01 |
| **Subtotal Department of Agriculture** | | | | $ 449,352,475.48 | $ 449,058,862.00 |
| **Total Child Nutrition Cluster** | | | | $ 449,352,475.48 | $ 449,058,862.00 |
| **Food Distribution Cluster** | | | | | |
| **Department of Agriculture** | | | | | |
| 10.565 | Commodity Supplemental Food Program | | | $ 977,524.34 | $ 940,542.66 |
| 10.565 | Commodity Supplemental Food Program (Noncash) | | | 2,599,606.00 | - |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | | | 2,406,413.12 | 2,344,562.21 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) (Noncash) | | | 13,621,589.65 | 13,621,589.65 |
| **Subtotal Department of Agriculture** | | | | $ 19,605,133.11 | $ 16,906,694.52 |
| **Total Food Distribution Cluster** | | | | $ 19,605,133.11 | $ 16,906,694.52 |
| **Forest Service Schools and Roads Cluster** | | | | | |
| **Department of Agriculture** | | | | | |
| 10.665 | Schools and Roads - Grants to States | | | $ 932,349.17 | $ 932,349.17 |
| **Subtotal Department of Agriculture** | | | | $ 932,349.17 | $ 932,349.17 |
| **Total Forest Service Schools and Roads Cluster** | | | | $ 932,349.17 | $ 932,349.17 |
| **Section 8 Project-Based Cluster** | | | | | |
| **Department of Housing and Urban Development** | | | | | |
| 14.195 | Section 8 Housing Assistance Payments Program | | | $ 191,515,639.17 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 191,515,639.17 | $ - |
| **Total Section 8 Project-Based Cluster** | | | | $ 191,515,639.17 | $ - |
| **CDBG - Entitlement Grants Cluster** | | | | | |
| **Department of Housing and Urban Development** | | | | | |
| 14.218 | Community Development Block Grants/Entitlement Grants | Knox County Community Development | CDBG 2018-2019 | $ 9,814.54 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 9,814.54 | $ - |
| **Total Cdbg - Entitlement Grants Cluster** | | | | $ 9,814.54 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| | **CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster** | | | | |
| | **Department of Housing and Urban Development** | | | | |
| 14.269 | Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) | | | $ 3,656,030.13 | $ 3,651,496.80 |
| 14.272 | National Disaster Resilience Competition | | | 11,062,191.50 | 8,887,415.79 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 14,718,221.63 | $ 12,538,912.59 |
| **Total Cdbg - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster** | | | | $ 14,718,221.63 | $ 12,538,912.59 |
| | **Housing Voucher Cluster** | | | | |
| | **Department of Housing and Urban Development** | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | $ 40,908,179.82 | $ - |
| 14.879 | Mainstream Vouchers | | | 291,632.00 | - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 41,199,811.82 | $ - |
| **Total Housing Voucher Cluster** | | | | $ 41,199,811.82 | $ - |
| | **Fish and Wildlife Cluster** | | | | |
| | **Department of the Interior** | | | | |
| 15.605 | Sport Fish Restoration | | | $ 7,811,976.06 | $ - |
| 15.626 | Enhanced Hunter Education and Safety | | | 613,576.83 | - |
| 15.611 | Wildlife Restoration and Basic Hunter Education | | | 25,879,876.12 | - |
| **Subtotal Department of the Interior** | | | | $ 34,305,429.01 | $ - |
| **Total Fish and Wildlife Cluster** | | | | $ 34,305,429.01 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| | **Employment Service Cluster** | | | | | |
| | **Department of Labor** | | | | | |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | | | | $ 11,561,477.90 | $ 171,588.15 |
| 17.801 | Disabled Veterans' Outreach Program (DVOP) | | | | 3,829,315.30 | - |
| **Subtotal Department of Labor** | | | | | $ 15,390,793.20 | $ 171,588.15 |
| **Total Employment Service Cluster** | | | | | $ 15,390,793.20 | $ 171,588.15 |
| | **WIOA Cluster** | | | | | |
| | **Department of Labor** | | | | | |
| 17.258 | WIOA Adult Program | | | $ 17,414,667.67 | | |
| | | Southeast Tennessee Development District | LW05F181ADULT18 | 2,132.83 | | |
| | | | | | $ 17,416,800.50 | $ 16,003,179.37 |
| 17.259 | WIOA Youth Activities | | | $ 18,779,593.52 | | |
| | | Alliance for Business & Training | LW01P161YOUTH17 | 123,997.27 | | |
| | | Southeast Tennessee Development District | LW05P171YOUTH18 | 73,537.21 | | |
| | | | | | 18,977,128.00 | 17,786,860.43 |
| 17.278 | WIOA Dislocated Worker Formula Grants | | | $ 20,573,707.57 | | |
| | | Southeast Tennessee Development District | LW05F181DSLWK18 | 175,854.59 | | |
| | | Upper Cumberland Human Resource Agency | WORKFORCE INVESTMENT ACT - LOCAL | 135,194.06 | | |
| | | | | | 20,884,756.22 | 15,889,443.74 |
| **Subtotal Department of Labor** | | | | | $ 57,278,684.72 | $ 49,679,483.54 |
| **Total WIOA Cluster** | | | | | $ 57,278,684.72 | $ 49,679,483.54 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **Highway Planning and Construction Cluster** | | | | | |
| **Department of Transportation** | | | | | |
| 20.205 | Highway Planning and Construction | | | $ 871,279,371.42 | $ 60,023,936.06 |
| 20.205 | Highway Planning and Construction | Vanderbilt University | UNIV59708 | 49,998.10 | - |
| 20.219 | Recreational Trails Program | | | 1,124,524.63 | 436,463.27 |
| **Subtotal Department of Transportation** | | | | $ 872,453,894.15 | $ 60,460,399.33 |
| **Total Highway Planning and Construction Cluster** | | | | $ 872,453,894.15 | $ 60,460,399.33 |
| **Federal Transit Cluster** | | | | | |
| **Department of Transportation** | | | | | |
| 20.500 | Federal Transit Capital Investment Grants | | | $ 684,244.43 | $ 684,244.43 |
| 20.526 | Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | | | 10,203.68 | 10,203.68 |
| **Subtotal Department of Transportation** | | | | $ 694,448.11 | $ 694,448.11 |
| **Total Federal Transit Cluster** | | | | $ 694,448.11 | $ 694,448.11 |
| **Transit Services Programs Cluster** | | | | | |
| **Department of Transportation** | | | | | |
| 20.513 | Enhanced Mobility of Seniors and Individuals with Disabilities | | | $ 2,007,359.71 | $ 1,910,982.40 |
| 20.516 | Job Access and Reverse Commute Program | | | 316,200.11 | 316,200.11 |
| 20.521 | New Freedom Program | | | 900,624.54 | 895,126.33 |
| **Subtotal Department of Transportation** | | | | $ 3,224,184.36 | $ 3,122,308.84 |
| **Total Transit Services Programs Cluster** | | | | $ 3,224,184.36 | $ 3,122,308.84 |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **Highway Safety Cluster** | | | | | |
| **Department of Transportation** | | | | | |
| 20.600 | State and Community Highway Safety | | | $ 5,440,054.08 | $ 2,207,434.53 |
| 20.616 | National Priority Safety Programs | | | 4,806,044.27 | 1,699,380.92 |
| **Subtotal Department of Transportation** | | | | $ 10,246,098.35 | $ 3,906,815.45 |
| **Total Highway Safety Cluster** | | | | $ 10,246,098.35 | $ 3,906,815.45 |
| **Clean Water State Revolving Fund Cluster** | | | | | |
| **Environmental Protection Agency** | | | | | |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | | | $ 18,865,906.62 | $ - |
| **Subtotal Environmental Protection Agency** | | | | $ 18,865,906.62 | $ - |
| **Total Clean Water State Revolving Fund Cluster** | | | | $ 18,865,906.62 | $ - |
| **Drinking Water State Revolving Fund Cluster** | | | | | |
| **Environmental Protection Agency** | | | | | |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | | | $ 2,180,545.78 | $ - |
| **Subtotal Environmental Protection Agency** | | | | $ 2,180,545.78 | $ - |
| **Total Drinking Water State Revolving Fund Cluster** | | | | $ 2,180,545.78 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| | **Special Education Cluster (IDEA)** | | | | |
| | **Department of Education** | | | | |
| 84.027 | Special Education Grants to States | | | $ 250,759,887.34 | $ 239,782,042.63 |
| 84.173 | Special Education Preschool Grants | | | 6,800,438.31 | 6,780,305.90 |
| **Subtotal Department of Education** | | | | $ 257,560,325.65 | $ 246,562,348.53 |
| **Total Special Education Cluster (IDEA)** | | | | $ 257,560,325.65 | $ 246,562,348.53 |
| | **TRIO Cluster** | | | | |
| | **Department of Education** | | | | |
| 84.042 | TRIO Student Support Services | | | $ 3,501,963.83 | $ - |
| 84.044 | TRIO Talent Search | | | 775,352.42 | - |
| 84.047 | TRIO Upward Bound | | | 5,834,831.75 | - |
| 84.066 | TRIO Educational Opportunity Centers | | | 1,408,582.87 | - |
| 84.217 | TRIO McNair Post-Baccalaureate Achievement | | | 387,463.82 | - |
| **Subtotal Department of Education** | | | | $ 11,908,194.69 | $ - |
| **Total TRIO Cluster** | | | | $ 11,908,194.69 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| | **Aging Cluster** | | | | |
| | **Department of Health and Human Services** | | | | |
| 93.044 | Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | | | $ 6,776,255.62 | $ 6,776,255.62 |
| 93.045 | Special Programs for the Aging, Title III, Part C, Nutrition Services | | | 12,924,430.52 | 11,801,897.00 |
| 93.053 | Nutrition Services Incentive Program | | | 1,618,263.00 | 1,618,263.00 |
| **Subtotal Department of Health and Human Services** | | | | $ 21,318,949.14 | $ 20,196,415.62 |
| **Total Aging Cluster** | | | | $ 21,318,949.14 | $ 20,196,415.62 |
| | **Health Center Program Cluster** | | | | |
| | **Department of Health and Human Services** | | | | |
| 93.224 | Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | | | $ 4,922,573.02 | $ 97,139.10 |
| **Subtotal Department of Health and Human Services** | | | | $ 4,922,573.02 | $ 97,139.10 |
| **Total Health Center Program Cluster** | | | | $ 4,922,573.02 | $ 97,139.10 |
| | **TANF Cluster** | | | | |
| | **Department of Health and Human Services** | | | | |
| 93.558 | Temporary Assistance for Needy Families | | | $ 71,050,617.32 | $ - |
| **Subtotal Department of Health and Human Services** | | | | $ 71,050,617.32 | $ - |
| **Total TANF Cluster** | | | | $ 71,050,617.32 | $ - |

# State of Tennessee
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|---|
| **CCDF Cluster** | | | | | | |
| **Department of Health and Human Services** | | | | | | |
| 93.575 | Child Care and Development Block Grant | | | $ 83,827,110.18 | | |
| | | Signal Centers, Inc | CC&R FY2018 | -353.19 | | |
| | | Signal Centers, Inc | CC&R FY2019 | 700,416.04 | | |
| | | | | | $ 84,527,173.03 | $ 5,604,408.87 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | | | | 38,727,777.40 | - |
| **Subtotal Department of Health and Human Services** | | | | | $ 123,254,950.43 | $ 5,604,408.87 |
| **Total CCDF Cluster** | | | | | $ 123,254,950.43 | $ 5,604,408.87 |
| **Medicaid Cluster** | | | | | | |
| **Department of Health and Human Services** | | | | | | |
| 93.775 | State Medicaid Fraud Control Units | | | | $ 3,983,107.63 | $ - |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | | | | 11,232,398.49 | - |
| 93.778 | Medical Assistance Program | | | | 7,067,505,908.36 | 18,198,415.98 |
| **Subtotal Department of Health and Human Services** | | | | | $ 7,082,721,414.48 | $ 18,198,415.98 |
| **Total Medicaid Cluster** | | | | | $ 7,082,721,414.48 | $ 18,198,415.98 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through to Subrecipients |
|---|---|---|---|---|---|
| **Disability Insurance/SSI Cluster** | | | | | |
| **Social Security Administration** | | | | | |
| 96.001 | Social Security Disability Insurance | | | $ 50,653,974.09 | $ - |
| **Subtotal Social Security Administration** | | | | $ 50,653,974.09 | $ - |
| **Total Disability Insurance/SSI Cluster** | | | | $ 50,653,974.09 | $ - |
| **Grand Total Federal Assistance** | | | | $ 14,338,359,442.41 | $ 1,952,884,287.80 |

The accompanying notes are an integral part of this schedule.

## NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2019 was conducted in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (contained in Title 2 of the U.S. Code of Federal Regulations Part 200) (Uniform Guidance), which requires a disclosure of the financial activities of all federally funded programs. To comply with the Uniform Guidance, 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 (Schedule) for the State of Tennessee.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the State's significant accounting policies and related information is provided below to assist the reader in interpreting the information presented in the Schedule.

### A. Basis of Accounting

The State's *Comprehensive Annual Financial Report* and this Schedule are presented in accordance with generally accepted accounting principles, following the accrual or modified accrual basis of accounting, as appropriate for the fund structure. Negative amounts shown in the Schedule result from adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### B. Basis of Presentation

The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the State, it does not and is not intended to present the financial position, changes in net position, or cash flows of the State.

- **Federal Financial Assistance** – Pursuant to the Single Audit Act Amendments of 1996 and the Uniform Guidance, federal financial assistance is defined as assistance that non-federal organizations receive from or administer on behalf of the federal government in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), and other financial assistance.
- **Assistance Listing** – The Schedule presents total expenditures for each federal assistance listing as identified on June 30, 2019. Assistance Listings are a government-wide compilation of federal programs, projects, services, and activities administered by departments and establishments of the federal government. Each program included in the Assistance Listing is assigned a five-digit program identification number (CFDA number). The first two digits of the CFDA number designate the federal agency, and the last three digits designate the federal program within the federal agency. For programs

that have not been assigned a CFDA number, the number shown in the Schedule is the federal agency's two-digit prefix followed either by "U" and a two-digit number identifying one or more federal award lines which make up the program or by "RD" if the program is part of the Research and Development (R&D) cluster. Also shown on the Schedule for each of these programs is an Other Identifying Number, which is required to identify the program or award.

- **Clusters of Programs** – A cluster of programs is a grouping of closely-related programs with different CFDA numbers that share common compliance requirements. The clusters presented in the Schedule are R&D, Student Financial Assistance (SFA), and other clusters as mandated by the Office of Management and Budget (OMB) in its most recent Compliance Supplement. The R&D and SFA clusters include expenditures from multiple federal grantors.
- **Direct and Pass-through Federal Financial Assistance** – The State received federal financial assistance either directly from federal awarding agencies or indirectly from pass-through entities. A pass-through entity is defined as a non-federal entity that provides federal assistance to a subrecipient. For federal assistance that the State received as a subrecipient, the name of the pass-through entity and the Other Identifying Number assigned by the pass-through entity are identified in the Schedule.
- **Expenditures/Issues Passed Through to Subrecipients** – A subrecipient is defined as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program. The amount of federal assistance that the State provided to subrecipients under each federal program (where the State is the pass-through entity, as defined above) is presented in a separate column in the Schedule.

## NOTE 3. INDIRECT COST RATE

Under the Uniform Guidance, State departments, agencies, and institutions may elect to charge a de minimis cost rate of 10% of modified total direct costs which may be used indefinitely. No State departments, agencies, or institutions within the State reporting entity have elected to use the 10% de minimis cost rate.

## NOTE 4. UNEMPLOYMENT INSURANCE

State unemployment tax revenues, along with other payments and revenues, are combined with federal funds and used to pay benefits under the Unemployment Insurance program (CFDA 17.225). The state and federal portions of the total expenditures reported in the Schedule for this program were $ 190,360,887.96 and $ 54,036,188.01, respectively.

## NOTE 5. LOAN AND LOAN GUARANTEE PROGRAMS

### A. Loan Programs Administered by Institutions of Higher Education

The following federal loan programs are administered by State institutions of higher education:

- 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)
- Nursing Student Loans (CFDA 93.364)

Expenditures in the Schedule for these programs include the value of new loans made during the year, the balance of loans from previous years for which the federal government imposes continuing compliance requirements, and administrative cost allowances.

Loan balances outstanding at year-end:

| Program | CFDA # | Balances Outstanding |
|---|---|---|
| Federal Perkins Loan Program_Federal Capital Contributions | 84.038 | $ 18,599,135.13 |
| Nurse Faculty Loan Program (NFLP) | 93.264 | $ 1,253,437.38 |
| Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | $ 914,312.40 |
| Nursing Student Loans | 93.364 | $ 45,220.11 |

### B. Other Loan Programs

Loans under the following federal loan programs are made by outside lenders to students at State institutions of higher education:

- Federal Direct Student Loans (CFDA 84.268)

The institutions are responsible for certain administrative requirements for new loans; therefore, the value of loans made during the year and accompanying administrative cost allowances are recognized as expenditures in the Schedule. The balances of loans for previous years are not included in the Schedule because the outside lenders account for those prior balances.