Tennessee Comptroller of the Treasury

# Financial and Compliance Audit Report

## State of Tennessee Single Audit

*For the Year Ended June 30, 2020*

**Jason E. Mumpower**
*Comptroller of the Treasury*

Division of State Audit

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
*Comptroller*

March 26, 2021

The Honorable Bill Lee, Governor
Members of the General Assembly

Ladies and Gentlemen:

We are pleased to submit the thirty-seventh *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2020. 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 $19.9 billion. We noted instances of noncompliance that resulted in a qualified opinion on compliance for one of the state's 24 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, 2020, 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 no material weaknesses in internal control. We noted no instances of noncompliance that we considered to be material to the state's basic financial statements.

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,

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

# State of Tennessee
# Single Audit Report
# For the Year Ended June 30, 2020

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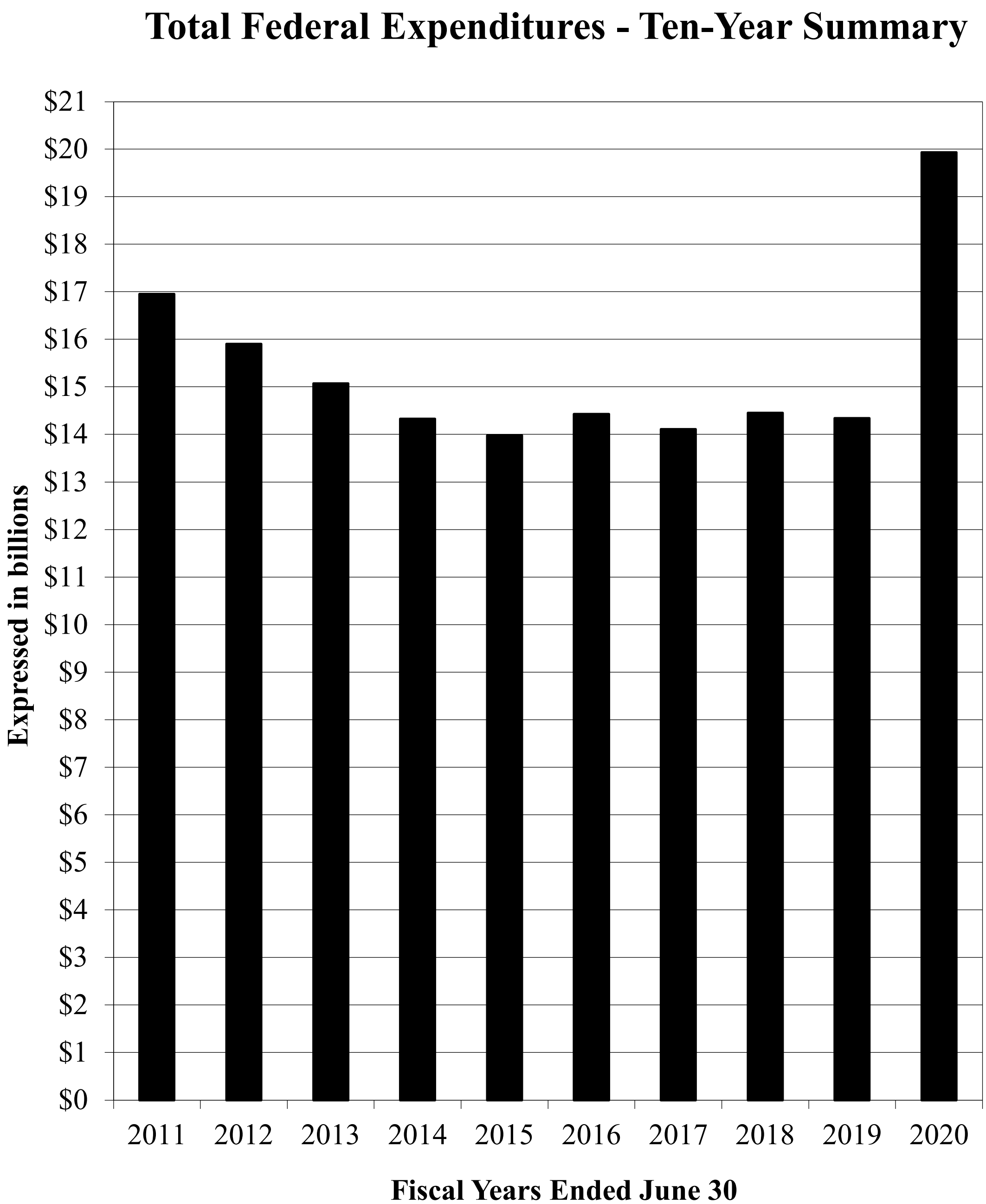
# Selected Statistical Data

Total Federal Expenditures – Ten-Year Summary

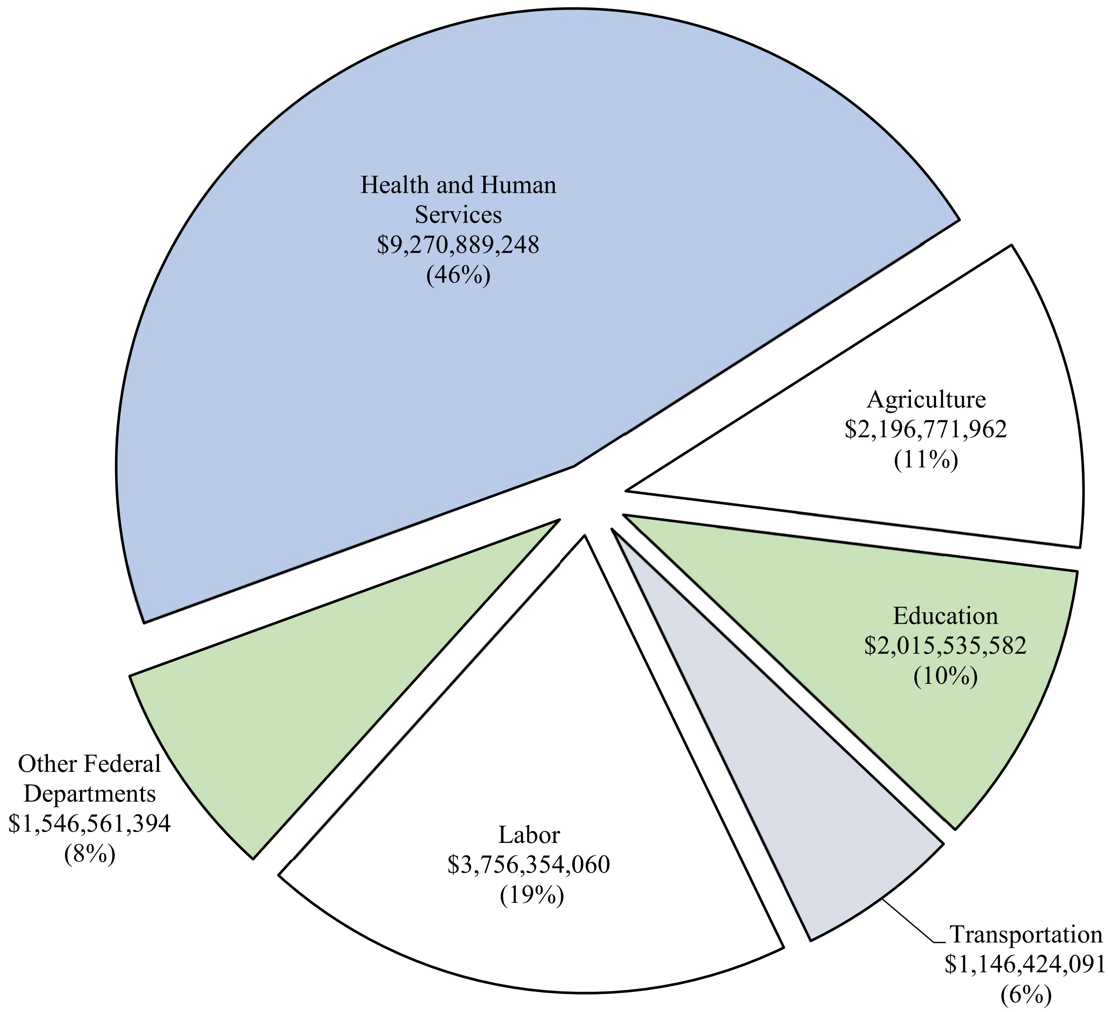
Expenditures by Awarding Agency

Number of Type A and Type B Programs

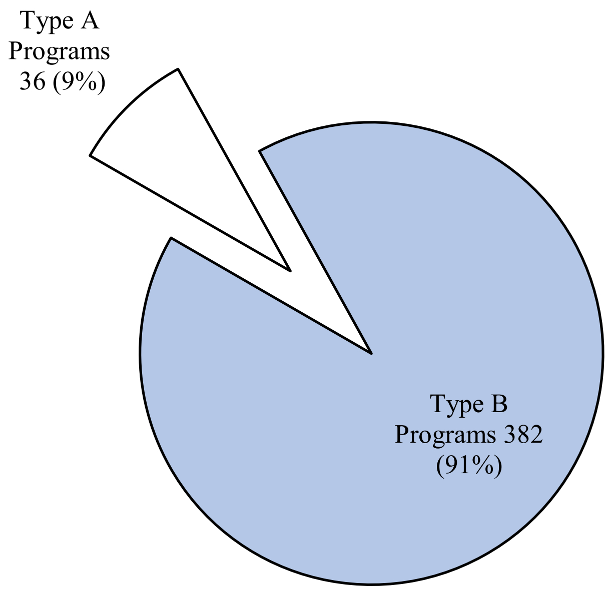
Type A and Type B Program Expenditures


Total Federal Expenditures - Ten-Year Summary
Expressed in billions
$0
$1
$2
$3
$4
$5
$6
$7
$8
$9
$10
$11
$12
$13
$14
$15
$16
$17
$18
$19
$20
$21
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Fiscal Years Ended June 30

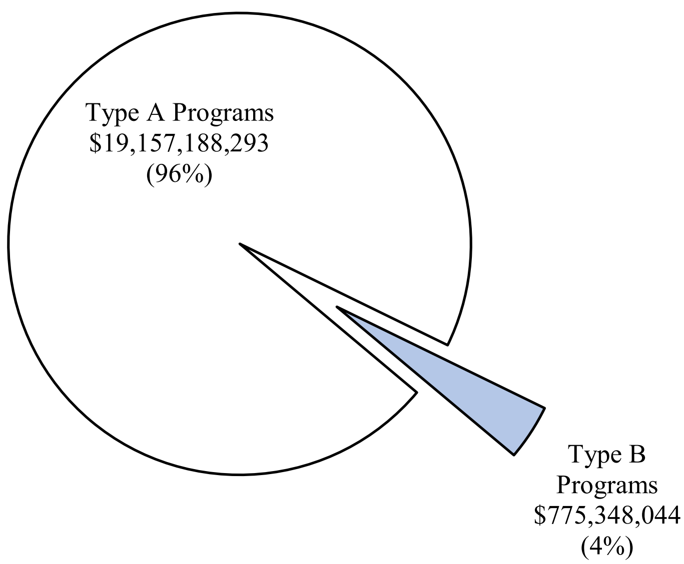
## **Expenditures by Awarding Agency**
July 1, 2019, through June 30, 2020



## 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, 2020, 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 Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Jason E. Mumpower
*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

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, 2020, 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 16, 2020. 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) as a basis for designing 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did



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not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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*.

### 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.

Katherine J. Stickel

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 16, 2020

Jason E. Mumpower
*Comptroller*

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

The Honorable Bill Lee, Governor
Members of the General Assembly

## 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, 2020. 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 federal program occurred. An audit includes examining, on a test basis, evidence about the State of Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our 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.



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***Basis for Qualified Opinion on CFDA 10.558 Child and Adult Care Food Program***

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 |
|---|---|---|---|
| | | | |
| 2020-010 | 10.558 | Child and Adult Care Food Program | Subrecipient Monitoring |
| 2020-011 | 10.558 | Child and Adult Care Food Program | Subrecipient Monitoring |
| 2020-012 | 10.558 | Child and Adult Care Food Program | Subrecipient Monitoring |
| 2020-013 | 10.558 | Child and Adult Care Food Program | Eligibility, Subrecipient Monitoring |

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***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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 Child and Adult Care Food Program for the year ended June 30, 2020.

***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, 2020.

***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 2020-002 through 2020-004, 2020-006 through 2020-012, 2020-014 through 2020-023, and 2020-025 through 2020-034. 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 2020-002 through 2020-005, 2020-007 through 2020-012, 2020-018, 2020-020, 2020-022, and 2020-026 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 2020-001, 2020-006, 2020-010, 2020-011, 2020-013 through 2020-015, 2020-017, 2020-019, 2020-021, 2020-023 through 2020-025, and 2020-027 through 2020-033 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, 2020, 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 16, 2020, 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.

Katherine J. Stickel

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
March 24, 2021

# 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, 2020**

## Section I – Summary of Auditor's Results

### Financial Statements

- We issued unmodified opinions on the basic financial statements.
- We identified no material weaknesses in internal control over financial reporting.
- No significant deficiencies in internal control over financial reporting were reported.
- 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 a qualified opinion for CFDA 10.558 Child and Adult Care Food Program. 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, 2020**

## 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 |
| 16.575 | Crime Victim Assistance |
| 17.225 | Unemployment Insurance |
| 20.106 | Airport Improvement Program |
| 20.607 | Alcohol Open Container Requirements |
| 21.019 | Coronavirus Relief Fund |
| 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) |
| 84.425 | Education Stabilization Fund |
| 93.563 | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance |
| 93.667 | Social Services Block Grant |
| 93.767 | Children's Health Insurance Program |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| - | Student Financial Aid Cluster |
| - | Child Nutrition Cluster |
| - | Housing Voucher Cluster |
| - | Employment Service Cluster |
| - | Special Education Cluster (IDEA) |
| - | Child Care and Development Fund (CCDF) Cluster |
| - | Medicaid Cluster |
| - | Disability Insurance/SSI Cluster |

**State of Tennessee**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2020**

## Section II – Financial Statement Findings

No financial statement findings were reported.

## Section III – Federal Award Findings and Questioned Costs

| | |
|---|---|
| **Finding Number** | 2020-001 |
| **CFDA Number** | 10.553, 10.555, 10.556, 84.010, 84.027, 84.048, 84.173, and 84.367 |
| **Program Name** | Child Nutrition Cluster<br>Title I Grants to Local Educational Agencies<br>Special Education Cluster<br>Supporting Effective Instruction State Grants<br>Career and Technical Education – Basic Grants to States |
| **Federal Agency** | Department of Agriculture, Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | 201818(17)N109945, 201919N109945, 202020N109945, 202020N850345, S010A170042, S010A180042, S010A190042, H027A050052, H027A160052, H027A170052, H027A180052, H027A190052, H173A170095, H173A180095, H173A190095, S367A170040, S367A180040, S367A190040, V048A170042, V048A180042, and V048A190042 |
| **Federal Award Year** | 2005, 2016 through 2020 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Department of Education did not provide adequate internal controls in one specific area**

The Department of Education did not provide adequate internal controls in one specific area related to state systems. This condition was in violation of state policies and/or industry-accepted best practices.

We reviewed the department's December 2019 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 address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur. Corrective actions and corresponding information have 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 risk.

| | |
|---|---|
| **Finding Number** | 2020-002 |
| **CFDA Number** | 10.553, 10.555, 10.556, 84.010, 84.027, 84.173, and 84.367 |
| **Program Name** | Child Nutrition Cluster<br>Title I Grants to Local Educational Agencies<br>Special Education Cluster<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, 202020N109945, 202020N850345, S367A190040, H027A170052, H027A190052, and S010A190042 |
| **Federal Award Year** | 2017 through 2020 |
| **Finding Type** | Material Weakness (84.010, 84.027, 84.173, and 84.367) and Noncompliance (10.553, 10.555, 10.556, 84.010, 84.027, 84.173, and 84.367) |
| **Compliance Requirement** | Activities Allowed or Unallowed (Material Weakness – 84.010, 84.027, 84.173, and 84.367); Noncompliance (10.553, 10.555, 10.556, 84.010, 84.027, 84.173, and 84.367)<br>Allowable Costs/Cost Principles (Material Weakness – 84.010, 84.027, 84.173, and 84.367; Noncompliance – 10.553, 10.555, 10.556, 84.010, 84.027, 84.173, and 84.367)<br>Subrecipient Monitoring (Material Weakness - 84.010, 84.027, 84.173, and 84.367; Noncompliance – 84.010, 84.027, 84.173, and 84.367) |
| **Repeat Finding** | 2019-008 |
| **Pass-Through Entity** | N/A |

**Questioned Costs**

| CFDA | Federal Award Identification Number | Amount |
|---|---|---|
| 10.553, 10.555, and 10.556 | 201818(17)N109945, 201919N109945, 202020N109945, and 202020N850345 | $1,052 |
| 84.367 | S367A190040 | $128,358 |
| 84.027 | H027A170052 | $390 |
| 84.027 | H027A190052 | $80,786 |
| 84.010 | S010A190042 | $960,849 |

**As noted in the prior two audits, department management reimbursed subrecipients for costs that were unallowable or not adequately supported, resulting in $1,171,435 in federal questioned costs**

**Background**

Education-Related Federal Program Funds

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

- Title I Grants to Local Educational Agencies,[1]
- Special Education Cluster,[2] and
- Supporting Effective Instruction State Grants.[3]

The department awards these federal program funds primarily to subrecipients, commonly known as the 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 Senior 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.

Child Nutrition Cluster Funds

The department is also a pass-through entity for the following three Child Nutrition Cluster programs administered by the U.S. Department of Agriculture:

- School Breakfast Program,
- National School Lunch Program, and

[1] 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.

[2] Pursuant to the federal Individuals With Disabilities Education Act, Special Education Cluster grants ensure that all children with disabilities receive a free, appropriate public education that emphasizes special education and related services designed to meet their unique needs. The grants also 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.

[3] Supporting Effective Instruction State Grants 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.

- Special Milk Program for Children.

The department awards federal funds to school food authorities (SFAs). 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 exceeds the SFA-provided number of children in attendance and if the number of operating days claimed is 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.

Department's Responsibilities as a Grant Administrator

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.

The department's Division of Local Finance, Division of Federal Programs and Oversight, and School Nutrition staff monitor the subrecipients to ensure that the subrecipients reasonably complied with federal and state requirements. Throughout the year, the divisions monitor a sample of subrecipients for various programmatic and fiscal objectives, including reimbursement transactions the subrecipients submitted to the department and the department subsequently paid.

Department's Internal Controls for Allowable Costs

As the non-federal entity, the department must implement internal controls over compliance requirements for federal awards; the controls must be designed to provide reasonable assurance that subrecipients comply with the federal grantor's regulations. The department relies on its monitoring activities as its primary detective control to ensure subrecipients are submitting allowable expenditures for reimbursement.

**Prior Audit Results**

In the prior audit finding, we found that the department did not have an effective internal control over the monitoring and reimbursement process and that the department reimbursed subrecipients for costs that were unallowable or not adequately supported. Additionally, we questioned the sufficiency of the department's monitoring process, noting that the monitors did not document the methods used to select expenditure items for review and did not maintain working papers or copies of other evidence to document the work performed or to support the monitoring reports issued. Management concurred and stated the following:

> For FY20, the department has updated the fiscal monitoring and procedures to include a deeper look at reimbursement requests from the districts monitored. . . . 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.

**Current Audit Results**

Based on our discussion with the Division of Local Finance and the Division of Federal Programs and Oversight staff, the department updated monitoring procedures and required monitors to document their sampling methodology and retain documentation of reviewed transactions in the work papers; however, management did not update the monitoring tool to further scrutinize expenditures.

**Condition and Criteria**

To determine if department staff complied with federal requirements related to expenditures, including allowable activities and allowable costs/cost principles, we tested nonstatistical, random samples of reimbursements to LEAs and SFAs. See **Table 1** for the details of these populations and samples. Based on our testwork, we noted that the department reimbursed LEAs and SFAs for unallowable and unsupported expenditures, resulting in $1,171,435 in federal questioned costs.

**Table 1**
**Federal Program Population and Sample Information**

| Program | Population Items | Population Total | Sample Items | Sample Total |
|---|---|---|---|---|
| Child Nutrition Cluster | 6,438 | $359,237,097 | 63 | $4,937,499.49 |
| Title I | 4,905 | $270,623,140 | 61 | $19,639,231 |
| Special Education Cluster | 5,022 | $210,733,860 | 61 | $11,099,758 |
| Supporting Effective Instruction State Grants | 3,311 | $28,131,836 | 61 | $1,474,892 |

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

Department Reimbursed Subrecipients for Unallowable Costs

Based on testwork performed, we noted that department staff reimbursed subrecipients from two federal programs for unallowable expenditures totaling $21,935 in federal questioned costs. See **Table 2** for a summary of questioned costs including the unallowable cost description for both of the programs. According to Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 403, costs must meet the following general criteria in order be allowable under Federal awards: Be necessary and reasonable for the performance of the Federal award . . . [and] be adequately documented.

In addition, the Tennessee Department of Education's guidance to subrecipients, titled "Using Federal Education Funds to Pay for Food," states, "Full meals for families/parents or students are not allowable for [parent engagement events] under any circumstances."

**Table 2**
**Total Unallowable Costs and Unallowable Cost Description**

| Federal Program | Subrecipient | Total Unallowable (Questioned) Costs | Unallowable Cost Description |
|---|---|---|---|
| Title I | Metro Nashville Public Schools (MNPS) | $20,356 | Catered meals and meals from restaurants |
| | Scott County | 143 | |
| Special Education Cluster | MNPS | 5 | Gift card purchases, sales tax, education activities for gifted students, and tips above the allowed gratuity amount |
| | Lebanon Special School District | 374 | |
| | Vanderbilt | 390 | |
| | Fayette County | 85 | |
| | City of Clinton | 3 | |
| | Cannon County | 579 | |
| | **Total** | **$21,935** | |

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

Department Reimbursed Subrecipients for Unsupported Costs

Based on our review of underlying supporting documentation that the subrecipients provided for the reimbursement claims we selected for review, we noted that department staff reimbursed subrecipients from four federal programs for unsupported expenditures, totaling $1,149,500 in federal questioned costs. We asked the LEA or SFA to provide us with documentation to support their claims to the department. The LEA or SFA

- did not provide any supporting documentation (such as paid invoices, receipts, or meal count documentation) for expenditures claimed for reimbursement;
- provided supporting documentation that was incomplete; or
- provided supporting docuementation that included duplicated expenditures.

See **Table 3** for a summary of questioned costs for each of the four programs. We also noted that unsupported expenditures, totaling $1,148,448, charged to the Title I, Special Education, and Supporting Effective Instruction State Grants (SEI) programs were for reimbursements to MNPS, which, as noted in **Finding 2020-004**, the department's monitoring staff did not monitor during fiscal year 2020. After our discussion with the Child Nutrition program management, department management requested and processed amended claims to recover $507 in unsupported costs from Huntingdon Special School District, Wayne County, and Sevier County.

**Table 3**
**Total Unsupported Costs**

| Federal Program | Local Educational Agency | Total Unsupported (Questioned) Costs |
|---|---|---|
| Title I | MNPS | $ 940,350 |
| Special Education Cluster | MNPS | 79,740 |
| SEI | MNPS | 128,358 |
| Child Nutrition | Huntingdon Special School District | 340 |
| | Wayne County | 28 |
| | The Kings Daughter School | 545 |
| | Sevier County | 139 |
| | **Total** | **$1,149,500** |

Source: Auditor prepared from our review of reimbursement claims.

As noted above, 2 CFR 200.403 states that costs must be adequately documented in order to be allowable under federal awards.

Department's Monitoring Tool

Based on our review and discussion with department management, we believe that management's current subrecipient monitoring process is ineffective because management still did not adequately scrutinize the subrecipients' supporting documentation for requests that the department paid. We reviewed the department's monitoring tool and found that the tool does not ensure that the department's fiscal monitors review supporting documentation for actual expenditures reimbursed to the LEA from federal awards during monitoring visits; thus, the tool is an ineffective control. Without this scrutiny, the department's monitors cannot ensure that LEAs comply with federal allowable activities/allowed cost requirements.

Furthermore, management has not sufficiently addressed the subrecipients' noncompliance involving expense reimbursements that violated federal program requirements, as we noted in this finding and **Finding 2020-006**.

Risk Assessment

We reviewed the Department of Education's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk that costs charged to a federal grant are not allowable and not adequately documented under program regulations at the subrecipient level. Management listed three internal controls to mitigate the risk:

1. Maintain a library of resources within ePlan for stakeholders and TDOE [department] staff to use, including on allowable uses;
2. Regular technical assistance training on internal controls and program rules; and
3. Annual risk based monitoring for programmatic and fiscal requirements.

While the listed controls are important, management did not design controls that sufficiently mitigated the risk that costs that are not allowable and adequately documented may be charged to federal programs at the subrecipient level.

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

> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**Cause**

We discussed the errors noted in this finding with department staff, and the Senior Director of Local Finance stated that the unallowable costs likely occurred because subrecipient staff did not notice the errors during the expenditure review and approval process. As to the undocumented and unsupported costs, MNPS was not able to provide the proper documentation from its new accounting system. The Director stated that monitoring and program staff have taken note of the issues discussed in this finding and will provide MNPS and the other LEAs with additional technical assistance regarding unallowable costs and maintaining support for expenditures.

Based on our discussion with Child Nutrition staff, the Child Nutrition program errors were a result of (1) SFA mathematical errors when preparing the reimbursement request and (2) a former employee of the King's Daughter School taking the meal count documentation with him when he separated from the school.

**Effect**

When department staff does not have an effective internal control in place to ensure the subrecipients used program funds for authorized purposes, management cannot ensure expenditures complied with federal statutes, regulations, and terms and conditions of the grant award; nor can management ensure that subaward performance goals were achieved. The lack of mitigating controls increases the risk of noncompliance with the federal program requirements and may require the state to return these funds to the U.S. Department of Education or the U.S. Department of Agriculture. As noted in 2 CFR 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;
>
> (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 200.339 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 ensure management improves the monitoring tool and implements procedures for monitoring staff to review subrecipient transactions and obtain adequate supporting documentation during monitoring activities. The Commissioner should also ensure program staff train and provide technical assistance to subrecipients about allowable program expenditures and the requirement to maintain documentation to support reimbursed expenditures.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur. The department is taking additional steps to address the concerns with the Title I, special education, SEI, and child nutrition programs. We will update the fiscal monitoring tool to implement more robust procedures for staff to follow in monitoring subrecipient transactions. The improved procedures will also require stricter controls about the adequacy of supporting documentation. Additionally, a monitoring tool will be developed allowing for more timely responses to issues and changes and requiring documentation for transactions reviewed.

Also, department staff will be trained to conduct desktop reviews of LEA reimbursements to improve compliance with federal program regulations. The desktop reviews will require LEAs to provide adequate documentation supporting selected reimbursements. Issues that are identified will inform the LEA fiscal monitoring schedule and targeted technical assistance to prevent a recurrence of issues in future reimbursements.

Finally, department management will continue to review and implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and remediate if deficiencies occur.

| | |
|---|---|
| **Finding Number** | 2020-003 |
| **CFDA Number** | 84.010 |
| **Program Name** | Title I Grants to Local Educational Agencies |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | S010A190042 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Allowable Cost/Cost principles |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $49,343 |

**Department staff incorrectly charged payroll expenditures to the Title I program, resulting in $49,343 of questioned costs**

**Background and Criteria**

The Department of Education administers federal grant awards which are subject to "Uniform Administrative Guidance," Title 2, *Code of Federal Regulations* (CFR), Part 200. Specifically, 2 CFR 200.430, "Compensation—Personnel Services," establishes standards for documenting employee time and effort when personnel expenditures are charged to federal awards. Charges to federal awards for salaries and wages must accurately reflect the work performed and must be based on records that are incorporated into the state's official records. Most importantly, the records must (1) be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (2) encompass both federally assisted and all other activities compensated by the state on an integrated basis; (3) reflect the total activity for which the employee is compensated; and (4) comply with the state's established accounting policies and practices.

**Employee Payroll Process**

When the department hires an employee or when an employee changes positions, the employee's supervisor, the Commissioner, and the Chief Financial Officer complete an Employee Action Form, which defines the grant-funded duties and the amount of time the employee will spend on each cost objective.[4] All employees enter their time in Edison, the state's accounting system, which has a list of approved cost objectives (also known as task profile groups) in a drop-down box. The employee must manually choose the correct task profile group and enter the number of hours worked for each task profile group. After the employee has entered the time and submitted it for approval in Edison, the employee's supervisor must approve the employee's time. Then

[4] 2 CFR 200.28 defines a cost objective as "a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc."

Edison automatically allocates the costs based on the speedchart codes[5] associated with the selected task profile group.

In addition to the supervisory review and approval of the employee's timesheet, the Budget Director performs a payroll reconciliation. During the reconciliation, he compares the Employee Action Form to the task profile group the employee selected to ensure employees charged their time to the correct task profile group. If any discrepancies are found, the Budget Director informs the employee's supervisor and fiscal staff prepare a correcting journal entry in Edison.

**Condition**

During our review of administrative expenditures, we found that an employee incorrectly charged time to a Title I cost objective. Based on our review of the employee's Employee Action Form, Title I was not an approved cost objective for the employee. Specifically, the employee was set up as an Achievement School District employee on her Employee Action Form, with no federal cost objective listed. As a result, department staff incorrectly charged $49,343 to the Title I grant.

**Cause**

According to the department's Budget Director, the employee's salary should have been paid out of the Achievement School District funding; however, the employee changed positions and the new cost objectives were not updated in Edison. According to the Budget Director, he performed the payroll reconciliation for the period of July 1, 2019, through February 28, 2020, as a control to ensure employees charge time to the correct cost objectives; however, he did not perform the reconciliation for the period of March 1, 2020, through June 30, 2020. In addition, the supervisor who approved the employee's time and the Budget Director who performed the reconciliation did not identify the error. On November 5, 2020, fiscal staff reallocated and corrected the expenditures that were incorrectly charged to the Title I grant during our audit period.

**Effect**

When department staff does not adequately review time and effort documentation during the reconciliation process to ensure employees charge their time to the proper grant award, management increases the risk that federal programs will be incorrectly charged for payroll expenditures. Failure to properly allocate payroll to cost objectives in accordance with actual activities can result in unallowable costs.

**Recommendation**

To ensure program and fiscal staff accurately charge federal programs in accordance with federal requirements, the Commissioner should ensure staff adequately review employees' time and effort documentation, specifically during the reconciliation process. In addition, we recommend the department identify and use the appropriate funding sources related to departmental payroll and other administrative expenditure items.

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[5]Speedchart codes in Edison are preset to allocate expenditures to the proper programs and funding percentages.

**Management's Comment**

We concur. The department will be conducting more frequent reviews of payroll and updating our procedures to ensure adequate internal controls are in place to confirm employees charge the correct funding sources.

| | |
|---|---|
| **Finding Number** | 2020-004 |
| **CFDA Number** | 84.010, 84.027, 84.173, and 84.367 |
| **Program Name** | Title I Grants to Local Educational Agencies<br>Special Education Cluster<br>Supporting Effective Instruction State Grants |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | S010A190042, H027A170052, H027A190052, and S367A190040 |
| **Federal Award Year** | 2017 through 2020 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Department management did not monitor a high-risk local educational agency during the audit period as required**

**Background**

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

- Title I Grants to Local Educational Agencies,[6]
- Special Education Cluster,[7] and
- Supporting Effective Instruction State Grants.[8]

The department awards these federal program funds primarily to subrecipients commonly known as the 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 department and the federal grantor do not require subrecipients to submit supporting documentation when filing reimbursement requests for

[6] 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.

[7] Pursuant to the federal Individuals With Disabilities Education Act, Special Education Cluster grants ensure that all children with disabilities receive a free, appropriate public education that emphasizes special education and related services designed to meet their unique needs. The grants also 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.

[8] Supporting Effective Instruction State Grants 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.

education-related expenses; however, federal regulations require the LEAs to maintain all documentation to support their claims and to comply with federal guidelines during the reimbursement process.

Department's Responsibilities as a Grant Administrator

*Program Oversight*

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.

Department's Subrecipient Financial Monitoring Activities

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 and the Division of Federal Programs and Oversight conduct risk-based joint fiscal monitoring of subrecipients, including LEAs. Each fiscal year, monitoring staff perform a risk analysis for each subrecipient to assess the subrecipient's risk of noncompliance with federal programs. Monitoring staff categorize the assessed risks as significant (high), elevated (medium), and low. Monitoring staff perform annual on-site monitoring activities for subrecipients identified as high-risk. For subrecipients in the medium- or low-risk categories, monitoring staff either perform a desktop review or require the subrecipient to submit a programmatic self-assessment.

**Condition and Cause**

Based on our review and discussion with department management, we found that monitoring staff did not perform on-site financial monitoring for 1 of 14 LEAs (7%) during the audit period. Specifically, the monitoring staff did not monitor Metro Nashville Public Schools' (MNPS) financial compliance even though the department classified MNPS as a high-risk LEA, thus requiring annual financial monitoring. According to the Senior Director of Local Finance, because the COVID-19 pandemic closed district offices and schools, the department was unable to perform the on-site financial monitoring review. However, monitoring staff had the option to perform desktop monitoring of MNPS' financial activities but did not do so.

The U.S. Department of Education did not waive the state's requirement to conduct monitoring activities of its subrecipients during the COVID-19 pandemic. In addition, MNPS implemented a new accounting system during fiscal year 2020, which should have necessitated that monitoring staff conduct some form of monitoring activities to ensure MNPS's accounting transactions complied with federal program requirements. Prior to the end of our fieldwork, monitoring staff began monitoring activities for MNPS for fiscal year 2021.

Risk Assessment

We reviewed the Department of Education's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of federal award subrecipients not being monitored due to timing challenges with scheduling. The department included alternating between on-site and desktop monitoring for the large urban districts, including MNPS, as one of two controls to mitigate the risk. However, the department did not follow its established control to perform a desktop review when it could not schedule an on-site review at MNPS.

## Criteria

According to Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 332, "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."

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 Green Book Principle 7, "Identify, Analyze, and Respond to Risks" and Principle 8, "Assess Fraud Risk,"

> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions. . . .
>
> **8.07** Management responds to fraud risks through the same risk response process performed for all analyzed risks. Management designs an overall risk response and specific actions for responding to fraud risks. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes. These changes may include stopping or reorganizing certain operations and reallocating roles among personnel to enhance segregation of duties. In addition to responding to fraud risks, management may need to develop further responses to address the risk of management override of controls. Further, when fraud has been detected, the risk assessment process may need to be revised.

## Effect

When department staff does not perform subrecipient financial monitoring or does not have sufficient financial monitoring activities, staff cannot ensure compliance with federal statutes, regulations, and terms and conditions of the grant award; nor can management ensure that subaward performance goals were achieved. During our review of reimbursement claims, we noted that during fiscal year 2020, MNPS charged $1,148,448 in unsupported expenditures to the Title I, Special Education, and Supporting Effective Instruction State Grants programs. For further details, see **Finding 2020-002**. Additionally, the lack of financial monitoring activities increases the risk of fraud, waste, and abuse.

As noted in 2 CFR 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;

(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 fiscal monitoring staff conduct monitoring activities as required, especially for subrecipients that program staff have identified as high-risk for noncompliance.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

## Management's Comment

We concur. The department has since resumed monitoring LEAs in FY21. Going forward, the department will make greater use of desktop monitoring procedures to ensure that monitoring takes place even in exceptional situations.

Additionally, we will continually assess our risk assessment, confirming the most efficient controls are in place, acting on these controls as prescribed.

| | |
|---|---|
| **Finding Number** | 2020-005 |
| **CFDA Number** | 84.027 and 84.173 |
| **Program Name** | Special Education Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | H027A170052, H173A170095, H027A180052, and H173A180095 |
| **Federal Award Year** | 2017 through 2019 |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Department of Education management did not have an internal control over maintenance of effort requirements**

**Background**

The U.S. Department of Education provides federal grant funds through the Individuals with Disabilities Education Act to assist states in providing children with disabilities a free appropriate public education. The Tennessee Department of Education is subject to federal maintenance of effort requirements, which prohibit a state from reducing state financial support for special education below the amount of support for the preceding fiscal year. Known as maintenance of financial support (MFS), the requirement is intended to ensure that the state sets aside sufficient funds for special education and related services.

To receive special education funds, the state is required to submit an annual application, which includes a section that allows the state to demonstrate compliance with maintenance of effort requirements. If the state fails to comply with this requirement, the U.S. Department of Education reduces the state's allocation of special education and related funds for any subsequent fiscal year.

In gaining our understanding of the process, we learned from the Senior Director of Strategic Supports that in order for the department to determine if the state maintained the appropriate level of support, she obtains the appropriate data and prepares the MFS workbook. After she prepares the workbook, the department's Budget Director performs a partial review, which consists of reviewing only the budgetary information he provided. Finally, the Department of Finance and Administration (F&A) performs a high-level review, without verifying the detailed calculations, before the Department of Education submits the application to the U.S. Department of Education.

**Condition and Cause**

Based on our testwork, we found that the department met the overall maintenance of effort requirement for the program; however, based on discussion with management, we determined that department staff did not have internal controls over maintenance of effort. Department staff did not perform a complete and comprehensive supervisory review of the MFS workbook to ensure calculations were accurate. According to the Assistant Commissioner of Special Populations, the former Senior Director of Strategic Supports believed that an F&A employee performed a comprehensive review of these calculations; however, F&A staff, believing that Department of Education staff had verified the detailed calculations, only performed a high-level review.

Risk Assessment

In the department's risk assessment, management identified the failure to comply with the state financial support requirement; however, the department did not identify a specific control to mitigate the risk other than the following:

1. department staff have received training regarding maintenance of effort and the need to maintain the same level of funding from one year to the next;
2. experienced staff with an understanding of maintenance of effort requirements and its importance to the special education cluster;
3. written procedures for the collection and documentation of maintenance of effort to ensure consistency in data collection and reporting from one year to the next; and
4. maintenance of effort data is collected and reported annually in the state's application for federal special education funds.

While training, knowledge, and written policies are important to management's control environment, none of these identified controls involved ensuring management and staff reasonably complied with the federal grant maintenance of effort requirements.

After we discussed the insufficient internal control system with department staff, the Assistant Commissioner of Special Populations stated that going forward, all individuals who contribute to preparing the MFS workbook will meet to ensure the department has a control process in place that will ensure the department complies with the maintenance of effort requirement.

## Criteria

According to "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," Title 2, *Code of Federal Regulations*, 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.

Additionally, the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, Principle 10.03, 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."

**Effect**

Without a proper system of internal controls over maintenance of effort, which includes a complete and comprehensive review of the MFS workbook, the risk increases that department staff will miscalculate the state's compliance with federal fiscal effort requirements. If a miscalculation results in the state's noncompliance, the department risks a reduction of federal funding for special education 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 provide services to special education students.

**Recommendation**

Management should implement appropriate internal controls to ensure that staff perform and document their review of staff's compliance with maintenance of effort requirements. Additionally, management should evaluate the effectiveness of the control activities for this risk, update the department's annual risk assessment to reflect any new controls management implements, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur. Department staff will document the process and reviews of all information needed to conform to maintenance of effort requirements.

Further, we will evaluate the effectiveness of the existing control activities for this risk and update the department's annual risk assessment to reflect any new or enhanced controls implemented.

| | |
|---|---|
| **Finding Number** | 2020-006 |
| **CFDA Number** | 84.027 and 84.173 |
| **Program Name** | Special Education Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Federal Award Identification Number** | H027A170052; H173A190095; H027A190052 |
| **Federal Award Year** | 2017 and 2019 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Period of Performance |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |

**Questioned Costs**

| **CFDA** | **Federal Award Identification Number** | **Amount** |
|---|---|---|
| 84.027 | H027A170052 | $12,946 |
| 84.173 | H173A190095 | $900 |
| 84.027 | H027A190052 | $1,587 |

**Department of Education management incurred expenditures, liquidated funds, and reimbursed local educational agencies for expenditures that occurred outside of the Special Education grants' periods of performance**

**Background**

Federal funding for the Department of Education's (department) federal programs is only available to the department and its subrecipients for a limited time (referred to as the grant's period of performance). For U.S. Department of Education programs, the department has 15 months to charge expenditures to each grant award; however, these programs are governed by the requirements of the Tydings Amendment (Title 20, United States Code, Chapter 31, Section 1225[b]), which extends the period of performance 12 additional months, for a total of 27 months. Unless the U.S. Department of Education authorizes an extension, the department must liquidate all obligations incurred under the federal award no later than 90 calendar days after the end date of the period of performance.

Department's Process to Approve Administrative Expenditures

Department employees responsible for reviewing and approving expenditures, review the invoices, accounting data, and any other supporting documentation for the grants that they are responsible for to ensure the expenditure is an allowed cost and the accounting data is correct. The approver documents their approval by signing in the designated area on the front page of the documentation. To complete the process, the accounting department uploads the documentation into Edison, the state's accounting system, and processes the expenditure for payment.

Department's Responsibilities as a Grant Administrator

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.

Based on our understanding of the federal regulations, the federal grantor expects the department and subrecipients to accurately claim only reimbursable expenses in compliance with program guidance. The department's Division of Local Finance and the Division of Federal Programs and Oversight monitor the local educational agencies (LEAs) throughout the year based on selecting a sample of LEAs. The fiscal monitoring activities include a review of the process the LEA uses to determine expenditure's compliance with federal award requirements, but does not include a review of expenditures the department reimbursed and subsequently paid to the LEA.

**Condition and Cause**

The department had a key internal control in place to assess if an expenditure occurred within the applicable grant's period of performance for both state administrative and LEA costs; however, we determined that this key internal control was not sufficient to prevent the department and LEAs from charging and liquidating special education grant costs outside the grant's period of performance and liquidation periods.

Methodology and Results of Testwork – Administrative Costs

We performed testwork on a random, nonstatistical sample of 60 expenditures department staff charged to the special education[9] grants during fiscal year 2020 to determine if the expenditures occurred within the period of performance for grants that either began or ended during our audit period. Specifically, we tested

[9] The Individuals with Disabilities Education Act's (IDEA) Special Education—Grants to States program provides grants to states, and through them to LEAs, to assist them in providing special education and related services to eligible children with disabilities ages 3 through 21. IDEA's Special Education—Preschool Grants program also known as the "619 program," provides grants to states, and through them to LEAs, to assist them in providing special education and related services to children with disabilities ages three through five and, at a state's discretion, to 2-year-old children with disabilities who will turn three during the school year.

- 20 expenditures department staff charged to the H027A170052 grant after the grant's period of performance end date, September 30, 2019, to determine if department staff incurred the expenditures within the period of performance and department staff liquidated the expenditures by the liquidation end date, December 31, 2019;
- 20 expenditures charged within the first three months of the H027A190052 grant's period of performance, which began on July 1, 2019, to determine if department staff incurred these expenditures prior to the grant's period of performance; and
- 20 adjusting accounting entries made to the H027A160052, H027A170052 and H027A190052 grants during fiscal year 2020, to determine if the underlying expenditure occurred during the period of performance.

We exhibit details of our sample in **Table 1**.

Based on testwork performed, we determined that department staff did not liquidate 1 of 20 expenditures tested charged to the H027A170052 grant (5%) before the grant's liquidation period end date. Staff paid the expenditure 17 days after the grant's liquidation period ended, resulting in $12,946 in known questioned costs. We discussed this expenditure with department staff and reviewed supporting documentation in the state's accounting system, and determined that department staff incurred the expenditure within the period of performance; however, the liquidation period ended before accounting staff obtained the necessary approvals to release payment.

**Table 1**
**Details of Period of Performance Sample**

| Award Number | Period of Performance Begin Date | Period of Performance End Date | Liquidation End Date[10] | Sample Total | Population Total |
|---|---|---|---|---|---|
| H027A170052 | 7/1/2017 | 9/30/2019 | 12/31/2019 | $203,921 | $461,451 |
| H027A190052 | 7/1/2019 | 9/30/2021 | 1/31/2022 | $1,538 | $2,847 |
| H027A160052[11], H027A170052, and H027A190052 | 7/1/2016, 7/1/2017, and 7/1/2019 | 9/30/2018, 9/30/2019, and 9/30/2021 | 12/31/2018, 12/31/2019, and 1/31/2022 | $134,609 | $387,496 |

Source: Applicable grant award letters and Edison, the state's accounting system.

[10] Prior to fiscal year 2021, grantees have 90 calendar days from the end of the period of performance to liquidate grant funds. Beginning in fiscal year 2021, grantees will have 120 calendar days from the end of the period of performance to liquidate grant funds.

[11] CFR 200.344(g) states that recipients, subrecipients, and Federal agencies "must make every effort to complete [Federal grant] closeout actions no later than one year after the end of the period of performance…." Accounting entries related to grant H027A160052 were made in August 2019 and were related to underlying expenditures that occurred within the period of performance.

Methodology and Results of Testwork – LEA Costs

We performed testwork on a random, nonstatistical sample of 60 reimbursements the department paid to local educational agencies (LEAs) from special education grants during fiscal year 2020 to determine if the expenditures occurred within the period of performance for the grants that either began or ended during our audit period. We tested 30 reimbursements the department paid to LEAs from the H027A170052 and H173A170095 grants after the grants' period of performance end date, September 30, 2019, to determine if the reimbursements charged to the grants were for expenditures the LEA incurred within the period of performance and liquidated before the liquidation end date, December 31, 2019. We also tested 30 reimbursements charged within the first three months of the H173A190095 and H027A190052 grants' period of performance, which began on July 1, 2019, to determine if the reimbursements charged to the grants included LEA expenditures incurred within the grant's period of performance. We exhibit details of our sample in **Table 2**.

Based on testwork performed, we noted for 3 of 60 LEA reimbursements tested (5%) department staff reimbursed LEAs for expenditures that were not with the grants' period of performance. Specifically, we noted that department staff reimbursed 3 LEAs for 7 expenditures the LEAs incurred between 4 and 122 days before the grants' period of performance began, resulting in $2,487 of questioned costs. As noted in **Finding 2020-002**, since the department's fiscal monitors do not review supporting documentation for actual expenditures the department reimbursed to the LEA from federal awards during monitoring visits, the department cannot be sure that LEAs it monitors are in compliance with period of performance requirements.

**Table 2**
**Details of Period of Performance Program Sample**

| Award Number | Period of Performance Begin Date | Period of Performance End Date | Liquidation End Date | Sample Total | Population Total |
|---|---|---|---|---|---|
| H027A170052 | 7/1/2017 | 9/30/2019 | 12/31/2019 | $802,536 | $2,893,694 |
| H173A170095 | 7/1/2017 | 9/30/2019 | 12/31/2019 | $24,955 | $276,788 |
| H027A190052 | 7/1/2019 | 9/30/2021 | 1/31/2022 | $1,275,147 | $6,657,627 |
| H173A190095 | 7/1/2019 | 9/30/2021 | 1/31/2022 | $6,628 | $320,284 |

Source: Applicable grant award letters and Edison, the state's accounting system.

When we projected the errors from costs reimbursed to LEAs, $2,487, to the population of costs reimbursed to LEAs paid within the first three months of the period of performance, $1,281,775 from awards H027A190052 and H173A190095, and included the known questioned costs from our administrative expenditures sample, $12,946, we found that known and likely questioned costs exceeded $25,000. Title 2, *Code of Federal Regulations*, Part 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.

Risk Assessment

In the department's 2019 risk assessment, the department identified the risk that it would not expend federal funds within the time frames established in the federal award at the state level but did not identify the risk that special education funds would be spent outside of the period of performance at the subrecipient level. The department listed two internal controls to mitigate the risk of expending special education funds outside of the period of performance at the department level:

1. Maintain a library of resources within ePlan for stakeholders and TDOE [department] staff to use, including on allowable uses; and
2. Experienced staff familiar with specific grants rules.

While maintaining resources for stakeholders and staff to use and having experienced staff with knowledge of grant rules are important to management's control environment, none of these identified controls involved ensuring management and staff reasonably complied with the federal grant period of performance requirements. To ensure compliance with period of performance requirements at the subrecipient level, management must identify and have in place appropriate internal controls to address the risk of subrecipient period of performance noncompliance. We also noted that as of August 2020 the department had multiple staff vacancies for positions that support the administration of the special education cluster grants.

## Criteria

Title 2, *Code of Federal Regulations*, Part 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.

According to the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, Principle 10.03, "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."

According to 2 CFR 200.309, "A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance…"

According to 2 CFR 200.343(b), "Unless the Federal awarding agency…authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance…"

**Effect**

When the department does not have proper internal controls in place to ensure expenditures occurred within the grant's period of performance and liquidation periods, management cannot ensure that expenditures are charged to the appropriate grant award, the department increases the risk that funds will be expended outside of the period of performance. The lack of mitigating controls increases the risk of noncompliance with the federal program requirements and may require the state to return these funds to the U.S. Department of Education.

As noted in 2 CFR 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;
>
> (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 200.339 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**

Management should develop adequate control procedures to ensure that both administrative expenditures and costs reimbursed to local educational agencies occurred during the grant award's period of performance and are liquidated within the applicable time period. Additionally, management should update the department's annual risk assessment to reflect any new controls the department adds to the process for expending federal funds within the timeframes specified in the federal award and any new procedures added to the fiscal monitoring process to ensure subrecipient compliance with period of performance requirements. Furthermore, management should take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur. TDOE will take additional steps to improve and strengthen period of performance internal controls. Changes will be reflected in the fiscal monitoring plan and will include ensuring that the risk times immediately before and immediately after grant periods of performance are reviewed. The department will also develop a monitoring tool to address issues noted during reviews of LEAs.

Additionally, grants staff will be trained to conduct random desktop reviews of LEA reimbursements to strengthen internal controls related to period of performance compliance.

Finally, we will update our risk assessment to address the items recommended above.

| | |
|---|---|
| **Finding Number** | 2020-007 |
| **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 and 2017-VA-GX-0051 |
| **Federal Award Year** | 2016 and 2017 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | 2019-012 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the second year, management of the Office of Criminal Justice Programs did not design appropriate internal controls to ensure information provided to the federal grantor was complete and accurate**

**Background**

The Department of Finance and Administration's (F&A) 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). 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 (DOJ) requires the Office of Criminal Justice Programs to file a Federal Financial SF-425 report quarterly for each open VOCA grant, which for our period was the 2016 and 2017[12] VOCA grants. The federal 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 of Criminal Justice Programs to submit the report 30 days after the end of the reporting quarter[13] through DOJ's Grants Management System.

F&A's Office of Business and Finance performs 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 reporting period, the Accountant II in the Office of Business and Finance 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 expenditure total, he subtracts the current cumulative expenditure totals from the cumulative expenditure totals reported in the previous period. The Accountant II performs further calculations for lines 10i., "Total recipient share required," and 10j., "Recipient share of expenditures," which require fiscal staff to report the subrecipient's match of VOCA expenditures.

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[12] VOCA grants cover a four-year period; therefore, these were the only two grants that were open and had activity.

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

"Project Match Requirements," Title 28, *Code of Federal Regulations* (CFR)*,* Part 94, Section 118, requires subrecipients, such as recipients of the VOCA grant money, to match at least 20% of the "total cost of each project" unless subrecipients obtain exception waivers from the Office of Criminal Justice Programs. DOJ allows for and grants full and partial match waivers to a portion of the subrecipients, based on an application process. Subrecipients must submit a written request for an exception waiver to the Office of Criminal Justice Programs' 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. A different match waiver amount can be approved for each year of the four-year grant period.

Once the SF-425 is completed, the Office of Business and Finance's Director of Fiscal Services reviews the report and directs the Accountant II to make any necessary corrections. The Director then approves the report, and the Accountant II submits the report through DOJ's Grants Management System.

**Prior Audit Results**

The prior audit finding reported that F&A's Office of Business and Finance did not have written policies and procedures for the federal reporting process. Additionally, the prior finding reported that the Director's review documentation for the SF-425 reporting process was not retained and that the accountant had inaccurately reported the amounts on the SF-425 for line item 10i., "Total recipient share required." The errors occurred because the accountant reported estimated matches, which did not take into consideration any partial-match waiver approvals. Also, staff did not report indirect costs as required by DOJ.

Management in F&A's Office of Business and Finance concurred with the prior finding and stated they updated and created written policies and procedures. These updates included requirements for maintaining documentation of the internal review. In F&A's six-month follow-up report to the Comptroller's Office, dated September 24, 2020, management stated that they had staff retrained by the federal partners on how to complete the report. Management also stated they had identified and addressed the risks noted in the prior finding.

For the current audit, we found that management in F&A's Office of Business and Finance had updated and created written policies and procedures in January 2020. The Director of Fiscal Services now documents her review of the SF-425 report through emails documenting changes and approval of the reports, but F&A did not have evidence of these emails. Management in F&A's Office of Business and Finance also created SF-425 reporting procedures to use actual match amounts versus estimated, but these procedures were not sufficient to explain how the match should be calculated. Although management indicated that staff were retrained on report preparation, the reports still did not include the indirect cost information as required.

**Condition and Cause**

Deficiencies in the Report Preparation Process

Based on our review of the Office of Criminal Justice Programs' SF-425 final report for September 2019 and quarterly reports for March 2020 and June 2020, we found that the process of the

Accountant II in F&A's Office of Business and Finance for compiling and calculating the match still resulted in inaccurate reporting. Instead of requesting, obtaining, and using the approved matching rates from the Office of Criminal Justice Programs, the Accountant II obtained the match rates from the subrecipients' reimbursement requests and approved budgets. Because match rates can change each year, the budget document is not a reliable source for obtaining the final approved match rate. Additionally, we found that the Accountant II's calculations included rounding the matching rates to the nearest whole percentage, which led to further report inaccuracies.

We recalculated line 10i., "Total recipient share required," by obtaining each subrecipient's approved matching rate from Office of Criminal Justice Programs staff and multiplying the rate by the subrecipient's amount of expenditures for the period. See **Table 1**.

**Table 1**
**Inaccurate Amounts Reported on Line 10i., "Total recipient share required"**

| Grant Year | Reporting Period Ended | Department Reported | State Audit Calculation | Amount Overstated/(Understated) |
|---|---|---|---|---|
| 2016 VOCA | September 2019 | $9,617,934 | $9,613,059 | $4,875 |
| 2017 VOCA | March 2020 | $3,546,287 | $3,553,474 | ($7,187) |
| 2017 VOCA | June 2020 | $6,199,328 | $6,266,207 | $26,879 |

The match calculation errors noted in line 10i., "Total recipient share required," for all three reports also resulted in the Accountant II inaccurately reporting line 10j., "Recipient share of expenditures," for the September 2019 report. See **Table 2**.

**Table 2**
**Inaccurate Amounts Reported on Line 10j., "Recipient share of expenditures"**

| Grant Year | Reporting Period Ended | Department Reported | State Audit Calculation | Amount Overstated/(Understated) |
|---|---|---|---|---|
| 2016 VOCA | September 2019 | $9,617,934 | $9,613,059 | $4,875 |

According to the Accountant II in F&A's Office of Business and Finance, he was not aware of the effect of rounding on report accuracy or that he was using incorrect matching rates. Upon further review, we also found that in one case the Accountant II had inadvertently picked up matching rates for the wrong grant.

Additionally, as a result of our reporting testwork, we found that the Accountant II did not report the financial information related to indirect costs on lines 11a-f of the SF-425 on the September 30 final report for the 2016 VOCA grant and the June 30 quarterly report for the 2017 VOCA grant despite the Office of Criminal Justice Programs charging indirect costs to the grant.

According to management in the Office of Criminal Justice Programs, there was turnover in fiscal staff. The Accounting Manager responsible for the reporting process left the agency in December 2019, and the position remained open until October 2020.

Inadequate Review Process

Because the Director of Fiscal Services in F&A's Office of Business and Finance relied on the Accountant II's match calculations and did not have a clear understanding of the reporting requirements, her review would not have identified the errors related to match. Management issued the September 30, 2016, report when the Office of Business and Finance was making changes to the reporting process, and the Director failed to notify the Accountant II to make the indirect cost correction for the June 30, 2017, quarterly report.

Risk Assessment

We reviewed F&A's December 2019 Financial Integrity Act Risk Assessment and determined that management had identified the risks associated with reporting incomplete and incorrect information on federal reports. Management had also included in its assessment several control activities to address or reduce these risks. These control activities included a review process for federal reporting designed to ensure complete and correct information, but F&A's report preparation procedures and review process were not sufficient to identify the inaccuracies and incomplete federal reports.

## Criteria

"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.

Risk Assessment

According to Green Book 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. . .
>
> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**Effect**

Without establishing and implementing effective reporting controls, neither the Office of Business and Finance nor DOJ can properly track subrecipient matches and the Office of Criminal Justice Programs' indirect costs, which may result in loss of federal funds or other penalties resulting from reporting inaccurate financial data. Without accurate and complete financial reporting, DOJ is unable to effectively monitor the status of VOCA funds awarded to F&A.

Additionally, federal regulations address actions that may be imposed by federal agencies in cases of noncompliance. As noted in 2 CFR 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;

(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 of Finance and Administration should ensure that the Office of Business and Finance's management and staff, and the Office of Criminal Justice Programs' management and staff work together to ensure information used for the SF-425 report is accurate and complete. The Office of Business and Finance's management should ensure their review process is documented and all necessary steps are taken to ensure the reports are accurate and complete.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur. Through a combination of unexpected turnover resulting in extended staffing shortages and federal reporting system changes, minor errors were neither caught nor corrected prior to the audit commencing. Following the initial finding, the Office of Business and Finance (OBF) completed corrective action through updated written procedures for the internal steps involved in generating the SF-425. As a result of this audit we intend to further clarify those written procedures to specifically address the manner in which we maintain the documentation of the review of SF-425s prior to their submission. The errors that were identified during this audit were corrected in the subsequent submission of the SF-425 once the new federal system (JustGrants.gov) became available.

In an effort to mitigate the risk of future communication issues between the Office of Criminal Justice Programs (OCJP) staff and OBF staff, an additional step has been added to the SF-425 review process to ensure that OCJP and OBF reconcile any differences in match rates, including rounding issues such as the one identified in this audit, and ensure that they are resolved prior to the submission of the SF-425. This additional review has been added to the internal review document to ensure we maintain documentation of OCJP's review as well.

Following the initial finding, staff in place at the time were retrained on the instructions for the SF-425 provided by our federal partners but turnover and staffing shortages created an environment that made the section more vulnerable to human error and increased the risk of reviewers missing those errors. The errors were not missed as a result a lack of knowledge of the remaining staff but merely human error from staff being spread too thin during the hiring freeze. Recently OBF was able to fill key vacant positions in the Grants Accounting section and began training them in these processes. Additionally, the Office of Business and Finance has begun the process of shifting and cross training additional staff to the Grants section, as needed, to mitigate the risks associated with staffing shortages and turnover in the future.

The Office of Business and Finance 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 documented risk assessment documents. Appropriate Office of Business and Finance staff will be assigned the ongoing monitoring of risks and controls and will act to correct any deficiencies that may occur.

| | |
|---|---|
| **Finding Number** | 2020-008 |
| **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** | 1905TN5MAP and 2005TN5MAP |
| **Federal Award Year** | 2019 through 2020 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | 2019-015 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $77,169 |

**As noted in the prior audit, TennCare management did not promptly address TennCare's Medicaid eligibility process deficiencies, resulting in $111,402 in federal and state questioned costs**

**Background**

TennCare is Tennessee's Medicaid program, funded at both the federal and state level, 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 payments[14] to managed care organizations that contract with TennCare to deliver services to members;
- fee-for-service claims paid directly to providers for services[15] 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.

[14] 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 BlueCross BlueShield of Tennessee, TennCare Select is a benefits manager that manages and coordinates care and maintains a network of healthcare providers for a select group of TennCare members, such as immigrants ineligible for full Medicaid needing emergency medical services. For TennCare Select, TennCare pays BlueCross BlueShield an administrative rate per member per month and reimburses them for all services (claims) provided to TennCare members.

[15] The types of services provided include, but are not limited to, medical, behavioral health, and case management services.

TennCare's Eligibility Determination Process for Medicaid Applicants and Members

*Initial Eligibility Process*

TennCare uses the Tennessee Eligibility Determination System (TEDS) to determine an applicant's eligibility. Applicants apply for eligibility using TennCare Connect, TEDS' public-facing web portal. In addition to TennCare Connect, TennCare continues to accept applications through each of following methods:

- by phone or online through the Federally Facilitated Marketplace;[16]
- by phone or a paper application;
- by visiting a Department of Human Services office for in-person assistance with applying online, by paper, or by phone;
- by online through the TennCare Access partner portal;[17] or
- by visiting a Department of Human Services office for in-person assistance with applying online, by paper, or by phone.

Whether an applicant applies by phone, paper, in person, through the Federally Facilitated Marketplace, through TennCare Access, or through TennCare Connect, the applicant's demographic, income, and household 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 caseworker is assigned to process the application manually[18] in TEDS to determine if the applicant is eligible for any available TennCare eligibility category (including children, pregnant women, parents or caretakers of children, or other categories for certain adults). If TennCare determines that an applicant or member is not eligible for Medicaid benefits, the individual may appeal TennCare's decision.

*Eligibility Renewals*

Pursuant to the Families First Coronavirus Response Act, TennCare is not permitted to terminate members who were enrolled when the federal COVID-19 emergency period began. As such, TennCare paused Medicaid eligibility renewals, eligibility changes to lower categories, and terminations on March 18, 2020. During this pause, TennCare is only allowed to terminate Medicaid coverage for existing members due to the member's death, when a member voluntarily terminates coverage, or when a member becomes a resident in another state.

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[16] The U.S. Department of Health and Human Services operates the Federally Facilitated Marketplace, an organized marketplace of health insurance plans where individuals can apply for health insurance, including Medicaid.

[17] TennCare partners with the Department of Health, certain hospitals, and certain long-term care providers to assist an individual in the application process.

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

Social Security Number Requirements

According to Title 42, *Code of Federal Regulations* (CFR), Part 435, Section 910(f), TennCare cannot deny or delay services to otherwise eligible members pending issuance or verification of the member's Social Security number (SSN). According to TennCare's Assistant Commissioner of Member Services, management may have to assign a pseudo (temporary) SSN to a member upon enrollment in TennCare if the member cannot provide an SSN at the time of application. Management assign pseudo SSNs when members meet one of the following conditions:

- a newborn who has not been issued a valid SSN,
- a child in DCS custody who qualifies for the federal adoption assistance program and may be applying for a new SSN,
- an immigrant[19] who is ineligible for full Medicaid receiving payments for emergency services,
- a person who is in the process of applying for an SSN,
- a person approved by the Federally Facilitated Marketplace who has incomplete SSN data, or
- a person who files an application without an SSN but can be approved based on the information submitted.

**Prior Audit Results**

As noted in the prior audit, the division did not have an effective key internal control for determining eligibility. As a result, we reported the following compliance issues:

- TennCare did not appropriately determine member eligibility based on the member's assigned eligibility category,
- management did not obtain changes to eligibility determination statuses relating to children in foster care or receiving adoption assistance from DCS,
- TennCare did not terminate eligibility for members who did not have an eligible citizenship or immigration status, and
- for immigrants who are ineligible for full Medicaid who received emergency medical services, management did not initiate coverage when the emergency event began or terminate coverage when the emergency event ended.

In TennCare's six-month follow-up report to the Comptroller's Office, dated September 17, 2020, management stated that

> The federal share of the questioned costs was returned on July 14, 2020. TEDS was programmed during development to automatically determine the correct

[19] 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 five years, or undocumented individuals, do not meet the federal immigration requirements to receive TennCare.

outcomes and categories when eligibility is run, which has mitigated the errors noted of miscategorized eligibility using manual processes. The errors noted of payments made for emergency medical services (EMS) outside of the emergent period have also been mitigated. Manual worker processes were discontinued in the spring of 2019, and all EMS applications are now completed in TEDS. In addition, a defect in TEDS was corrected in October 2019 that caused the transmission of EMS eligibility segments to the Medicaid Management Information System (MMIS)… TennCare will review internal controls in place to address the risks noted by the auditors during the 2020 risk assessment process required by the *Tennessee Financial Integrity Act*, which will be completed by December 31, 2020.

**Current Audit Results**

For the current audit,[20] we determined that TennCare management did not resolve some of the eligibility issues that we noted in the prior audit. We also identified new conditions affecting eligibility decisions:

- a backlog[21] created from TEDS implementation, and
- TEDS and caseworker processing errors.

Testwork Methodology

In order to test TennCare's compliance with Medicaid eligibility requirements, we selected a random, nonstatistical sample from two different populations and tested one entire population.

*Sample 1:* To determine if TennCare appropriately determined members' eligibility for TennCare coverage, we tested a sample of 61 members and the related capitation payments, totaling $337,529,[22] from a population of 1,630,873 TennCare members, for whom TennCare paid capitation payments to managed care organizations totaling $6,976,685,061 during fiscal year 2020.

*Sample 2:* We identified the population of TennCare members who had pseudo Social Security numbers (SSNs) for over one year and for whom management had not resolved the pseudo SSNs as of November 1, 2020. From a population of 1,401 members who had pseudo SSNs, we tested a nonstatistical, random sample of 41 members to determine if management identified a member who did not meet one of the applicable categories (a newborn, a child in DCS custody, an immigrant ineligible for full Medicaid receiving emergency services, a person applying for an SSN, or a person approved by the Federally Facilitated Marketplace who has incomplete data) to be assigned a pseudo SSN.

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20 With the implementation of TEDS on April 1, 2019, we tested eligibility using the TEDS system for the current audit period.

21 The definition of a backlog is an accumulation of tasks unperformed or not processed.

22 Our sample included a nonstatistical, random sample of 60 members, totaling $332,465; additionally, we included 1 member, totaling $5,064, from our renewals testwork.

*Population:* From a population of 103,780 members who had a pseudo SSN at any point during the year ended June 30, 2020, we filtered the population to identify and test all 64 ineligible immigrants classified as receiving emergency services.

It is important to note that, based on our testwork from the 2 samples and 1 population, we identified 38 ineligible members from the 166 members tested; 25 ineligible members will continue to receive benefits until the COVID-19 pandemic emergency ends and TennCare already terminated coverage for the remaining 13 ineligible members.

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

<u>Conversion to TEDS in 2019 Created a Backlog of Medicaid Member Eligibility Determinations</u>

When TennCare management prepared to implement TEDS, TennCare moved existing member eligibility cases in the legacy systems into a conversion status[23] in TEDS. Otherwise, TennCare may have terminated the members' benefits and require them to reapply. Through discussions with TennCare management we learned that, as of February 5, 2021, they had 85,395 members in conversion status. The members who were still in conversion status were either in the Medicaid program (75,571), the CoverKids program (549)[24], or the Medicare Savings Program (9,275 - a program for Medicaid/Medicare dual eligible members to help pay Medicare premiums, deductibles, coinsurance, copayments, prescription drug coverage costs). According to TennCare management, members who are in conversion status include any cases transferred from the legacy system to TEDS which have not yet been reviewed for current eligibility and resolved. These cases could include members who are still eligible or members who are no longer eligible. Ineligibility could result from the following situations:

- members who aged out of eligibility for benefits,
- members whose post-partum period of eligibility has ended,
- members whose category at the time of conversion is now different, or
- members who may have Medicaid coverage in another state.

All the above cases will remain in conversion status until either the case is selected for renewal or the member reports a change to TennCare that updates eligibility or results in termination.

<u>TEDS Errors and Caseworker Errors Affecting Eligibility Determinations</u>

We identified seven types of errors in TennCare's eligibility processes. Of the seven issues found, 2 were systems related, 4 were caseworker errors, and 1 was a combination of a system error and a caseworker error. We brought the following errors to management's attention based on our eligibility, pseudo SSN, and emergency services testwork:

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[23] According to TennCare, the conversion status was a marker to both staff and TEDS that the member's eligibility should be held open until the member either reached out to TennCare to update their case or the case was chosen for a full renewal where updated information could be retrieved.
[24] For more information about the CoverKids conversion process, see **Finding 2020-009**

- TennCare appeals staff did not resolve 2 members' eligibility appeals within 90 days, as required, resulting in these 2 ineligible members retaining benefits. According to the Assistant Commissioner of Member Services, due to the high volume of appeals in 2019 TennCare allowed appellants to remain in the program past the 90 days if the appeal had not been resolved. Therefore, we questioned all costs after the date TennCare should have resolved their appeals, resulting in federal questioned costs totaling $5,082 and a remaining $2,260 in state questioned costs.

TennCare established procedures for applicants and existing members who are denied coverage to appeal eligibility decisions in accordance with federal regulations (42 CFR 431. 221). Section 244 of this part goes on to state that TennCare must take final administrative action within 90 days after a member files an appeal.

- For 1 member who went through the renewal process, a TennCare eligibility caseworker processed the member's eligibility determination without obtaining documentation that the member had an SSN or that the member was in the process of obtaining one. Because the member met all other eligibility requirements, we did not question costs.

According to 42 CFR 435.910, TennCare "... must require, as a condition of eligibility, that each individual (including children) seeking Medicaid furnish each of his or her Social Security numbers (SSN)." "...if an applicant ... has not been issued a SSN the agency [TennCare] must assist the applicant in completing an application for an SSN."

- For 19 members who originally received CoverKids[25] pregnancy coverage and were not U.S citizens, caseworkers did not correct the members' citizenship status when the members' cases were converted from the legacy eligibility systems to TEDS. During conversion, TennCare decided to load members' citizenship status to U.S. citizen but marked the verification status as conversion.[26] According to the Assistant Commissioner of Member Services, caseworkers were responsible for correcting the citizenship status before TEDS could take further action on the case. Because caseworkers did not make the corrections, TEDS processed and approved the members for Medicaid benefits. As a result, we identified federal questioned costs totaling $63,296 and a remaining $27,942 in state questioned costs.

According to 42 CFR 435.406, TennCare must provide Medicaid to otherwise eligible individuals who are U.S citizens, lawfully admitted permanent residents, and certain non-citizens granted lawful temporary resident status.

- For 1 member, an eligibility caseworker processed the member's application, even though the person was not applying for benefits. Although other household members applied for Medicaid, the member tested was not a U.S. citizen and noted on the application that he was not applying for benefits. TennCare's Assistant Commissioner

[25] 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. Pregnant women who are not U.S. citizens may be eligible to receive CoverKids benefits.
[26] For more information about the conversion process, see **Finding 2020-009**.

of Member Services stated the caseworker made a mistake. As a result, we identified federal questioned costs totaling $1,520 and a remaining $664 in state questioned costs.

- For 1 member TEDS erroneously extended the member's reasonable opportunity period coverage instead of terminating the member's benefits when the member failed to provide her verification of citizenship status. Under federal requirements, TennCare allows applicants a 90 day reasonable opportunity period to submit proof of citizenship.[27] Apparently the member's caseworker approved the original reasonable opportunity period, causing TEDS to erroneously extend the member's reasonable opportunity period coverage instead of terminating the member's benefits. As a result, we identified federal questioned costs totaling $5,171 and a remaining $2,421 in state questioned costs.

- For 11 immigrants who received emergency medical services during the audit period, TEDS did not limit benefit coverage to the dates of the emergency events, as required by policy. As a result, we identified federal questioned costs totaling $235 and a remaining $104 in state questioned costs. According to the Assistant Commissioner of Member Services, 10 members experienced 2 emergency events, and TEDS incorrectly backdated eligibility to the first event. The TEDS contractor implemented a system fix on December 30, 2020. We will review the system fixes management implemented after the end of our audit scope (June 30, 2020) during TennCare's 2021 Single Audit. For 1 member, TEDS began benefit coverage on the wrong date. We brought the second issue to management's attention in the prior audit; they corrected the system error through a data fix on October 30, 2019, and then TennCare discovered errors in the data fix, which were corrected on December 15, 2019.

- For 2 immigrants who received emergency medical services during the audit period, TEDS did not terminate the coverage period on the last day the individual received the emergency service, resulting in $88 in federal questioned costs and a remaining $46 in state questioned costs. According to TennCare's Assistant Commissioner of Member Services, the TennCare eligibility caseworkers either did not enter an end date in interChange[28] or did not enter the correct end date. The TEDS contractor corrected the system error through a data fix on December 10, 2019.

According to the Health Care Finance and Administration's Policy Manual Number: 020.005, Emergency Medical Services, Eligibility Begin and End Dates, "Coverage will be limited to the length of time required to stabilize the emergent episode."

<u>TennCare Management Did Not Have Sufficient Documentation to Support Eligibility Determination</u>

For one member who left the DCS custody in February 2019, TennCare did not obtain sufficient documentation to determine her eligibility after she left custody. TennCare did not obtain updated household income for the parent and member. According to TennCare's Eligibility Quality Control Director, TennCare's Business Improvement Team worked with DCS to review cases in

[27] The reasonable opportunity period is a 90 day period in which an applicant may provide proof of citizenship. The reasonable opportunity period is required by 42 CFR 435.956.
[28] interChange is TennCare's claims management system.

TEDS where the child may have already left custody; they completed the project in November 2020. We will examine the effectiveness of the DCS data transfer during the next audit. As of March 2, 2021, the member is listed as having no income in TEDS and is presumably eligible; however, without sufficient documentation neither management nor we could determine the member's eligibility. We identified federal questioned costs, totaling $1,777, and a remaining $796 in state questioned costs.

Risk Assessment

We reviewed the Division of TennCare's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of an eligibility caseworker or TEDS performing inaccurate eligibility determinations, case changes, and redeterminations. While management identified the risk, management's control of TEDS generating canned and ad hoc reports relating to system functionality and worker performance is not sufficient to mitigate the 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 Green Book Principle 7, "Identify, Analyze, and Respond to Risks,"

> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**Effect**

When TennCare staff and TEDS do not process Medicaid eligibility determinations correctly and timely, the division increases the risk of keeping ineligible individuals on its membership rolls, thereby allowing them to receive a public benefit they are not entitled to receive and rendering related costs unallowable. Until TennCare management can significantly reduce or eliminate the backlog of conversion cases (cases which require caseworker intervention), management increases the risk of allowing ineligible members to remain on the program.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in 2 CFR 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;
>
> (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 200.339 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 should ensure that eligibility caseworkers are fully trained so that they understand their responsibilities relating to Medicaid eligibility and can properly and timely determine if the members are eligible for benefits. In addition, the Assistant Commissioner should ensure that the TEDS contractor's system fix is operating as designed. Furthermore, the Assistant Commissioner should ensure the eligibility data for a member who is no longer in the Department of Children's Services' custody is sufficient to determine eligibility.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur.

It is important to note that no member has been harmed by the issues raised in this finding. This audit covers the first full year of TennCare's new eligibility system. Most of the issues identified are related to go-live activities of converting existing members into the new system. There were also examples of staff data entry errors noted during the review period. Finally, there were two TEDS system errors identified that have now been corrected and one more that will be corrected this spring. For context, we would like to supply some information about the implementation of our new eligibility system, then we will discuss the actions we have taken and will take to address the issues described in this finding.

On June 3, 2019, TennCare's modern eligibility system officially moved to production after pilot phases beginning on October 23, 2018. The implementation of the new system was a major, successful implementation that took three years from contract development to pilot go live. The system includes the main eligibility system TEDS, and its public-facing portals TennCare Connect, the TennCare Connect mobile app, and TennCare Access. The system now processes about 500,000 TennCare applications each year and is used by more than 700 state employees plus an additional 300 to 400 contractors each day.

During conversion to the new system, it was not possible in many cases to automatically populate all the necessary fields from data in the systems and records that preceded TEDS. TennCare members' records that did not have complete information were marked as being in "conversion status." The conversion status prevented TEDS from making automatic eligibility decisions when the system had incomplete information from the conversion. This approach prevented the system from making potentially incorrect decisions until complete information could be gathered during a member's first annual renewal period or some other contact with the state.

In May 2019 after all existing Medicaid and CHIP members were loaded into TEDS, there were 420,000 individuals in this conversion status. In consultation with CMS, the federal Medicaid and CHIP oversight agency, TennCare planned to ramp up over time the number of renewals conducted each month in the new system to ensure proper systems processing and staff adoption of the new processes. TennCare was on target to have all conversion status cases renewed in the new system by late 2020, but those plans changed due to the declaration of a public health emergency and a moratorium on renewals, negative changes and terminations effective March 18, 2020. On February 5, 2021, approximately 85,000 individuals remained in conversion status.

With the implementation of TEDS, TennCare applicants and members now have the ability to submit applications and renewals online and to manage their data at any time through the use of TennCare Connect. They can also view notices online or through a mobile app and can take pictures of documents requested by the state or the system to complete eligibility processing. This is a significant improvement over the pre-TEDS processes that required faxing or mailing documentation. In addition to the self-service functionality, TennCare can now process applications, changes and renewals in real time during an online session or overnight once the data is submitted to the state if automated data verifications are available.

We have taken or are taking the following steps to address case worker and systems errors described in this finding.

First, we improved our ability to process appeals within 90 days. At go-live of the new eligibility system TennCare had a high volume of appeals open both in TEDS and in a legacy appeals system. Since 2019 TennCare has identified, developed and implemented many changes to the TEDS appeals system and processes that have greatly improved efficiency. Staff have also become more efficient as they are now familiar with the new system. TennCare has greatly reduced the number of open appeals. Note that these open cases were always for members who were continuing to receive benefits during the appeal as required by law, so members were not harmed by the longer appeals processes. We note, however, that if external events such as the resumption of redetermination at the end of the public health emergency led to a high volume of appeals, we may again be required to let appeals continue beyond 90 days for members who are receiving continued coverage.

Second, for the case where a child's coverage was automatically extended even though the SSN was not in the record, the valid social security number has now been added to the case and the member remains eligible for TennCare.

Third, we have also addressed the 19 cases the auditors identified where citizenship status was not available to be automatically loaded into the new eligibility system and so the cases were marked as being in conversion status requiring verification. Guidance was distributed to staff and made available in the TEDS system in early 2019 describing the process for authorizing cases in conversion status. The guidance specified to update each verification field in each case from conversion to an acceptable verification status (or to request verification if electronic sources were unable to verify). However, caseworkers incorrectly moved these cases from CoverKids to the Caretaker Relative category. The error would have been resolved through the normal process of renewals but the national pandemic resulted in a hold on that process. All potential cases have been identified and notices requesting verification of citizenship status have been sent.

Fourth, we concur that a TennCare eligibility caseworker marked a family member on an application as applying for coverage and entered the immigration data into the system in error. We will take action on this case as soon as possible.

Fifth, in the case of a member whose reasonable opportunity period was extended due to worker error, we will take action on this case as soon as possible.

Sixth, we have corrected systems errors related to coverage dates for payment of hospital bills through emergency medical services. The first systems issue was corrected on December 30, 2020. The second issue was discovered during the prior single audit and was initially corrected through a systems data fix on October 30, 2019. It was later discovered that the data fix did not cover all possible scenarios and that was corrected on December 15, 2019.

For the seventh and final test group, on December 10, 2019 a data fix was applied to correct the two cases where the system applied the incorrect end date for emergency medical service segments, and coverage for these individuals has been closed.

As the auditors have explained, with our new eligibility system we have improved our eligibility process for children in foster care so that the eligibility is processed directly in TEDS by DCS child welfare benefit workers. As part of our conversion to the new system, by the end of calendar year 2020 TennCare completed work with DCS to redetermine children in state custody from the conversion period who may have left state custody prior to TEDS implementation, including the child referred to in this finding. We will continue to work on processes to capture updated information for eligibility reviews after a child has left DCS custody.

While training can never eliminate human error, we will make additions to our already significant investment in upfront and ongoing training of our workers. We will increase the explanation of the business processes and policies used in the eligibility determination process. The first section of a curriculum revision is targeted for completion in June 2021 and the second section is targeted for completion in August 2021.

To help ensure appropriate processing of TennCare eligibility casework, in late 2020 TennCare Member Services implemented a new monthly case reading tool and review process that requires eligibility operations supervisors, with assistance from the quality assurance staff, to review and score at least five cases per eligibility caseworker per month. This case reading tool will help to identify worker problem areas quickly and allow for targeted retraining of staff.

We currently are following the auditors' suggestion that we ensure that the TEDS contractor addresses any identified system error after identifying the cause.

Finally, we will revise the eligibility-related risk assessment as recommended by the auditors.

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|---|---|
| **Finding Number** | 2020-009 |
| **CFDA Number** | 93.767 |
| **Program Name** | Children's Health Insurance Program (CHIP) |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Finance and Administration |
| **Federal Award Identification Number** | 1805TN5021 and 1905TN5021 |
| **Federal Award Year** | 2018 through 2019 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $3,102 |

**Management should promptly address TennCare's CoverKids eligibility process deficiencies**

**Background**

The Division of TennCare (TennCare) oversees CoverKids, Tennessee's Children's Health Insurance Program. Funded at both the federal and state levels, the program provides health insurance coverage to uninsured, low-income children and pregnant women not otherwise eligible for Medicaid. In general, TennCare makes three types of payments on behalf of CoverKids members:

- administrative payments to BlueCross BlueShield, who contracts with TennCare to deliver services to CoverKids members;
- fee-for-service claims paid to providers for services[29] provided to members; and
- reimbursements to benefit managers for services, such as pharmacy, dental, and health services.

TennCare's Eligibility Determination Process for CoverKids Applicants and Members

*Initial Eligibility Process*

With the implementation of the Tennessee Eligibility Determination System (TEDS) on April 1, 2019, CoverKids applicants apply for eligibility using TennCare Connect, TEDS' public-facing web portal. In addition to TennCare Connect, TennCare continues to accept applications through each of following methods:

- by phone or online through the Federally Facilitated Marketplace;[30]

[29] The types of services provided include, but are not limited to, medical, behavioral health, and case management services. As part of its contract for fiscal year 2020, BlueCross BlueShield manages these claims on behalf of TennCare.

[30] The U.S. Department of Health and Human Services operates the Federally Facilitated Marketplace, an organized marketplace of health insurance plans where individuals can apply for health insurance, including Medicaid and CoverKids.

- by phone or a paper application;
- online through the TennCare Access partner portal;[31] or
- by visiting a Department of Human Services office for in-person assistance with applying online, by paper, or by phone.

Whether an applicant applies by phone, paper, in-person, through the Federally Facilitated Marketplace, through TennCare Access, or through TennCare Connect, the applicant's demographic, income, and household information is entered into TEDS for automated processing. The applicant's information is verified against multiple state and federal databases to determine if the applicant is eligible for any available TennCare or CoverKids eligibility category, thereby removing the need for human intervention in many cases. If the applicant's eligibility determination requires human intervention, a TennCare eligibility caseworker is assigned to process the application manually[32] in TEDS.

*Eligibility Renewals Paused*

Pursuant to the Families First Coronavirus Response Act, TennCare is not permitted to terminate members who were enrolled when the federal COVID-19 emergency period began. As such, TennCare paused CoverKids eligibility renewals, eligibility changes to lower categories, and terminations on March 18, 2020. During this pause, TennCare is only allowed to terminate CoverKids coverage for existing members due to the member's death, when a member voluntarily terminates coverage, or when a member becomes a resident in another state.

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

We focused our audit objectives on TennCare's process to determine that members were eligible for CoverKids coverage. To accomplish our objective, we tested two unique populations:

1. members of the CoverKids program, and
2. members who had their eligibility redetermined (renewed) during the fiscal year ended June 30, 2020.

From a population of 64,186 CoverKids members, for whom TennCare paid administrative payments to BlueCross BlueShield totaling $14,554,018 in federal and state funds during fiscal year 2020, we tested a sample of 61 members and the related administrative payments, totaling $16,335.[33]

In addition, from a population of 6,510 members who had their eligibility renewed during fiscal year 2020, we tested a nonstatistical, random sample of 60 members to determine if TEDS

[31] TennCare partners with the Department of Health, certain hospitals, and certain long-term care providers to assist an individual in the application process.
[32] According to TennCare management, TEDS is a task-based system where an eligibility caseworker may have to manually verify an applicant's information (such as Social Security Administration payment history or family composition) to continue processing eligibility.
[33] Our sample included a nonstatistical, random sample of 60 members, totaling $16,005; additionally, we included 1 member, totaling $330, from our pseudo Social Security number testwork.

properly evaluated the members during the renewal process. It is important to note that, based on our testwork from the 2 samples, we identified 9 ineligible members from the 121 members tested; these 9 ineligible members will continue to receive benefits until the COVID-19 pandemic emergency ends.

Conversion to TEDS in 2019 Created a Backlog of CoverKids Member Eligibility Determinations

When TennCare management prepared to implement TEDS, TennCare moved existing member eligibility cases in the legacy systems into conversion status[34] in TEDS. Otherwise, TennCare may have terminated the members' benefits and require them to reapply. Through discussions with TennCare management we learned that, as of February 5, 2021, they had 85,395 members in conversion status. The members who were still in conversion status were either in the Medicaid program (75,571), the CoverKids program (549), or the Medicare Savings Program (9,275 – a program for Medicaid/Medicare dual eligible members to help pay Medicare premiums, deductibles, coinsurance, copayments, prescription drug coverage costs).

According to TennCare management, members who are in conversion status include cases transferred from the legacy system to TEDS which have not yet been reviewed for current eligibility and resolved. These cases could include members who are still eligible or members who are no longer eligible. Ineligibility could result from the following situations:

- members who aged out of eligibility for benefits;
- members whose post-partum period of eligibility has ended;
- members whose category at the time of conversion is now different; or
- members who are no longer a resident of Tennessee.

All the above cases will remain in conversion status until either the case is selected for renewal or the member reports a change to TennCare that updates eligibility or results in termination.

TennCare uses exception reports to identify case actions that were stopped due to an outstanding item in TEDS. The outstanding items could include conversion status cases and pending additional information requests. In 2019, TennCare began working these exception reports, and expanded their efforts in 2020. To understand the severity of the backlog of members in conversion status, we requested and obtained the following exception reports, which were subsets of the total members in conversion status, and found that:

- the postpartum and aged out exceptions from the batch exception report, dated June 15, 2020, listed 17,016 member cases, some over 500 days old; and
- the additional information exceptions from the batch exception report, dated January 1, 2021, listed 2,469 member cases, some over 600 days old.

[34] According to TennCare, the conversion status was a marker to both staff and TEDS that the member's eligibility should be held open until the member either reached out to TennCare to update their case or the case was chosen for a full renewal where updated information could be retrieved.

Given that the backlog[35] relates directly to member eligibility, we believe that until it is resolved, outstanding eligibility determinations are likely to have a significant impact on CoverKids members losing benefits when management restarts the renewal process after the COVID-19 emergency period ends.

For 8 of 121 members selected from our eligibility sample, TennCare management had not yet determined whether the members were eligible for CoverKids benefits as those members are still part of the unworked conversion backlog or on the batch exception report.

- For the four members categorized as CoverKids Pregnant, we found the members' cases on one of TennCare's postpartum exception reports,[36] which identifies cases where the postpartum period has ended. However, a caseworker had not reviewed the cases and the additional member information in TEDS. For these four members, TennCare should have terminated CoverKids coverage for the CoverKids Pregnant category at the end of the following months:
    - November 2018,
    - December 2018,
    - January 2019, and
    - June 2019.

  As a result, we identified federal questioned costs totaling $1,753 and an additional $180 in state questioned costs.[37]

According to the *Families and Children Manual,* Policy 025.005(7)(b), TennCare provides coverage for pregnant women with incomes below 250% of the federal poverty level. Policy 025.005(6)(f) also requires the woman must not have access to pregnancy coverage through private insurance. Policy 025.005(3) also requires that the member receives coverage for the full term of the pregnancy, as well as a 60-day postpartum period. Coverage terminates on the last day of the month in which the 60th day falls.

- For one member in the pregnancy category, TEDS scheduled a termination of the member's coverage on August 22, 2019. A TEDS system process, however, stopped the member's termination process on August 29, 2019, resulting in the case being recorded on the batch exception report. According to the Assistant Commissioner of Member Services, the case was not addressed before the public health emergency caused management to pause all member terminations. We identified federal questioned costs totaling $374 and remaining $36 in state questioned costs.

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[35] The definition of a backlog is an accumulation of tasks unperformed or not processed.

[36] TEDS used the Tableau software to generate the RP015 – Daily Error Report From Mass Change Processing exceptions report, which can be filtered to show postpartum exceptions.

[37] While total known questioned costs for the Children's Health Insurance Program were less than $25,000, Title 2, *Code of Federal Regulations,* Part 200, Section 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 this program, we determined that likely questioned costs exceeded $25,000.

- For one member tested, while TEDS initiated the member's eligibility renewal process in July 2019, the member also appeared on a PARIS report,[38] alerting TEDS that the member had medical coverage in another state. Because TEDS had open requests for information related to the renewal, in addition to the PARIS report alert, the member's case appeared on an exception report, thereby requiring caseworker intervention to resolve the open requests and allow the PARIS alert to update. As a result, we questioned federal costs totaling $54 and $1 in state questioned costs.[39]

- For one member in the pregnancy category, an appeals caseworker working on this conversion case did not resolve an open task in TEDS, thereby preventing TEDS from processing the member's eligibility at the end of the postpartum period (November 30, 2019). We identified federal questioned costs totaling $175 and a remaining $18 in state questioned costs.[40]

- For the one member tested during the renewal process on October 23, 2019, the eligibility caseworker assigned to work the conversion case used the member's 2018 income information from the legacy system, instead of clicking a setting in TEDS to issue a request to the member to provide documentation of current income. We identified federal questioned costs, totaling $746, and a remaining $72 in state questioned costs.[41]

According to Tennessee's Children's Health Insurance Program state plan, any child under the age of 19 whose household income is at or below 250% of the federal poverty level and meets all non-financial eligibility requirements may be eligible for CoverKids. Any child who is covered under Medicaid, a group health plan, or another creditable health insurance coverage is not eligible.

TEDS System Error Affecting Eligibility Determinations

1. Based on our renewal sample testwork, we found one member for whom TEDS terminated the member's CoverKids coverage on March 10, 2020, even though the member was still eligible. Based on our review of the member's case in TEDS, TEDS processed the renewal and terminated the member's eligibility for CoverKids based on an outstanding Medicaid-related request to the member. This open Medicaid request, however, should not have been a factor in determining the member's CoverKids benefits. According to the Assistant Commissioner of Member Services, TennCare's contractor implemented a system fix on July 12, 2020. We will review the system fixes management implemented after the end of our audit scope (June 30, 2020) during TennCare's 2021 Single Audit.

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38 The Public Assistance Reporting Information System (PARIS) is managed by the U.S. Department of Health and Human Services. Each state sends data to PARIS with enrollment and member information. If an individual is noted as receiving benefits in more than one state, the individual will appear on the PARIS report.
39 See footnote 37.
40 See footnote 37.
41 See footnote 37.

Risk Assessment

We reviewed the Division of TennCare's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of an eligibility caseworker or TEDS performing inaccurate eligibility determinations, case changes, and redeterminations. While management identified the risk, management's control of TEDS generating canned and ad hoc reports relating to system functionality and worker performance is not sufficient to mitigate the risk.

Management has not identified the risk of caseworkers not resolving the backlog of member eligibility determination contained on exception reports.

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 Green Book 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. . . .
>
> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

## Effect

When TennCare staff and TEDS do not process CoverKids eligibility determinations correctly and timely, TennCare increases the risk of keeping ineligible individuals on its membership rolls, thereby allowing them to receive a public benefit they are not entitled to receive and rendering related costs unallowable. Until TennCare management can significantly reduce or eliminate the backlog of conversion cases (cases which require caseworker intervention), management increases the risk of allowing ineligible members to remain on the program.

Additionally, federal regulations address actions that federal agencies may impose in cases of noncompliance. As noted in Title 2, *Code of Federal Regulations* (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 pass-through entity may impose additional conditions," including, as described in Section 200.208, "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 200.339 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 Assistant Commissioner of Member Services should develop an adequate plan to work conversion cases and eliminate the backlog. In addition, the Assistant Commissioner should ensure that the TEDS contractor's system fix is operating as designed. Furthermore, the Assistant Commissioner should ensure that eligibility caseworkers receive additional training so that they can properly determine if the members are eligible for CoverKids benefits.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur.

For this audit of the first full year in our new eligibility system, most of the issues identified are related to converting existing members into the new system and the planned protections put in place to ensure that members had an opportunity to provide updated information to TennCare before any negative actions were taken. There was also one case of worker error. Please see our response to the TennCare finding in this single audit report for context on TennCare's conversion to a new eligibility system.

During conversion to the new system, it was not possible in many cases to automatically populate all the necessary fields from data in the systems and records that preceded TEDS. TennCare members' records that did not have complete information were marked as being in "conversion status." The conversion status prevented TEDS from making automatic eligibility decisions when the system had incomplete information from the conversion. This approach prevented the system from making potentially incorrect decisions until complete information could be gathered during a member's first annual renewal period or some other contact with the state.

The Business Exception report was created to report cases that were held open for an extended period after they were flagged for intervention. A case can be held open for intervention for many reasons, including information that is in conversion status or conflicting information. This process was another way to prevent the system from making potentially incorrect decisions.

The auditors identified cases that remained open for an extended period after being put on the Business Exception report. As noted in the finding, TennCare changed how the Business Exception report is worked in early 2020 and has improved this process since TEDS implementation. As a result, many of the cases on the Business Exception report that date from prior to the public health emergency have been addressed. However, open cases due to the moratorium on terminations during the public health emergency have grown. For example, of the 17,016 postpartum and age-out exceptions on the Business Exception report dated June 15, 2020, 82% are on the report not due to the case being in conversion status or having incomplete or conflicting information but as a result of federal requirements against taking negative eligibility actions or processing terminations during the public health emergency.

We will implement a plan to address all conversion cases on the Business Exception report that can be worked outside of COVID restrictions, as the auditors suggest. We will update worker training to increase the understanding of business processes and policies behind the data being collected and used in the eligibility determination process. The first section of a curriculum revision is targeted for completion in June 2021 and the second section is targeted for completion in August 2021.

For the case of a CoverKids enrollee going through renewal where a case worker made an error in the renewal process, proof of income has now been received and the enrollee remains eligible. The attested income during the renewal was the same as the income already listed in the TEDS record, but the caseworker error of not reverifying that income has now been resolved.

To help ensure appropriate processing of TennCare eligibility casework, in late 2020 TennCare Member Services implemented a new monthly case reading tool and review process that requires eligibility operations supervisors, with assistance from the quality assurance staff, to review and score at least five cases per eligibility caseworker per month. This case reading tool will help to identify worker problem areas quickly and allow for targeted retraining of staff.

We currently are following the auditors' suggestion that we ensure that the TEDS contractor addresses any identified system error after identifying the root cause.

Finally, we will revise the eligibility-related risk assessment as recommended by the auditors.

| | |
|---|---|
| **Finding Number** | 2020-010 |
| **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** | 195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503 |
| **Federal Award Year** | 2019 and 2020 |
| **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** | 2019-017 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | |

| CFDA | Federal Award Identification Number | Amount |
|---|---|---|
| 10.558 | 195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503 | $31,810 |
| 10.559 | 195TN331N1099, 205TN331N1099, and 205TN331N8503 | (FY2020) $92,572<br>(FY2021) $381,579 |

**Department of Human Services management has not taken sufficient action to prevent, detect, and address potential fraud in federal food programs, resulting in $505,961 of federal questioned costs**

**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.

As outlined in Title 2, *Code of Federal Regulations* (CFR), Part 200, 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.

Inherent Risks of Food Programs

Federal requirements establish a reimbursement model for food programs, where the pass-through entity, DHS, reimburses subrecipients after the meal service for the expenses of providing meals to participants. In Tennessee, the food programs include approximately 350 subrecipients that serve thousands of meals each day. Due to the volume of reimbursement claims, DHS cannot review each individual claim before reimbursement and cannot review supporting documentation for each claim after reimbursement.

Given that DHS has no front-end control in place to prevent improper payments to subrecipients, DHS uses the Audit Services unit to provide a detective control through its monitoring process, which is DHS's primary control for determining the accuracy of the reimbursement claims. Because of the nature of the food programs, DHS must establish a system of controls that can reasonably ensure the integrity of the programs, including systematically and proactively monitoring subrecipients to detect improper activities and performing more substantive reviews when Audit Services monitors and other reviewers identify indications of fraud, waste, and abuse.

Results of Prior Audits

Based on our prior six audits, we have reported the following number of findings, outlined in **Table 1**, both for CACFP and SFSP, with corresponding questioned costs:[42]

[42] 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.

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

| Single Audit Year | New Findings | Repeat Findings | 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 |

In addition, based on our prior audits, which include site reviews of subrecipients, we found that DHS

- reimbursed subrecipients for meals that were not served;
- reimbursed subrecipients with incomplete or missing documentation; and
- reimbursed subrecipients that did not follow the federal requirements for meal times, meal sites, meal components, and approved limits of meal site capacity.

The instances described in our prior findings primarily included the following fraud indicators, signifying potential intentional misuse of federal funds by subrecipients of these federal meal service programs. 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 From Prior Audits**

| 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 |

We identified these improper payments in these prior audits based on samples of transactions that we randomly selected for our testwork, which suggests that fraud and corresponding questioned costs are likely higher than we reported in our current and prior *Single Audit Reports.*

Prior Audit Recommendations and Corrective Action

Since 2014, we have recommended that management develop a robust process over the food programs' administration, with an emphasis on strengthening controls within the monitoring and oversight activities for both CACFP and SFSP. Specifically, we recommended that management address staffing deficiencies and turnover, implement improvements in program systems, utilize available system functionality to search for improper payments and patterns of potential fraud and abuse, provide a quick follow-up response to identified risks, and take prompt action to ensure subrecipients comply or are terminated from the programs.

In response to our prior-year findings, DHS management has taken the following steps to improve management's oversight of the programs and remedy identified deficiencies:

1) In 2016, DHS implemented the Tennessee Information Payment System (TIPS), an online application that allows subrecipients to submit both (1) applications to participate in the programs and (2) reimbursement claims to recover administrative costs and the costs of meals served. TIPS, which replaced the Tennessee Food Program system, streamlined the claim reimbursement processes and added enhanced capabilities that the previous system did not have. TIPS is also a record retention tool, eliminating the need for management to retain hard copies of applications and various program records.
2) To improve monitoring processes within the Audit Services unit, DHS implemented the HighBond system, which replaced the previous pen-and-paper review system. HighBond provides electronic access to the working papers from any location and allows staff to retain program records electronically. In addition, Audit Services management revised monitoring tools to address inconsistencies with monitoring activities and federal monitoring requirements.
3) During fiscal year 2018, management filled the food programs' vacant positions of auditors, monitors, and investigators so that staffing levels remained reasonably consistent. In the current audit, we found consistent retention levels, with no significant turnover for key management positions directly responsible for overseeing the administration of the food programs.
4) To help subrecipients remedy identified deficiencies and improve compliance with federal requirements, DHS has provided increased training and technical assistance to subrecipients.

**Condition**

Based on our follow-up of prior audits and the results of the current audit, we have determined that management has not taken sufficient action to prevent and detect fraud in food service programs. Management also has not addressed subrecipients with repeated deficiencies.

Insufficient Action to Prevent and Detect Fraud in Food Service Programs

In our prior audits, we communicated to DHS management that they need to strengthen their oversight of the food programs to address continual weaknesses in program integrity. Despite management's noted improvements to strengthen its monitoring and information system processes, management's overall control process does not include routine procedures to consistently identify and follow up on subrecipients that exhibit increased fraud risks.

Based on the results of our current review of the SFSP and CACFP food programs,[43] we identified 9 subrecipients that exhibited 1 or more fraud indicators. Specifically, we identified that

- 5 SFSP subrecipients either claimed the same number of meals each day or regularly claimed numbers of meals in multiples of 5 (such as 50, 55, or 60). The 2017 *Summer Food Service Program State Agency Monitor Guide* identifies this pattern of claims as a potential red flag for abuse of the program since the practice may indicate that subrecipients are estimating or inflating the number of meals served. Based on our prior physical observations of other meal program sites, review of the U.S. Department of Agriculture's guidance, and discussions with Audit Services monitors, we expect variance in the number of meals served each day and throughout the month.
- 1 SFSP subrecipient photocopied meal count forms to create documentation for subsequent meal service events. Instead of starting with a blank form, the subrecipient staff used the photocopied form and only changed the date of the meal service; therefore, they did not capture the actual tally of number of meals served. SFSP requirements state that staff should start a new meal count form at each meal service to document the date and type of meal service provided (breakfast, lunch, snack, or dinner) and to record the tally of meals actually served at that particular meal service. As such, a photocopied meal count form from a prior meal service is not sufficient to record the actual meal counts as required.
- 1 SFSP subrecipient used a photocopy of breakfasts served to create a count of lunches served each day. During summer 2020, federal guidance allowed the subrecipient to serve breakfast and lunch at the same time; however, staff were still required to maintain separate meal count forms for each type of service. On the day we physically observed operations at the subrecipient's meal site, we noted that the subrecipient did not count the number of meals being served and stated that they would create the count later. Additionally, this subrecipient followed a pattern of claiming either the same number of meals each day or claiming numbers of meals in multiples of five at their other sites, as described above.
- 2 CACFP subrecipients claimed every child was present all day for each meal service event. Our evaluation of 1 subrecipient's sign-in/sign-out records for 2 claim months revealed that not every child was present for each meal service because children arrived after the breakfast service or left before the lunch and afternoon snack service. Based on our prior physical observations of other childcare centers and our discussions with Audit Services monitors, we expect variation in the sites' attendance due to absences, late arrivals, or early departures from the site. We believe it is unrealistic to claim the same number of children as present at all 3 meal services for a 2-month period.

[43] We present our review of the SFSP and CACFP food programs, including identified questioned costs, in findings **2020-011, 2020-012, 2020-013**, **2020-014**, and **2020-015**.

**Table 3** summarizes the questioned costs for subrecipients exhibiting fraud indicators.

**Table 3**
**Questioned Costs for Subrecipients**

| Subrecipient | Program | Questioned Costs* |
|---|---|---|
| Subrecipient 1 | SFSP | $73,369 |
| Subrecipient 2 | SFSP | $58,393 |
| Subrecipient 3 | SFSP | $70,762 |
| Subrecipient 4 | SFSP | $27,543 |
| Subrecipient 5 | SFSP | $9,692 |
| Subrecipient 6 | SFSP | $183,045 |
| Subrecipient 7 | SFSP | $51,347 |
| Subrecipient 8 | CACFP | $23,011 |
| Subrecipient 9 | CACFP | $8,799 |
| **Total** | | **$505,961** |

* Amounts listed in this table are net of any costs questioned in Findings 2020-012, 2020-013, 2020-014, and 2020-015.

Source: Auditor review of supporting documentation and observation of subrecipient activities.

Again, as noted in this finding and Findings **2020-012, 2020-014**, and **2020-015**, federal regulations require that subrecipients prepare the meal counts during the actual meal services, at the point of service, so that the meal counts reflect actual meals served.

System Control Deficiencies

DHS management's implementation of the Tennessee Information Payment System (TIPS) and HighBond has not addressed prior findings of noncompliance and control deficiencies in both SFSP and CACFP. While TIPS's edit checks detect when subrecipients claim meals over the maximum approved numbers, the edit checks do not ensure that subrecipients accurately calculate meals and maintain accurate and complete documentation to support the reimbursement claims. 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.

Repeat Offenders

During our current audit, as noted above, we identified nine subrecipients that exhibited fraud indicators, and five of those nine subrecipients were included in our prior audit findings for exhibiting fraud indicators. Although we have communicated the results of our audit to DHS management, management has not taken sufficient action to ensure compliance or to remove those subrecipients that continually do not comply with program rules and regulations. Instead, management primarily relies on training the subrecipients and on the subrecipients' integrity to accurately self-report meals served. Even though DHS has provided subrecipients the opportunity to repeat training courses and technical assistance, both we and Audit Services continue to observe violations in food program operations, year after year. DHS staff continue to require corrective action plans from subrecipients, but these actions have not prevented continued noncompliance.

Risk Assessment

We reviewed DHS's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of subrecipients submitting claims without supporting documentation; however, DHS did not include specific fraud risks relating to subrecipients that continue to bill DHS for meals not served or based on documentation exhibiting fraud indicators. In addition, management's risk assessment did not include effective controls to mitigate these specific risks.

**Cause**

Management has determined that its actions taken in response to prior findings are sufficient and comply with federal regulations, despite our repeated identification of systemic issues in operations and oversight. In its response to the fiscal year 2019 audit finding, DHS management stated, "our costs to administer and monitor the Food Programs are reasonable and prudent and our efforts are in material compliance with federal requirements." Management stated that further actions, including increased monitoring activities and increased reimbursement reviews, would be an undue burden on DHS's staff and resources.

**Criteria**

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 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 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," 2 CFR 200.332, 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 written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

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.

Regarding design and implementation of internal control, Section OV3.05 of the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) 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.

As noted in Green Book Principle 1, "Demonstrate Commitment to Integrity and Ethical Values," management establishes a "tone at the top," and should reinforce "the commitment to doing what is right, not just maintaining the minimum level of performance necessary to comply with applicable laws and regulations." Principle 1 goes on to state,

> **1.05** Tone at the top can be either a driver . . . or a barrier to internal control. Without a strong tone at the top to support an internal control system, the entity's risk identification may be incomplete, risk responses may be inappropriate, control activities may not be appropriately designed or implemented, information and communication may falter, and results of monitoring may not be understood or acted upon to remediate deficiencies.

According to Green Book 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. . . .
>
> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

As noted in Green Book Principle 8, "Assess Fraud Risk,"

> **8.01** Management should consider the potential for fraud when identifying, analyzing, and responding to risk. . . .
>
> **8.06** Management analyzes and responds to identified fraud risks so that they are effectively mitigated. Fraud risks are analyzed through the same risk analysis performed for all identified risks. Management analyzes the identified fraud risks by estimating their significance, both individually and the in the aggregate, to assess their effect on achieving the defined objectives.

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

The lack of sufficient monitoring activities and corrective actions increases the risk of noncompliance and fraud, waste, and abuse in these federal programs. Without a robust risk response process to address high-risk subrecipients' noncompliance and questionable practices, 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 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;

(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 200.339 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, the Director of CACFP and SFSP, the Inspector General, and the Director of Audit Services should ensure that DHS provides oversight of subrecipients receiving reimbursements through federal food programs. Management should reassess the risk of fraud within federal food programs, identify areas that require increased control activities, and design and implement such controls to reasonably mitigate the risk of fraud within the program. Management should include in its risk assessment specific fraud risks relating to subrecipients that continue to bill DHS for meals not served or that submit claims exhibiting fraud indicators. In addition, management should identify specific controls to mitigate these risks.

Management should ensure subrecipients comply with program rules and regulations, including only seeking reimbursement for allowable costs. When Audit Services monitors identify deficiencies, they should perform procedures to evaluate and assess the extent of noncompliance and ensure that subrecipients implement corrective action and achieve compliance. If subrecipients displaying fraud indicators continue to not comply with program rules and regulations, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.208 and 200.339, including withholding federal awards from the subrecipient.

To mitigate the inherent risks of fraud, waste, and abuse, DHS management should perform analytical procedures on meal claims. Management could benefit from enhancing preventive controls to identify and investigate fraud indicators before approving claims. To identify irregularities and questionable trends in meal reimbursement claim amounts, the Director of CACFP and SFSP should leverage historical data and systematic procedures using the available technology, institutional knowledge, and experience with the programs.

**Management's Comment**

As we stated in the prior year's response, the Department of Human Services (DHS) has consistently and continuously taken extensive actions for robust internal controls and monitoring of the food programs through providing training to staff and sponsors' staff, revising the monitoring procedures, increasing the number of sponsors and feeding sites monitored, following up on non-compliant sponsors, and removing non-compliant sponsors from the food programs.

This finding is a subjective executive summary of findings throughout this audit period as well as historical information of the food programs' findings that have been included in the previous *Single Audit* reports. DHS management provided comment to each finding noted herein and thus, will not repeat the management responses that are found within this report. However, certain and serious items reported within this finding require specific response.

During the federal fiscal year (FFY) 2020, DHS Audit Services monitoring staff conducted and followed up on food program subrecipients that significantly exceeded the federal minimum requirements. The monitoring reports were provided to the Comptroller's Office as they were released. Therefore, the state auditors already have access to the monitoring reports prior to or during their FY2020 *Single Audit*. As we explained below, DHS Audit Services already monitored and identified any noncompliance with the subrecipients on the state auditors' summary of questioned costs.

The current staffing of DHS Audit Services of 21 is sufficient as an efficient and effective control for the food programs operation. There were 338 subrecipients for the food programs (sponsors) and over 3800 feeding sites operated during FFY2020. Of those 338 sponsors, DHS Audit Services monitored 135 sponsors, or 40% (see FFY 2020 Monitoring table below), in addition to over 500 feeding sites.

**FFY 2020 Monitoring**

| Program | No. of Sponsors Operated | Required Monitoring | DHS Audit Services Monitored | Over Required Minimum |
|---|---|---|---|---|
| CACFP | 291 | 97 | 112 | 15 |
| SFSP | 47 | 16 | 23 | 7 |
| **Total** | **338** | **113** | **135** | **22** |

DHS Audit Services communicated to the state auditors and provided a walkthrough, during their fieldwork, of the monitoring procedures that include risk assessment of each subrecipient, how the subrecipients were selected for monitoring, the monitoring process, when the monitors follow up on high-risk subrecipients, and working papers and report reviews. Also, the state auditors were provided with a list of categories of red flags/fraud factors that the monitors consider during the monitoring of subrecipients. The list includes not only block claiming or questionable meal count forms, but also cost of food purchases, overclaiming, and other non-compliance categories.

The inherent risk and the federal design of the requirements for the food programs administration and monitoring do not require 100% monitoring of claims or meals observation. The DHS Audit Services quality and effectiveness of the food program monitoring work is sufficient to maintain the integrity of the programs' operation.

DHS Audit Services' monitoring reports are a matter of public record and can be viewed at the DHS website (www.tn.gov/humanservices) under DHS Office of Inspector General (https://www.tn.gov/humanservices/dhs-program-integrity.html).

**Condition**: Insufficient Action to Prevent and Detect Fraud in Food Service Programs

Management's Comment:

To demonstrate DHS Audit Services' efficient and effective planning, monitoring, and detecting of fraud, waste, abuse, noncompliance, and our efforts to consistently identify and follow up on subrecipients that exhibit risk of fraud, we are providing a response to the state auditors' "**Table 3** summarizes the questioned costs for subrecipients exhibiting fraud indicators."

***Subrecipient 1*** is a City Government in East Tennessee.

DHS Audit Services staff monitored this subrecipient for the same period that the state auditors are reporting on and issued the monitoring report on October 9, 2019. DHS Audit Services monitoring staff conducted unannounced on-site visits in June 2019 to selected feeding sites to observe meal service to participants. Also, the staff reviewed the supporting documentation for June 2019 claims and concluded the results within the monitoring report that included deficiencies noted and provided technical assistance to this subrecipient's staff. The Comptroller's Office was provided with the monitoring report as we released it.

The state auditors are questioning cost based on a risk that fraud may have occurred. These questioned costs are subject to federal regulation, review, and final determination. Without additional validation procedures by the state auditors these questioned costs may not be substantiated.

***Subrecipient 2*** is a non-profit organization in West Tennessee.

DHS Audit Services designated this subrecipient as a high-risk entity and monitored this subrecipient annually. During the federal fiscal year (FFY) 2019, DHS Audit Services staff monitored this subrecipient and issued the monitoring report on August 26, 2019. DHS Audit Services monitoring staff conduct unannounced on-site visits in June 2019 to selected feeding sites to observe meal service to participants. Also, we reviewed the supporting documentation for the June 2019 claim and concluded the results within the monitoring report. The report noted deficiencies and we provided technical assistance to this subrecipient staff regarding the correct manner to complete point of service meals count sheets, participants consuming meals on-site, serving meals as a complete unit, and serving all participants before serving any second meals.

DHS Audit Services staff monitored this subrecipient during FFY2020 and issued the monitoring report on January 21, 2021; reviewed the supporting document for June 2020, July 2020, and August 2020 claims; and concluded the results within the monitoring report that included deficiencies noted.

DHS Audit Services staff are aware of this subrecipient's claims and visited the meal production facility and observed the number of meals produced and delivered to the feeding sites. The Comptroller's Office was provided with both monitoring reports as they were released.

The state auditors are questioning cost based on a risk that fraud may have occurred. These questioned costs are subject to federal regulation, review, and final determination. Without additional validation procedures by the state auditors these questioned costs may not be substantiated.

***Subrecipient 3*** is a non-profit organization in Middle Tennessee.

DHS Audit Services monitored this subrecipient and issued the monitoring report on October 10, 2019. DHS Audit Services monitoring staff conduct unannounced on-site visits in July 2019 to selected feeding sites to observe meal service to participants. Also, we reviewed the supporting documentation for July and August 2019 claims and concluded the results within the monitoring report. The report included deficiencies noted and provided technical assistance to this subrecipient staff regarding point-of-service meal counts, maintaining current menus, serving meals during approved meal service times, and recordkeeping requirements. The Comptroller's Office was provided with the monitoring report as we released it.

The state auditors are questioning cost based on a risk that fraud may have occurred. These questioned costs are subject to federal regulation, review, and final determination. Without additional validation procedures by the state auditors these questioned costs may not be substantiated.

***Subrecipient 4*** is a County Government in West Tennessee.

DHS Audit Services monitored this subrecipient for the same period that the state auditors are reporting on and issued the monitoring report on October 16, 2019. DHS Audit Services monitoring staff conducted unannounced on-site visits in July 2019 to selected feeding sites to observe meal service to participants. Also, we reviewed the supporting documentation for July 2019 claims and concluded the results within the monitoring report that included deficiencies noted and provided technical assistance to this subrecipient staff. The Comptroller's Office was provided with the monitoring report as we released it.

The state auditors are questioning cost based on a risk that fraud may have occurred. These questioned costs are subject to federal regulation, review, and final determination. Without additional validation procedures by the state auditors these questioned costs may not be substantiated.

***Subrecipient 5*** is a non-profit organization in Middle Tennessee. This subrecipient serves less than 100 participants every day with an average monthly claim of less than $11,000.

DHS Audit Services monitored this subrecipient and issued the monitoring report on October 4, 2019; this subrecipient was also monitored during FFY 2020, and the monitoring report was issued on October 10, 2020. DHS Audit Services monitoring staff conducted unannounced on-site visits in June 2019 to the selected feeding site to observe meal service to participants. Also, we reviewed the supporting documentation for the claim. For the FFY 2020, DHS Audit Services monitoring staff monitored this subrecipient and reviewed the June and July 2020 claims and reported the deficiencies in the monitoring report. The Comptroller's Office was provided with both monitoring reports as they were released.

***Subrecipient 6*** is a non-profit organization in West Tennessee.

DHS Audit Services designated this subrecipient as a high-risk entity and monitored this subrecipient during the summer of 2020, and multiple visits to the feeding sites were conducted unannounced.

DHS Audit Services monitored this subrecipient's claims for the period of April 2020 through August 2020. DHS Audit Services monitoring staff conducted unannounced on-site visits in June, July, and August 2020 to selected feeding sites to observe meal service to participants. Also, we followed up with unannounced on-site visits to several high-risk feeding sites, including the same feeding site for which state auditors are questioning costs. In fact, in June 2020, the Director of Audit Services conducted an unannounced on-site visit to the same feeding site to observe the meal service. The result of the visit was communicated the state auditors. We provided evidence, including pictures, that the meals were provided to the participants; however, state auditors continued with questioning the cost of $183,045. The state auditors are questioning the cost based on a risk that fraud may have occurred. Without further review and performing additional audit procedures, which it does not appear the state auditors performed, this questioned cost may not be valid.

DHS Audit Services identified that this subrecipient has several instances of noncompliance with the federal requirements that govern the SFSP and disallowed the costs were appropriate, as described within Title 7 of the *Code of Federal Regulations*.

***Subrecipient 7*** is a non-profit organization in Middle Tennessee.

DHS Audit Services designated this subrecipient as a high-risk entity and monitored this subrecipient annually. As a result of the monitoring in FFY 2020, on February 4, 2021, this subrecipient was issued a Notice of Proposed Termination from participating in the Summer Food Service Program (SFSP).

DHS Audit Services staff monitored this subrecipient and issued the monitoring report on November 18, 2020. DHS Audit Services monitoring staff conducted unannounced on-site visits in June 2020 to selected feeding sites to observe meal service to participants. Also, we reviewed the supporting documentation for June and July 2020 claims and concluded the results within the monitoring report that included deficiencies noted. DHS Audit Services monitoring resulted in over $101,000 in disallowed costs in accordance with the requirements of Title 7 of the *Code of Federal Regulations*.

The Comptroller's Office was provided with the monitoring report as we released it. The state auditors are questioning cost that has been already disallowed by DHS Audit Services.

***Subrecipient 8*** is a Childcare Center in West Tennessee.

This subrecipient serves less than 150 participants every day with an average monthly claim of less than $13,000. DHS Audit Services staff monitored this subrecipient and issued the monitoring report on June 2, 2020. Also, we reviewed the supporting documentation for the January 2020 claim and concluded the results within the monitoring report that included deficiencies noted. The Comptroller's Office was provided with the monitoring report as we released it.

This subrecipient was not on DHS Audit Services' monitoring schedule for FFY2019. The state auditors are questioning the cost for this subrecipient's claims for June 2019 and July 2019 based on attendance records stating that every child was present every day. While that may not be the case, the state auditors should perform procedures to identify if any children were not present for the meal service. Instead the state auditors are questioning the total claim, which is not practical and may not be in compliance with federal regulation.

***Subrecipient 9*** is a Childcare Center in West Tennessee.

This subrecipient serves less than 120 participants every day with an average monthly claim of less than $5,000. DHS Audit Services staff monitored this subrecipient and issued the monitoring report on February 2, 2019. Also, we reviewed the supporting documentation for the October 2018 claim and concluded the results within the monitoring report that included deficiencies noted. The Comptroller's Office was provided with the monitoring report as we released it.

DHS Audit Services identified and reported that this subrecipient was serving participants outside of the approved meals service time and the number of the meals claimed exceeded the attendance for which the cost of those meals was disallowed. The state auditors are questioning the cost for this subrecipient's claims for June 2019 and July 2019, based on attendance records stating that every child was present every day. While that may not be the case, the state auditors should perform procedures to identify if any children were not present for the meal service. Instead the state auditors are questioning the total claim, which is not practical and may not be in compliance with federal regulation.

**Condition**: System Control Deficiencies

Management's Comment:

HighBond is an audit software which DHS Audit Services monitors use to complete and document their work and is not designed to address prior findings of noncompliance and control deficiencies in both SFSP and CACFP. The documents and support for the claims for reimbursement are maintained at the subrecipients. During the monitoring process, the monitors obtain, review, verify, and when necessary upload documents to HighBond.

The Tennessee Information Payment System (TIPS) designed, among other functions, for edit checks to detect when subrecipients claim meals over the maximum approved numbers and was not designed to address prior findings of noncompliance and control deficiencies in both SFSP and CACFP. Validating claims submitted within TIPS requires obtaining and reviewing documents from the subrecipients. This occurs during monitoring or when food program management requests documentation to support specific claims for verification.

**Condition**: Repeat Offenders

Management's Comment:

Had the state auditors requested, DHS could have provided a list of the sponsors whose agreements were terminated or proposed for termination from participating in the food programs. For example, during FFY2020 and FFY2021, there were at least 3 food programs sponsors agreements terminated and 4 were proposed for termination that were identified by the DHS Audit Services. Some of those sponsors are on the list of 9 subrecipients.

**Condition**: Risk Assessment

Management's Comment:

While DHS's December 2019 Financial Integrity Act Risk Assessment is a department-wide risk assessment, the detailed risk assessment for the food programs was assessed by DHS Audit Services as detective control. The state auditors were provided with this information. The risk of each food program sponsor is assessed. The monitoring of the food program sponsors is based on risk assessment and the requirements of Title 7 of the *Code of Federal Regulations,* Parts 225 and 226. This also was included in the Annual Subrecipient Monitoring Plan that was provided to the Central Procurement Office on or before October 1 of each year.

**Auditor's Comment**

While we see improvement in management's monitoring efforts, management has not fully addressed all conditions. We reported $1,133,393 of total questioned costs, which represents an increase of $742,745 over the prior-year audit for both programs.

Management's analysis of Subrecipients 1 through 9 confirms that these 9 subrecipients are habitual repeat offenders and that these 9 subrecipients had not made permanent progress toward compliance with program requirements even though DHS management states they have continued to provide technical assistance.

Management stated we questioned costs that DHS disallowed for subrecipient 7; however, our questioned costs were for different months from the DHS disallowed costs.

| | |
|---|---|
| **Finding Number** | 2020-011 |
| **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** | 195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503 |
| **Federal Award Year** | 2019 and 2020 |
| **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 (10.558)<br>Subrecipient Monitoring |
| **Repeat Finding** | 2019-018 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior two audits, the Department of Human Services has inadequate internal controls over subrecipient monitoring of the Child and Adult Care Food Program and the 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 provide meals and supplements to eligible participants at approved feeding sites. 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 (Audit Services) 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, an online platform 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.

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. After the site reviews, monitors perform administrative reviews 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 use a food vendor for meals they serve to children, 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 to report and address the noncompliance. 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, Audit Services 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 how to submit payment for disallowed meal costs and how to submit a corrective action plan, which outlines steps to address and prevent the noncompliance from occurring in the future. 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.

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.

**Prior Audit Results**

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 did not concur with the prior finding and did not provide a corrective action plan for the finding. Because DHS management did not take corrective action, we once again noted deficiencies with the subrecipient monitoring process.

**Current Testwork**

For our CACFP testwork, from a population of 84 monitoring reports that Audit Services issued between July 1, 2019, and June 30, 2020, 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 (and the supporting monitoring files) that Audit Services issued between July 1, 2019, and June 30, 2020.

**Condition and Criteria**

Insufficient Subrecipient Monitoring

Various program-specific guides for both CACFP and SFSP require DHS management 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 in need of improvement.

Opportunities to Improve the Multi-Level Review Process – As described above, Audit Services and program staff consult with each other after they complete monitoring reviews to discuss the status of a subrecipient's compliance with federal requirements. Based on our review of the monitoring process, we found that DHS management did not sufficiently design the multi-level review (which also serves as the quality review process for monitoring activities, documentation, and reporting) to achieve quality monitoring and subrecipient compliance. Instead, we found that the multi-level reviews did not detect monitoring deficiencies. The majority of the noncompliance noted in our testwork results 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 fraud indicators and compliance risks.

Demanding and Deadline-Driven Workloads – With approximately 350 subrecipients sponsoring thousands of meal feeding sites statewide, it is difficult for the 21 Audit Services monitors to adequately perform reviews that 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. Deadlines are not adjusted if monitors find issues, such as potential fraud indicators that require further review. 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 2020-010** 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. For SFSP, our review found that workpapers for two subrecipients, Audit Services monitors identified red flags for claiming the same number of meals each day and noted that it was "statistically implausible," yet the monitoring staff did not include the red flag situations in the subrecipients' monitoring report.

Noncompliance Noted During CACFP and SFSP Monitoring Reviews

*CACFP Monitoring Reviews*

Based on our review of CACFP monitoring files, we noted that DHS either did not assess or did not adequately assess subrecipients' 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.

Meal Count Documentation – We noted that for 14 of 60 monitoring files reviewed (23%), Audit Services monitors did not compare the number of meals served to attendance, did not identify that subrecipients claimed more meals than the number of children in attendance, and did not note any issues when subrecipients did not maintain documentation to support the meal reimbursement claims.

Administrative Costs – We noted for 1 of 5 monitoring files reviewed (20%) for subrecipients classified as sponsoring organizations, Audit Services monitors did not provide supporting documentation to determine if the monitors performed the necessary reviews and calculated 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.

Eligibility Documentation – We noted for 8 of 53 monitoring files reviewed (15%), Audit Services monitors did not review the eligibility applications or enrollment forms.

Training and Monitoring – We noted for 17 of 24 monitoring files reviewed (71%) for sponsoring organizations, Audit Services monitors either did not identify the subrecipient's noncompliance with the training and monitoring requirements, did not include identified noncompliance in the monitoring report, or did not perform a review.

Serious Deficiency Process – For 1 of 4 monitoring workpapers reviewed (25%), Audit Services monitors did not assess whether the sponsoring organizations of homes implemented the serious deficiency policy.

Household Contact System[44] – We noted for 23 of 23 monitoring files reviewed (100%) where the subrecipient was required to have a household contact system in place, Audit Services monitors could not assess compliance with the household contact system because DHS had no household contact system for sponsors. In 2019, DHS management implemented a household contact system for the Audit Services monitors to follow during their monitoring activities but did not distribute the procedures to subrecipients. The Audit Director stated that sponsors could develop their own

[44] 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 for Audit Services monitors in September 2019.

household contact procedures, but monitors did not keep documentation to show they completed assessments of subrecipient household contact procedures.

Tiering Classification of Day Care Homes – We noted that for 3 of 4 monitoring working papers we reviewed (75%), Audit Services monitors did not keep documentation to support their assessment of the sponsoring organizations' compliance with tiering classification for day care homes.

Five-Day Reconciliations – We noted that for 10 of 17 monitoring files we reviewed (59%) for sponsoring organizations, Audit Services monitors did not perform the required 5-day reconciliations of meals and attendance, performed reconciliations that included less than 5 days, or did not always reconcile the meals to attendance.

SFSP Monitoring Reviews

Based on our review of SFSP monitoring files, we noted that Audit Services monitors 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)
> - 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.

We found the following:

Meal Count Records – For 10 of 30 monitoring files we reviewed (33%), we noted that although the Audit Services monitors performed procedures to assess the subrecipients' compliance with maintaining accurate and complete meal count records, the monitors did not always identify all meal service violations. We noted that the monitors did not identify and/or 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 they did not take point-of-service meal counts[45] during the meal observations, that subrecipients' site supervisors did not sign the meal count forms that were submitted to DHS for reimbursement, and that red flag indicators were present.

Food Service Management Companies – We noted that for 4 of 5 subrecipients (80%) who contracted with vendors to provide meals, the monitoring files did not include any documentation to indicate the monitors performed a review of the vendors.

Additionally, while the Audit Services 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 monitors reviewed or correctly assessed the subrecipients' compliance with program requirements. Specifically, we noted the monitoring files did not include documentation of the following:

- a preoperational visit for 1 of 9 monitoring files of new subrecipients reviewed (11%);
- a 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 14 of 30 monitoring files reviewed (47%); and
- meal delivery receipts for 2 of 7 monitoring files reviewed for subrecipients who used vendors for meals (29%).

[45] 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.

Risk Assessment

We reviewed DHS's December 2019 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of noncompliance with monitoring reviews. 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 Green Book 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. . . .
>
> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**Cause**

We believe DHS's inadequate review process, 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 2020-010** 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 Audit Services monitors will fail to properly identify subrecipient noncompliance, that Audit Services 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 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, 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 200.208, "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 performance period;
>
> (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 200.339 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.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We do not concur.

As we stated in our response to the prior year's finding, we do not concur that DHS 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.

Our monitoring consists of over 300 procedures for each subrecipient that direct DHS Audit Services staff to obtain, as necessary, review, and conclude on thousands of documents such as meal count sheets, enrollment information, subrecipients' 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 or identified as high-risk subrecipients, provide technical assistance and training to feeding sites and subrecipients' staff. The monitoring reports are well documented and thoroughly reviewed to ensure that they contain detailed facts and information to benefit the DHS food program management and the subrecipients with corrective actions to remedy the findings and disallowed meals cost noted with the monitoring reports.

The Director of Audit Services thoroughly reviews the monitoring reports for accuracy and completeness to ensure that the findings within the monitoring reports are supported by appropriate evidence that would sustain an appeal before a hearing officer or judicial review. Also, DHS Audit Services continues improvement of the monitoring process utilizing technology and providing staff with training and technical skills of auditing and monitoring.

For those subrecipients identified as high risk of noncompliance, Audit Service staff conduct follow-up visits and/or expand the scope of the review. This information was provided to the state auditors during their fieldwork. Our monitoring of food programs' subrecipients far exceeds the minimum federal requirements outlined with Title 7 of the *Code of Federal Regulations,* Parts 225 and 226.

The U.S. Department of Agriculture (USDA) monitoring officials conducted their management evaluation of the SFSP during the period of July 20-24, 2020, and issued their report in September 2020, also conducted their management evaluation of the CACFP during the period of August 24 to September 4, 2020, and issued their report in October 2020. The USDA monitoring officials reviewed the same monitoring working papers that the state auditors reviewed during their current *Single Audit* and concluded that DHS Audit Services' monitoring of food programs was in material compliance.

In accordance with *State Public Chapter 798*, we provide the Legislature and the Comptroller's Office with a confidential quarterly report on DHS's monitoring efforts. In addition, we provide the Comptroller's Office with the monitoring reports as we release them.

DHS Audit Services staff are experienced, well trained, and knowledgeable of the food programs' requirements, and over 19 of them are Certified Fraud Examiners. There are several staff within Audit Services with extensive 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. DHS Audit Services Division under the Director's leadership experienced extensive improvement in auditing and monitoring of the programs that DHS administers.

The current staffing of DHS Audit Services of 21 is sufficient as an efficient and effective control for the food programs' operation. There were 338 subrecipients for the food programs (sponsors) and over 3,800 feeding sites operated during FFY2020. Of those 338 sponsors, DHS Audit

Services monitored 135 sponsors, or 40% (see FFY 2020 Monitoring table below), in addition to over 500 feeding sites.

**FFY 2020 Monitoring**

| Program | No. of Sponsors Operated | Required Monitoring | DHS Audit Services Monitored | Over Required Minimum |
|---|---|---|---|---|
| CACFP | 291 | 97 | 112 | 15 |
| SFSP | 47 | 16 | 23 | 7 |
| **Total** | **338** | **113** | **135** | **22** |

DHS Audit Services communicated to the state auditors and provided a walkthrough, during their fieldwork, of the monitoring procedures that include risk assessment of each subrecipient, how the subrecipients were selected for monitoring, the monitoring process, when the monitors follow up on high-risk subrecipients, and working papers and report reviews. Also, the state auditors were provided with a list of categories of red flags/fraud factors that the monitors consider during the monitoring of subrecipients. The list includes not only block claiming or questionable meal count forms, but also cost of food purchases, overclaiming, and other non-compliance categories.

The inherent risk and the federal design of the requirements for the food programs administration and monitoring do not require 100% monitoring of claims or meals observation. The DHS Audit Services quality and effectiveness of the food programs monitoring work is sufficient to maintain the integrity of the programs' operation.

While DHS's December 2019 Financial Integrity Act Risk Assessment is a department-wide risk assessment, the detailed risk assessment for the food programs was assessed by DHS Audit Services as detective control. The state auditors were provided with this information. The risk of each food program sponsor is assessed. The monitoring of the food program sponsors is based on risk assessment and the requirements of Title 7 of the *Code of Federal Regulations,* Parts 225 and 226. This also was included in the Annual Subrecipient Monitoring Plan that is provided to the Central Procurement Office on or before October 1 of each year.

DHS Audit Services' monitoring reports are a matter of public record and can be viewed at the DHS website (www.tn.gov/humanservices) under DHS Office of Inspector General (https://www.tn.gov/humanservices/dhs-program-integrity.html).

**Auditor's Comment**

We reported missing monitoring procedures and documentation related to management's monitoring activities, none of which management disputed in their comments.

We reviewed the USDA's Management Evaluation results and neither report included a statement that the department is in material compliance. The reports recommended DHS make improvements in the areas of technical assistance and training for both programs and in the area of monitoring for CACFP.

| | |
|---|---|
| **Finding Number** | 2020-012 |
| **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** | 195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503 |
| **Federal Award Year** | 2019 and 2020 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles<br>Subrecipient Monitoring |
| **Repeat Finding** | 2019-019 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $7,662 |

**For the sixth 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 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 (USDA) 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.

## Prior Audit Results

As noted in the five 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 and stated,

> 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. All CACFP trainings are developed and conducted in conjunction with USDA FNS [Food and Nutrition Service].

## Condition and Criteria

During our current testwork, we concluded that DHS's training and monitoring efforts were still insufficient to correct the continuing issues related to subrecipients not maintaining accurate and complete supporting documentation.

Because monitoring is DHS's primary control to ensure subrecipients comply with program requirements, we tested the monitoring process and identified subrecipient monitoring process deficiencies regarding overall management oversight, which we have reported in detail in **Finding 2020-010**. In that finding, we noted 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, 2020. 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.
- If the subrecipient had 26 to 50 feeding sites, we selected 5 sites.
- If the subrecipient had 51 or more feeding sites, we selected 10 sites.

We expanded our testwork to include additional months when we deemed it necessary due to questionable meal reimbursement documentation. Based on our review of the subrecipients' claims, we determined that DHS reimbursed subrecipients for inaccurate claims.

Based on our testwork, we noted that for 36 of 60 claims reviewed (60%), the subrecipients did not maintain documentation to accurately support the number of meals requested on the meal reimbursement claim as required. For the 36 claims reviewed, we noted that

- 5 subrecipients submitted their claim for reimbursement for more meals served than they had documentation to support,

- 7 subrecipients submitted their claim for reimbursement for fewer meals served than they had reported on supporting documentation,
- 8 subrecipients claimed more meals than children present on attendance records for 1 or more days in the claim month, and
- 16 subrecipients exhibited a combination of the issues noted above.

As such, DHS reimbursed subrecipients based on inaccurate meal reimbursement claims, leading to overpayments to the subrecipients totaling $6,741.

We expanded our review of 3 subrecipients and reviewed a total of 5 claim months. Based on our expanded testwork, we noted that for 4 of 5 claims reviewed (80%), the subrecipients did not maintain accurate meal count and/or attendance documentation, resulting in $921 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 | | | ✓ | $0† |
| 2 | | | ✓ | $12 |
| 3 | | ✓ | ✓ | $1 |
| 4 | ✓ | | | $1,041 |
| 5 | | ✓ | | $0† |
| 6 | | ✓ | ✓ | $19 |
| 7 | ✓ | | ✓ | $79 |
| 8 | | ✓ | ✓ | $2 |
| 9 | | ✓ | ✓ | $547 |
| 10 | | ✓ | | $0† |
| 11 | ✓ | ✓ | | $3 |
| 12 | ✓ | | ✓ | $151 |
| 13 | | ✓ | ✓ | $11 |
| 14 | | | ✓ | $1 |
| 15 | | | ✓ | $1 |
| 16 | ✓ | | | $7 |
| 17 | ✓ | | | $241 |
| 18 | | | ✓ | $54 |
| 19 | | ✓ | ✓ | $4 |
| 20 | | | ✓ | $8 |
| 21 | | ✓ | ✓ | $9 |

| Subrecipient No. | Error(s) Noted | | | Questioned Costs* |
|---|---|---|---|---|
| | Overclaim | Underclaim | Daily Attendance (more meals claimed than attendance records support) | |
| 22 | ✓ | | | $4 |
| 23 | ✓ | | ✓ | $70 |
| 24 | ✓ | | | $918 |
| 25 | | | ✓ | $1 |
| 26 | | ✓ | | $0† |
| 27 | ✓ | ✓ | ✓ | $183 |
| 28 | | ✓ | | $0† |
| 29 | | | ✓ | $9 |
| 30 | ✓ | | ✓ | $80 |
| 31 | ✓ | | ✓ | $3,213 |
| 32 | | ✓ | ✓ | $1 |
| 33 | | ✓ | | $0† |
| 34 | | ✓ | | $0† |
| 35 | | ✓ | | $0† |
| 36 | | ✓ | ✓ | $71 |
| | | | **Total Questioned Costs** | **$6,741** |

* We only factored overclaims, not underclaims, into questioned costs.
† Subrecipients without questioned costs indicate that we found that the subrecipient had underclaimed meals.

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

| Subrecipient No. | Errors Noted | | | |
|---|---|---|---|---|
| | Overclaim | Underclaim | Daily Attendance (more meals claimed than attendance records support) | Questioned Costs |
| 4 | | | ✓ | $5 |
| 8 | ✓ | | ✓ | $98 |
| 9 (Claim 1) | ✓ | | | $397 |
| 9 (Claim 2) | ✓ | | | $421 |
| | | | **Total Questioned Costs** | **$921** |

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) states,

> At a minimum, the following records shall be collected and maintained: . . .
>
> (4) 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.

Risk Assessment

We reviewed DHS's 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of subrecipients submitting unsupported claims; however, the controls DHS management put in place did not effectively mitigate the 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 Green Book Principle 7, "Identify, Analyze, and Respond to Risks,"

> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**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 preventive or detective control. DHS did not provide any additional information on 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 nonfederal entity, in this case DHS. As noted in 2 CFR 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," as described in Section 200.208, "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 performance period;

(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 200.339 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**

Our testwork included a review of a nonstatistical, random sample of 60 subrecipient meal reimbursement claims, which resulted in $6,741 of known questioned costs; and expanded testwork on 3 subrecipients, which resulted in $921 of known questioned costs. We selected a nonstatistical, random sample of 60 meal reimbursement claims, totaling $664,755, from a population of 7,358 claims and adjustments, totaling $59,035,813, for the period July 1, 2019, through June 30, 2020. For major programs, 2 CFR 200.516(a) requires the 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.

In accordance with 2 CFR 200.521, the federal grantor, USDA, must follow up on findings related to the program. USDA reviews the findings and determines if it will disallow any questioned costs and require DHS to pay back the federal grantor.

**Recommendation**

As the pass-through entity, DHS has the responsibility to mandate subrecipients submit accurate claims for reimbursement and maintain sufficient supporting documentation as described in the federal regulations. 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 200.208 and 200.339.

We recommend that DHS act on findings that we present and enforce the federal guidelines for all subrecipients, but especially for those subrecipients with enhanced fraud risks. DHS should request sufficient documentation to support claims for reimbursement before approving reimbursements to high-risk subrecipients. Additional steps may be necessary to ensure that DHS only pays subrecipients for actual meals served to children rather than allowing the subrecipients to (intentionally or unintentionally) continue overbilling the state for federal reimbursement.

Management's only control to avoid overpayments to subrecipients is their subrecipient monitoring activities, which involve a limited review of a small portion of the total amount of reimbursement claims. This limited control has not been sufficient 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 2020-010** on overall management oversight.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur in part.

The state auditors identified 18 subrecipients as having inaccurate documentation who underclaimed meals for reimbursement and 7 of those subrecipients have no additional errors.

We do not concur that unclaimed meals should be included as a DHS error. 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. 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 subrecipients with errors.

There are 22 of the 29 subrecipients with identified questioned costs that are below the DHS threshold for recoupment and would not be pursued for recovery.

DHS continues to evaluate this finding and 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.

**Auditor's Comment**

We include underclaimed errors in the finding to highlight inaccurate recordkeeping and not as a component in calculating questioned costs. We are responsible to report all known questioned costs for overpayments. Should the federal grantor determine any of the auditor's questioned costs are federal disallowed costs for which the department should recover the disallowed costs (overpayments) made to a sponsor, management's responsibility could include netting underpayments with overpayments as part of the disallowed costs recovery process.

| | |
|---|---|
| **Finding Number** | 2020-013 |
| **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** | 195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503 |
| **Federal Award Year** | 2019 and 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility<br>Subrecipient Monitoring |
| **Repeat Finding** | 2019-020 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $27,125 |

**For the eighth 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, resulting in $27,125 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 unit 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 maintained participants' eligibility applications when required and properly determined 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 Services for meals served free or at a reduced price.

Subrecipients must determine each 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 childcare centers or institutions that operate as independent childcare 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.

**Prior Audit Results**

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

> 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 [Food and Nutrition Service].

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

**Condition and Criteria**

From a population of 301 CACFP subrecipients, we selected a nonstatistical, random sample of 60 subrecipients. We tested the eligibility documentation 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.

Subrecipients Did Not Maintain Eligibility Applications and Enrollment Documentation or Did Not Maintain Complete Documentation

The 60 subrecipients were required to keep eligibility documentation for 728 participants tested. We noted errors for 33 of the 60 subrecipients tested (55%), including errors for 292 of the 728 (40%) participants who required eligibility documentation.

We also noted the 60 subrecipients were required to keep enrollment documentation for 698 participants tested. We noted errors for 19 of the 60 subrecipients (32%), including errors for 203 of the 698 participants (29%) who required enrollment documentation.

For the eligibility applications and enrollment documentation errors, we noted that

- 1 subrecipient reported that the eligibility and enrollment documentation were incomplete because parents did not fully complete the documentation;

- 1 subrecipient did not respond to our request for eligibility documentation, and 1 subrecipient did not respond to our request for eligibility and enrollment documentation;
- 1 subrecipient provided eligibility and enrollment documentation that parents did not fully complete and appeared altered;
- 1 subrecipient destroyed the requested eligibility documentation for 125 participants; and
- 28 subrecipients either did not maintain eligibility applications and enrollment documentation or did not maintain complete documentation.

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.

Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 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,

> 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.

We did not question costs for the enrollment documentation errors noted above because the errors did not negate the participants' eligibility for the program.

Subrecipients Incorrectly Determined the Category of Meal Status for Their Participants

The 60 subrecipients were required to document the category of meal status for 694 participants tested. 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 166 of the 694 (24%) participants. We found that information needed to classify the child for free or reduced-price eligibility was missing for 1 participant. Based on the information provided for the remaining participants, subrecipients incorrectly determined the eligibility meal status for 165 participants.

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 the 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.

Age Requirement Errors

The 60 subrecipients were required to keep documentation of age for 697 participants tested. We noted errors for 4 of the 60 subrecipients (7%), including errors for 136 of the 697 (20%) participants. Specifically, 1 subrecipient did not respond to our request for eligibility documentation for 2 participants, 1 subrecipient lost the documentation for 1 participant, 1 subrecipient did not maintain documentation for 8 participants, and 1 subrecipient destroyed documentation for 125 participants.

For the last subrecipient listed, DHS management issued a notice of serious deficiency detailing the subrecipient's failure to keep records to support its claim, disallowed payments for the months of October 2019 through April 2020, and removed the subrecipient from the program in October 2020. We tested the subrecipient's August 2019 claim.

The subrecipients claimed the participants were children; however, the eligibility applications did not include the participants' birth dates and/or ages, 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.

7 CFR 226.2 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.

<u>Risk Assessment</u>

We reviewed DHS's December 2019 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of subrecipients incorrectly determining eligibility requirements and maintaining documentation to support participant eligibility. 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 Green Book 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.

**<u>Cause</u>**

During our discussions, DHS management did not provide a cause for the issues. Based on the number and type of errors found in our testwork, as well as management's partial concurrence with the prior-year findings, management's training of subrecipients on properly completing and maintaining individual eligibility documentation is either 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 management implements sufficient controls and ensures corrective action at all levels, DHS will continue to have an increased risk of improper payments to 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 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," as described in Section 200.208, "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 performance period;

(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 200.339 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 $27,125 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 category. 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 | $197 |
| Subrecipient 2 | $81 |
| Subrecipient 3 | $0* |
| Subrecipient 4 | $25 |
| Subrecipient 5 | $855 |
| Subrecipient 6 | $525 |
| Subrecipient 7 | $96 |
| Subrecipient 8 | $0* |
| Subrecipient 9 | $205 |
| Subrecipient 10 | $444 |
| Subrecipient 11 | $72 |
| Subrecipient 12 | $59 |
| Subrecipient 13 | $144 |
| Subrecipient 14 | $42 |
| Subrecipient 15 | $72 |
| Subrecipient 16 | $173 |
| Subrecipient 17 | $284 |
| Subrecipient 18 | $144 |
| Subrecipient 19 | $304 |
| Subrecipient 20 | $130 |
| Subrecipient 21 | $515 |
| Subrecipient 22 | $101 |
| Subrecipient 23 | $383 |
| Subrecipient 24 | $77 |
| Subrecipient 25 | $85 |

| Subrecipient | Questioned Costs |
|---|---|
| Subrecipient 26 | $223 |
| Subrecipient 27 | $16,816 |
| Subrecipient 28 | $61 |
| Subrecipient 29 | $74 |
| Subrecipient 30 | $619 |
| Subrecipient 31 | $104 |
| Subrecipient 32 | $4,032 |
| Subrecipient 33 | $183 |
| **Total** | **$27,125** |

*We questioned the entirety of these subrecipients' claims in Finding 2020-012.

Our testwork included a review of a nonstatistical, random sample of 60 subrecipient meal reimbursement claims, which resulted in $27,125 of known questioned costs. We selected the nonstatistical, random sample of 60 meal reimbursement claims, totaling $519,962, from a population of 7,358 claims and adjustments, totaling $59,035,813, for the period July 1, 2019, through June 30, 2020 (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.

In resolution of this audit finding, DHS management will work with the federal grantor to determine the amount of any disallowed costs.

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

The Commissioner and the Director of CACFP and SFSP should ensure all subrecipients (1) are properly trained to perform required eligibility determinations and (2) 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 200.208 and 200.339.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur in part.

There were 13 of the 33 subrecipients with questioned costs that were below DHS' threshold for recoupment. DHS continues to evaluate this finding and 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.

Please note that subrecipient 27, who represents 62% of the questioned costs, has been terminated and disqualified from CACFP.

Subrecipients Did Not Maintain Eligibility Applications and Enrollment Documentation or Did Not Maintain Complete Documentation

We concur in part.

The state auditors noted an error with eligibility applications due to all household member names not being listed. We do not concur that this is an error. The *CACFP Meal Benefit Income Eligibility (Child Care)* form provided by USDA for Child Care programs to use for CACFP 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 childcare.

We concur 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 surrounding this area.

Please note that the subrecipient that destroyed the requested eligibility documentation for 125 participants has since been terminated from the program.

Subrecipients Incorrectly Determined the Category of Meal Status for Their Participants

We concur.

We concur 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 surrounding this area.

The subrecipient that did not provide eligibility applications for all 125 program participants has since been terminated from the program. This represents 76% of the identified errors.

Age Requirement Errors

We do not concur.

The state auditors stated that, "the subrecipients claimed the participants were children; however, the eligibility applications did not include the participants' birth dates and/or ages, 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." 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 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. It is unreasonable to assume that these individuals did not meet the CACFP definition of "child."

Please note that the subrecipient that did not provide eligibility applications for all 125 program participants has since been terminated from the program. This represents 93% of the identified errors.

**Auditor's Comment**

Subrecipients Did Not Maintain Eligibility Applications and Enrollment Documentation or Did Not Maintain Complete Documentation

Title 7, *Code of Federal Regulations,* Part 226.2(a), defines documentation as, "The completion of the following information on a free and reduced-price application [including] names of all household members." DHS uses the *CACFP Meal Benefit Income Eligibility (Child Care)* form provided by USDA for Child Care programs for CACFP which does not include all specific requirements identified in the CFR.

Age Requirement Errors

Although the subrecipients have the main responsibility to obtain and maintain the participants' ages as proof of eligibility, DHS management asked us to accept any evidence from any source to establish the participants' age. We accepted many forms of documentation, including immunization records, child care certificates, and day care applications, some of which DHS management provided on behalf of the subrecipients; however, neither the sponsors nor DHS management could provide all the documents in our sample.

| | |
|---|---|
| **Finding Number** | 2020-014 |
| **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, 205TN331N1099, and 205TN331N8503 |
| **Federal Award Year** | 2019 and 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Repeat Finding** | 2019-021 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $401,846 |

**As noted in the prior six 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 $401,846 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 typically operates during the summer months. This year, due to the COVID-19 pandemic, the state began SFSP operations in March 2020. 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, 2019, through June 30, 2020, and our SFSP review included the following periods:

- summer 2019 (May through August 2019, with the months of July through August falling within our audit scope); and
- summer 2020 (March through August 2020, with the months of March, April, 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 and submit monthly reimbursement requests to DHS.

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 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.

**Prior Audit Results**

As reported in findings in the six prior audits, we found that sponsors had not complied with established federal regulations involving documentation required to support the meal reimbursement claims. DHS management concurred in part with the prior audit finding and stated, "The department continued with its effort of increasing and improving its training to food program sponsors to mitigate the risk of future noncompliance."

**Condition and Cause**

DHS approved 53 sponsors for the 2019 SFSP. We haphazardly selected 1 monthly meal reimbursement claim for each of the 53 sponsors and 1 additional monthly meal reimbursement claim for the 7 largest sponsors. One sponsor did not have any documentation of meal counts to support the reimbursement claim for a selected month; we questioned the cost for the selected month, totaling $86,608, and selected an additional month for our review. We also selected a nonstatistical, haphazard sample of 61 meal reimbursement claims, totaling $7,673,556, from the population of 153 SFSP sponsors' meal reimbursement claims, totaling $16,463,704, paid during state fiscal year 2020.

Based on our review of the sponsors' claims, we determined that DHS reimbursed sponsors for inaccurate and/or unsupported 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, and

E. sponsors did not use federally compliant meal count forms.

We believe that management should improve its current control environment given the inherent risk of improper SFSP payments. See **Finding 2020-010** for further information on management's oversight responsibilities for repeat offenders.

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 43 of 61 claims reviewed (70%) for 39 sponsors, DHS staff did not ensure the sponsors maintained complete or accurate documentation to support meal reimbursement claims filed with DHS.

One sponsor did not maintain any meal count documentation for 1 selected claim, totaling $86,608. For 36 claims, the sponsors submitted claims for reimbursement for more meals served than the sponsors had documentation to support (see **Table 1** for details of questioned costs for this condition). In 6 cases, the sponsors submitted claims for fewer meals served than were reported on supporting documentation (see **Table 2**).

According to Title 7*, Code of Federal Regulations* (CFR), Part 225, Section 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.

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 | $20 | 5 Lunches |
| Sponsor 2 | 1 | $9 | 2 Breakfasts<br>1 Lunch |
| Sponsor 3 | 1 | $331 | 144 Breakfasts |
| Sponsor 4 | 1 | $381 | 108 Breakfasts<br>33 Lunches |
| Sponsor 5 | 1 | $450 | 94 Breakfasts<br>56 Lunches<br>9 Snacks |
| Sponsor 6 | 1 | $85 | 21 Lunches |
| Sponsor 7 | 1 | $113 | 50 Breakfasts |
| Sponsor 8 | 1 | $740 | 322 Breakfasts |
| Sponsor 9 | 1 | $277 | 3 Breakfasts<br>67 Lunches |
| Sponsor 10 | 1 | $296 | 120 Breakfasts<br>5 Lunches<br>1 Snack |
| Sponsor 11 | 1 | $7 | 1 Lunch<br>3 Snacks |
| Sponsor 12 | 1 | $17,472 | 2,912 Breakfasts<br>2,542 Lunches |
| Sponsor 13 | 1 | $278 | 3 Breakfasts<br>58 1st Lunches<br>10 2nd Lunches<br>2 Snacks |
| | 2 | $36,657 | 5,712 Breakfasts<br>5,712 Lunches |
| Sponsor 14 | 1 | $69 | 17 Lunches |
| Sponsor 15 | 1 | $336 | 49 Breakfasts<br>53 Lunches |
| Sponsor 16 | 1 | $1,165 | 116 Breakfasts<br>219 Lunches |
| Sponsor 17 | 1 | $16 | 4 Lunches |
| Sponsor 18 | 1 | $165 | 41 Lunches |
| Sponsor 19 | 1 | $125 | 30 Suppers |
| Sponsor 20 | 1 | $133 | 140 Snacks |
| Sponsor 21 | 1 | $486 | 117 Lunches |
| Sponsor 22 | 1 | $376 | 76 Breakfasts<br>50 Lunches |

| Sponsor | Claim Number | Questioned Costs* | Number and Type of Meals Represented in Questioned Costs |
|---|---|---|---|
| Sponsor 23 | 1 | $2 | 1 Breakfast |
| Sponsor 24 | 1 | $3,105 | 400 Breakfasts<br>542 Lunches |
| Sponsor 25 | 1 | $8 | 2 Lunches |
| Sponsor 26 | 1 | $182 | 32 Lunches<br>59 Snacks |
| Sponsor 27 | 1 | $107 | 27 Lunches |
| Sponsor 28 | 1 | $86,608 | 17,277 1st Lunches<br>346 2nd Lunches<br>17,359 1st Snacks<br>347 2nd Snacks |
| | 2 | $4,840 | 1,184 Lunches |
| | 3 | $32,406 | 1,509 Breakfasts<br>7,068 Lunches |
| Sponsor 29 | 1 | $126 | 25 Breakfasts<br>17 Lunches |
| Sponsor 30 | 1 | $491 | 36 Breakfasts<br>68 1st Lunches<br>2 2nd Lunches<br>132 Snacks |
| Sponsor 31 | 1 | $108 | 26 Lunches |
| Sponsor 32 | 1 | $3,226 | 800 Lunches |
| Sponsor 33 | 1 | $420 | 85 Suppers<br>69 Snacks |
| Sponsor 34 | 1 | $668 | 41 Breakfasts<br>126 Lunches<br>69 Snacks |
| **Total** | | **$192,284** | **66,557 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.

**Table 2**
**Results of Testwork for Underclaims**

| Sponsor | Claim Number | Number and Type of Meals Underclaimed |
|---|---|---|
| Sponsor 21 | Claim 2 | 26 Lunches |
| Sponsor 35 | Claim 1 | 56 Breakfasts<br>111 Lunches<br>110 Suppers |
| Sponsor 36 | Claim 1 | 1 Breakfasts<br>2 Lunches<br>1 Supper |

| Sponsor | Claim Number | Number and Type of Meals Underclaimed |
|---|---|---|
| Sponsor 37 | Claim 1 | 299 Breakfasts<br>327 Lunches<br>59 2nd Lunches |
| Sponsor 38 | Claim 1 | 11 Breakfasts |
| Sponsor 39 | Claim 1 | 1 2nd Supper |

<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 14 of 60 claims reviewed (23%), 12 sponsors claimed meals above the maximum number of approved meals for the sponsors' feeding sites.

According to the Summer Food Service Program's 2016 *Administration Guide,*

> **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.

<u>Questioned Costs for This Condition</u>

**Table 3**
**Results of Testwork and Questioned Costs for Serving and Claiming Meals Above Capacity Amounts**

| Sponsor | Site | Claim Number | Questioned Costs | Overall Number and Type of Meals Claimed Above the Approved Limits |
|---|---|---|---|---|
| Sponsor 40 | Site A | Claim 1 | $565 | 135 Lunches |
| | Site B | | | 1 Lunch |
| Sponsor 4 | Site A | Claim 1 | $25 | 3 Breakfasts |
| | Site B | | | 8 Breakfasts |
| Sponsor 16 | Site A | Claim 1 | $45 | 7 Breakfasts<br>7 Lunches |
| Sponsor 21 | Site A | Claim 1 | $42 | 10 Lunches |
| | Site B | Claim 2 | $7 | 3 Breakfasts |
| Sponsor 22 | Site A | Claim 1 | $18 | 8 Breakfasts |
| Sponsor 24 | Site A | Claim 1 | $32 | 14 Breakfasts |
| Sponsor 26 | Site A | Claim 1 | $4 | 1 Lunch |
| Sponsor 31 | Site A | Claim 1 | $905 | 70 Lunches |
| | Site B | | | 110 Lunches |
| | Site C | | | 38 Lunches |
| Sponsor 41 | Site A | Claim 1 | $2,198 | 545 Lunches |
| Sponsor 28 | Site A | Claim 3 | $93,638 | 736 Lunches |

| Sponsor | Site | Claim Number | Questioned Costs | Overall Number and Type of Meals Claimed Above the Approved Limits |
|---|---|---|---|---|
| | Site B | | | 253 Lunches |
| | Site C | | | 652 Breakfasts<br>2,077 Lunches |
| | Site D | | | 33 Breakfasts<br>846 Lunches |
| | Site E | | | 1,780 Lunches |
| | Site F | | | 1,256 Lunches |
| | Site G | | | 171 Breakfasts<br>1,919 Lunches |
| | Site H | | | 1,044 Breakfasts<br>5,706 Lunches |
| | Site I | | | 434 Breakfasts<br>2,164 Lunches |
| | Site J | | | 348 Breakfasts<br>4,641 Lunches |
| | Site A | Claim 2 | $30,080 | 1,801 Lunches |
| | Site B | | | 25 Lunches |
| | Site C | | | 881 Lunches |
| | Site D | | | 596 Lunches |
| | Site E | | | 418 Lunches |
| | Site F | | | 1,373 Lunches |
| | Site G | | | 1,363 Lunches |
| | Site H | | | 290 Lunches |
| | Site I | | | 612 Lunches |
| Sponsor 42 | Site A | Claim 1 | $89 | 4 Breakfasts<br>4 Lunches |
| | Site B | | | 10 Breakfasts<br>10 Lunches |
| Sponsor 37 | Site A | Claim 2 | $101 | 16 Lunches |
| **Total** | | | **$127,749** | **32,423 meals** |

Condition C and Criteria: *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 5 of 60 claims reviewed (8%), 5 sponsors served and claimed meals prior to DHS approval or claimed meals before or after the approved dates of operation.

According to the Summer Food Service Program's 2016 *Administration Guide,*

> **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>

**Table 4**
**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 35 | Claim 1 | $755 | 69 Breakfasts<br>75 Lunches<br>76 Suppers |
| Sponsor 5 | Claim 1 | $12 | 3 Lunches |
| Sponsor 13 | Claim 1 | $48 | 12 Lunches |
| Sponsor 37 | Claim 1 | $1,076 | 170 Breakfasts<br>170 Lunches |
| Sponsor 43 | Claim 1 | $748 | 150 Lunches<br>150 Snacks |
| **Total** | | **$2,639** | **875 meals** |

<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 1 of 60 meal reimbursement claims tested (2%), DHS reimbursed 1 sponsor using incorrect administrative reimbursement rates, resulting in overpayments of $86. Our review found that DHS reimbursed 1 sponsor for 1 feeding site 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 Summer Food Service Program's 2016 *Administration Guide,*

> 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.

Questioned Costs for This Condition

**Table 5**
**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 35 | 1 | $86 | 465 Breakfasts<br>526 Lunches<br>486 Suppers |
| **Total** | | **$86** | **1,477 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**:** *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. For 2 sponsors, the meal count forms did not have any site supervisor signatures, nor did they contain a line for a site supervisor to sign. For 2 sponsors, the sponsor uses a weekly meal count form instead of a daily meal count form and did not document point-of-service counts on the weekly form, as federally required.

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.

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

**Table 6**
**Results of Testwork and Questioned Costs for Noncompliant Meal Count Forms**

| Sponsor | Claim Number | Noncompliant Meal Count Form | Questioned Costs |
|---|---|---|---|
| Sponsor 35 | 1 | No Site Supervisor Signatures | $4,309 |
| Sponsor 24 | 1 | No Point-of-Service Daily Meal Count Forms | $69,728 |
| Sponsor 29 | 1 | No Point-of-Service Daily Meal Count Forms | $3,294 |
| Sponsor 34 | 1 | No Site Supervisor Signatures | $1,757 |
| **Total** | | | **$79,088** |

Risk Assessment

We reviewed DHS's December 2019 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 Green Book Principle 7, "Identify, Analyze, and Respond to Risks,"

> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**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. As noted above, we have repeatedly identified the same sponsors for noncompliance even though they have had years of DHS training on program operations.

"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 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," as described in Section 200.208, "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 performance period;

(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 200.339 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 for All Conditions**

**Table 7**
**Summary of Questioned Costs for All Conditions**

| Conditions | Questioned Costs |
|---|---|
| **Condition A:** Claims were incomplete and/or based on inaccurate meal counts. | $192,284 |
| **Condition B:** Sponsors served and claimed meals above the approved serving limits. | $127,749 |
| **Condition C:** Sponsors served and claimed meals outside the approved dates of operation. | $2,639 |
| **Condition D:** DHS reimbursed sponsors using incorrect administrative rates. | $86 |
| **Condition E:** Sponsors did not use compliant meal count forms. | $79,088 |
| **Total Questioned Costs** | **$401,846** |

This finding, in conjunction with **Finding 2020-015**, 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. In resolution of this audit finding, DHS management will work with the federal grantor to determine the amount of any disallowed costs.

**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 200.208 and 200.339.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

## Management's Comment

We concur in part.

DHS continues to work to improve the successful operation of the program and the overall integrity of the SFSP. This finding is based on test work from the summers of 2019 and 2020. The data crosses program years and does not show a contextualized picture of how the SFSP program operates. By reporting information with such a lag time and including information from two different SFSP program years DHS is unable to effectively show implemented changes. DHS hopes to continue working with the state auditors in a way where the information shared can be utilized productively and DHS can support the Tennessee children and families served by this program.

Condition A: *Claims Were Incomplete and/or Based on Inaccurate Meal Counts*

We concur in part.

DHS concurs that incomplete and/or inaccurate meal counts occur in the SFSP program, as it is one of the frequent issues identified in the DHS monitoring process. DHS monitored 14 of the 20 sponsors identified in this condition from SFSP 2019 and 2 of the 7 sponsors identified in this condition from SFSP 2020. Out of the monitored sponsors, DHS noted the same or similar instances of noncompliance and the sponsors have subsequently submitted corrective action addressing the issue and returned any identified overpayment or are in the process of completing the corrective action. DHS' monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection. If the state auditors selected the same months of review as DHS and compared outcomes, the review would provide a more nuanced look at the work DHS does to support SFSP sponsor compliance and program integrity.

It is important to note that eight of the 34 claims identified in Table 1 resulted in questioned costs that are below the state threshold for collection.

DHS does not concur with the identified noncompliance for the six sponsors noted in Table 2 of 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 including underclaimed meals in a finding of sponsor noncompliance is disingenuous.

All SFSP trainings are developed and conducted in conjunction with USDA FNS. SFSP training materials and training requirements were reviewed by USDA as part of the 2020 DHS SFSP Management Evaluation and DHS was found to be in compliance with federal training requirements.

Condition B: *Sponsors Served and Claimed Meals Above the Approved Serving Limits*

We concur in part.

DHS concurs that claiming meals above the approved daily serving limits occurs in the SFSP program, as it is one of the frequent issues identified in the DHS monitoring process. The questioned costs identified in this condition cross SFSP program years and therefore make direct comparison challenging. USDA provided waivers for SFSP 2020 due to the impact of COVID-19, allowing for enhanced flexibilities within the SFSP program.

DHS' monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection or the timing of the monitoring report prevented comparison.

It is important to note that 8 of the 14 claims with questioned costs are below the state threshold for collection.

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 preventative control.

Condition C: *Sponsors Served and Claimed Meals Outside the Approved Dates of Operation*

We concur in part.

DHS concurs that serving and claiming meals outside the approved dates of operation occurs in the SFSP program, as it is one of the frequent issues identified in the DHS monitoring process. DHS' 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 2 of the 5 sponsors with questioned costs are below the state threshold for collection.

DHS continuous effort of increasing and improving its training to food program sponsors can mitigate the risk of future non-compliance but does not act as a complete preventative control.

Condition D: *DHS Reimbursed Sponsors Using Incorrect Administrative Rates*

We concur.

DHS corrected this error within the TIPS system in the transition from SFSP 2019 to SFSP 2020. The amount of identified questioned costs is below the state threshold for collection. This Sponsor did not participate in SFSP 2020.

Condition E: *Sponsors Did Not Use Compliant Meal Count Forms*

We concur.

DHS 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 site supervisors. Additionally, meal count forms are found in the back of the USDA SFSP Administrative Guide that is available to the public.

DHS continuous effort of increasing and improving its training to food program sponsors can mitigate the risk of future non-compliance but does not act as a complete preventative control.

**Auditor's Comment**

For the audit period July 1, 2019, through June 30, 2020, (which covered Summer 2019 and Spring 2020) we audited this federal program in accordance with the Office of Management and Budget Uniform Guidance found in Title 2, *Code of Federal Regulations* (CFR), Part 200, and we considered all waivers resulting from the COVID-19 pandemic, as well as DHS Audit Services monitoring activities in evaluating our audit results. This is the sixth consecutive year of this finding, which shows a longstanding and systemic issue with DHS's processes for training, monitoring, sponsor approval, and overall program oversight.

We included underclaimed errors in the finding to highlight inaccurate recordkeeping and not as a component in calculating questioned costs. The department's threshold for collecting overpayments from sponsors has no relevance to the auditor's determination of questioned costs. We are responsible to report all known questioned costs for overpayments. Should the federal grantor determine any of the auditor's questioned costs are federal disallowed costs for which the department should recover the disallowed costs (overpayments) made to a sponsor, management's responsibility could include netting underpayments with overpayments as part of the disallowed costs recovery process.

| | |
|---|---|
| **Finding Number** | 2020-015 |
| **CFDA Number** | 10.559 |
| **Program Name** | Child Nutrition Cluster |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Federal Award Identification Number** | 205TN331N1099 and 205TN331N8503 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Repeat Finding** | 2019-022 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | FY 2020: $35,125 and FY 2021: $155,674 |

**For the seventh 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 $190,799 of federal questioned costs**

## Background

The Summer Food Service Program for Children (SFSP) is funded by the U.S. Department of Agriculture (USDA) 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 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 typically only operates during the summer months (May through August). With the onset of the COVID-19 pandemic, however, many schools closed in March 2020 and sponsors began serving meals. The USDA issued SFSP program waivers to the states to minimize person to person contact during the pandemic while still providing children with access to meals. These USDA waivers included non-congregate feeding, parent meal pickup for their children, and approval for sponsors to serve two meals at the same time. We observed meal services from May 2020 through August 2020. 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:

- 2020 (July 1, 2019, through June 30, 2020, with the months of May and June falling during our review period); and
- 2021 (July 1, 2020, through June 30, 2021, with the months of July and August falling during our review period).

**Prior Audit Results**

We reported in the prior six 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, errors, and inconsistencies between observed meals and claimed meals occur in administering the SFSP.

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. See Finding **2020-010** for further details.

**Condition and Criteria**

We found that 12 of 19 sponsors noted in this finding had participated in the SFSP program in the past and were returning to participate as sponsors for the 2020 SFSP program year. These sponsors have participated in SFSP for 5 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 does not have a consistent process 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 intention to correct noncompliance issues. Seventeen of the 19 sponsors reported in this finding have been included in our prior audit findings. The 2 sponsors not included in prior audit findings were new to the program this year. 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 1,100 feeding sites statewide, under 47 participating sponsors, to serve meals during 2020 SFSP. The 64 meal services we observed or attempted to observe represent 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 18 of the 47 sponsors that DHS approved for the 2020 program. We observed 23 meal services at 18 different sites, operated by 18 different sponsors. Our observations included 37 meal types[46] because many sponsors served 2 meal types at a time. We attempted to perform an additional 38 meal observations covering 52 meal types, but no meals were served during these observations.

After the 2020 SFSP meal service program ended, we subsequently followed up with all the sponsors to ensure they claimed the correct number of meals on the reimbursement claims submitted to DHS for the 23 meal services we observed and the 38 meal services we attempted to observe. These 61 meal service follow-ups consisted of 66 monthly claims the sponsors submitted.

Based on our audit testwork, we found the following conditions, which will be addressed in detail.

We noted meal service noncompliance during our meal observations (see Condition A). Based on our follow-up reviews, we found that subrecipients did not claim the correct number of meals for the day of our observation and attempted observation (see Condition B). We found that subrecipients did not maintain accurate meal reimbursement documentation for all meals for the month we reviewed (see Condition C) and that subrecipients claimed meals over the approved capacity (see Condition D).

[46] SFSP meal types include breakfast, lunch, supper, or snack. Due to COVID-19, many sponsors elected to serve two meal types at a time.

Condition A: *Meal Service Noncompliance*

Overall, we noted 9 different types of meal service noncompliance at 20 of 23 meal services observed (87%), ranging from 1 to 5 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**

| Noncompliance | Number of Sponsors | Number of Sites |
|---|---|---|
| Sponsors allowed children to consume additional meals off-site | 9 | 11 |
| Sponsors served meals to adults or adults were allowed to pick up meals for persons who were not their own children | 7 | 7 |
| Sponsors served meals outside of the approved time | 9 | 10 |
| Sponsors served incomplete 1st meal components | 7 | 11 |
| Sponsors did not correctly count the number of meals served | 5 | 5 |
| Sponsors did not take point-of-service counts during the meal service | 3 | 4 |
| Sponsor served meals at an unapproved feeding site | 1 | 1 |
| Sponsor counted 2nd meals as 1st meals | 1 | 1 |
| Sponsor did not sign the Meal Count Form | 1 | 1 |

We reviewed all the USDA-issued COVID-19 waivers and reached out to the USDA's Food and Nutrition Service (FNS) for additional clarification about the waivers. Based on our review, sponsors did not follow the USDA waiver guidelines.

- *The Nationwide Waiver to Allow Parents and Guardians to Pick Up Meals for Children* allowed non-congregate feeding during COVID-19 related operations, which allowed children to take meals home to eat rather than congregating. We observed adults picking up large amounts of meals at most sites and noted violations when parents told us they picked up meals for themselves or for people other than their children. Four separate site supervisors informed us that they served and claimed meals to adults at their sites. We also observed children taking multiple meals home, and site supervisors informed us it was for siblings, parents, and neighbors. According to FNS clarification, the waiver did not permit children to pick up meals for siblings or adults to pick up meals for individuals other than their own children. In addition, meals served to adults were not reimbursable.
- *The Nationwide Waiver to Allow Meal Service Time Flexibility in the Child Nutrition Programs COVID-19: Child Nutrition Response #1* allowed sponsors to have flexibility for the meal service time, such as sponsors serving breakfast and lunch at the same time to reduce the number of visits a child needed to make to a site. However, the waiver states that the requirement for SFSP sponsors to establish meal service times remained in effect. We observed sponsors serving outside of the approved times.

- *The Nationwide Waiver to Allow Meal Pattern Flexibility in the Child Nutrition Programs COVID-19 Child Nutrition Response #4* waived the requirement for sponsors to serve meals that met the USDA meal pattern requirements during the COVID-19 pandemic based upon disruptions to the availability of food products. The waiver required DHS staff to approve sponsors' participation under this waiver on a case-by-case basis and required DHS to report to the FNS Regional Office when and where the waiver was in effect and for what food components. The waiver stated that FNS expected and strongly encouraged sponsors to maintain and meet the nutrition standards to the greatest extent possible. DHS staff did not provide us with a list of sponsors that management had approved to operate under this waiver and what food components were waived. Furthermore, site supervisors did not cite any food shortages as a reason why they did not serve all meal components during our meal observations.

The above-mentioned instances of noncompliance substantiated grounds to disallow program payments. We discussed each instance of noncompliance and its allowability for program reimbursement with sponsors' personnel at the time of our site visit. See Conditions B and C for the results of our follow-up review.

*Multiple Sponsors Served at the Same Sites*

During our meal observations and attempted meal observations, we noted instances of multiple sponsors serving at the same sites and serving more than the maximum two meal types per day. According to the Summer Food Service Program's 2016 *Administration Guide,*[47]

> 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. . . .
>
> 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 . . .).

Based on our review of the sponsors' approved feeding site information in the Tennessee Information Payment System, the sponsors used variations of the sites' street address, even though the physical site locations were the same buildings or apartment complexes. In one instance, the site supervisors stated that multiple sponsors set up feeding sites next to each other. We considered the sponsor DHS first approved to serve at the sites as serving allowable meals unless we noted other meal service violations. We questioned the costs DHS paid to the other sponsors who served and claimed meals beyond the maximum two meals per day at the same sites. See **Table 2**.

[47] The Summer Food Service Program's 2016 *Administration Guide* is a publication of federal requirements for sponsors set forth by the USDA's Food and Nutrition Service, which administers SFSP.

**Table 2**
**Multiple Sponsors Serving at Sites**

| Site | Sponsor | Questioned Costs* | |
|---|---|---|---|
| | | FY 2020 | FY 2021 |
| 1 | Sponsor 8 | $11,341 | $9,489 |
| | Sponsor 9 | $6,387 | $4,223 |
| | Sponsor 10 | 0* | 0* |
| 2 | Sponsor 4 | - | $5,048 |
| | Sponsor 1 | 0* | 0* |
| 3 | Sponsor 4 | - | $4,514 |
| | Sponsor 1 | 0* | 0* |
| 4 | Sponsor 1 | - | $40,013 |
| | Sponsor 1 | 0* | 0* |
| 5 | Sponsor 8 | $14,400 | $11,720 |
| | Sponsor 9 | 0* | 0* |
| 6 | Sponsor 1 | - | $4,028 |
| | Sponsor 16 | 0* | 0* |
| **Totals** | | **$32,128** | **$79,035** |

* We did not question costs for the sponsor that started serving meals first at the site.

Criteria (Applicable to Condition A)

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* |
|---|---|
| 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<br>For a breakfast to be a reimbursable meal, it must contain:<br>• One serving of milk (whole, low-fat, or fat-free)<br>• One serving of a vegetable, fruit, or full-strength juice; and<br>• One serving of a grain<br>• An OPTIONAL serving of a meat or meat alternate may also be served. |

| Type of Noncompliance | Applicable Criteria From the Summer Food Service Program's 2016 *Administration Guide* |
|---|---|
| Children Took Additional Meals Off-Site | Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . More than one meal served to a child at a time. |
| No Point-of-Service Counts 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 | Reimbursement may not be claimed for . . . Meals served outside of approved timeframes or approved dates of operation. |
| Incorrect Count of Meals Served | Reimbursement may not be claimed for . . . Meals that were not served. |
| Meals Served at Unapproved Feeding Sites | Reimbursement may not be claimed for . . . Meals served at sites not approved by State agencies. |
| 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. . . . 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 the 23 meal services we physically observed, covering 37 meals, 15 sponsors did not claim the correct number of meals for 32 of 37 meals (86%). 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† | Noncompliance Code[‖] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 1st Meals | 2nd Meals | 1st Meals | 2nd Meals | | | |
| 1 | Sponsor 1 | Site A | Breakfast | 175 | 0 | 0 | 0 | 175 | $416 | 1, 2, 3 |
| | | | Lunch | 175 | 0 | 0 | 0 | 175 | $727 | |
| | | Site B | Lunch | 135 | 0 | 0 | 0 | 135 | $561 | 1,4 |
| | | Site C | Breakfast | 85 | 0 | 0 | 0 | 85 | $202 | 1 |
| | | | Lunch | 90 | 0 | 0 | 0 | 90 | $374 | |
| 2 | Sponsor 17 | Site A | Breakfast | 819 | 0 | 840 | 0 | (21) | $0 | - |
| | | | Lunch | 819 | 0 | 906 | 0 | (87) | $0 | |
| 3 | Sponsor 2 | Site A | Snack | 33 | 0 | 0 | 0 | 33 | $32 | 2 |
| 4 | Sponsor 3 | Site A | Breakfast | 828 | 0 | 0 | 0 | 828 | $1,929 | 1, 3, 4 |
| | | | Lunch | 828 | 0 | 0 | 0 | 828 | $3,384 | |
| 5 | Sponsor 4‡ | Site A | Lunch | 80 | 0 | 0 | 0 | 80 | $0 | 1, 2, 3, 5 |
| | | | Snack | 80 | 0 | 0 | 0 | 80 | $0 | |
| | | Site B | Supper | 17 | 0 | 0 | 0 | 17 | $0 | 1, 4 |
| 6 | Sponsor 5 | Site A | Lunch | 89 | 0 | 39 | 0 | 50 | $208 | 3, 4 |
| | | | Snack | 89 | 0 | 39 | 0 | 50 | $49 | |
| 7 | Sponsor 6 | Site A | Breakfast | 125 | 0 | 0 | 0 | 125 | $297§ | 1, 2, 3, 4 |
| | | | Lunch | 140 | 0 | 0 | 0 | 140 | $581§ | |
| | | Site B | Breakfast | 83 | 0 | 0 | 0 | 83 | $197 | 1, 2, 4, 5 |
| | | | Lunch | 83 | 0 | 0 | 0 | 83 | $345 | |
| 8 | Sponsor 7 | Site A | Breakfast | 49 | 0 | 0 | 0 | 49 | $116§ | 2, 4 |
| | | | Lunch | 49 | 0 | 43 | 0 | 6 | $25§ | |
| 9 | Sponsor 9 | Site A | Lunch | 79 | 0 | 44 | 0 | 35 | $145 | 4, 6 |
| | | Site B | Lunch | 28 | 0 | 23 | 0 | 5 | $21 | 1, 4, 5 |
| 10 | Sponsor 10 | Site A | Breakfast | 16 | 0 | 13 | 0 | 3 | $7 | 4 |
| | | | Lunch | 16 | 0 | 13 | 0 | 3 | $12 | |
| 11 | Sponsor 11 | Site A | Breakfast | 12 | 0 | 0 | 0 | 12 | $29 | 2 |
| | | | Lunch | 12 | 0 | 0 | 0 | 12 | $50 | |
| 12 | Sponsor 12 | Site A | Breakfast | 140 | 0 | 0 | 0 | 140 | $326 | 2, 3, 4, 5 |
| | | | Lunch | 140 | 0 | 132 | 0 | 8 | $33 | |
| 13 | Sponsor 13 | Site A | Snack | 71 | 0 | 59 | 0 | 12 | $12 | 2, 7 |
| 14 | Sponsor 14 | Site A | Snack | 90 | 0 | 50 | 0 | 40 | $38 | 5 |
| 15 | Sponsor 15 | Site A | Breakfast | 41 | 0 | 20 | 0 | 21 | $50 | 1 |
| | **Total Questioned Costs for This Condition** | | | | | | | | **$10,166** | |

* Subsequent to our meal service observations and after 2020 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.

† We did not note noncompliance for Sponsor 17 during our meal observation; however, our review found the sponsor had underclaimed meals. We did not question costs.

‡ We reached out to Sponsor 4 to obtain meal counts and received no response. We obtained some meal count forms from DHS Audit Services, but no meal counts for this site. The sponsor attempted to claim meals for this site for its July meal reimbursement claim; however, DHS's desk review revealed the sponsor had insufficient meal count documentation, and DHS did not reimburse the sponsor for the July meal reimbursement claim.

§ These questioned costs are from fiscal year 2020. All other questioned costs are from fiscal year 2021.

‖ Noncompliance codes:
1 - Incomplete 1st meal components
2 - Meals served outside approved time
3 - Meals served to adults or adults were allowed to pick up meals for persons who were not their own children
4 - Additional meals consumed off-site
5 - Incorrect count of meals served
6 - Meals served at unapproved sites
7 - 2nd meals counted as 1st meals

### *Attempted Meal Service Observations*

We attempted to observe 38 additional meal services (46 meal types) for 8 sponsors; however, we did not see any site personnel or children at the sites. We followed up with the sponsors to ensure the sponsor did not claim meals on the days we did not see any meals served. We noted that 4 sponsors claimed meals for reimbursement for the days of our observation for 28 of 46 meals (61%), even though we saw no meal service. See **Table 5** for the details of the noncompliance and the questioned costs for these sponsors.

**Table 5**
**Follow-up: Noncompliance for the Day of Our Attempted Meal Observation**

| | Sponsor | Site | Meal Service Observation Number | Number of Meals the Sponsor Claimed on the Meal Count Form | FY 2021 Questioned Costs |
|---|---|---|---|---|---|
| 1 | Sponsor 8 | Site A | 1 | 50 Lunches | $204 |
| | | | 2 | 30 Lunches | $123 |
| | | Site B | 1 | 50 Lunches | $204 |
| | | Site C | 1 | 41 Lunches | $168 |
| | | | 2 | 30 Lunches | $123 |
| | | Site D | 1 | 20 Lunches | $82 |
| 2 | Sponsor 17 | Site B | 1 | 49 Breakfasts | $116 |
| 3 | Sponsor 1 | Site A | 1 | 235 Lunches | $976 |
| | | | 2 | 175 Breakfasts | $416 |
| | | | | 175 Lunches | $727 |
| | | | 3 | 140 Breakfasts | $333 |
| | | | | 140 Lunches | $581 |
| | | Site D | 1 | 124 Lunches | $515 |
| | | Site E | 1 | 145 Lunches | $602 |
| | | Site H | 1 | 140 Breakfasts | $333 |
| | | | 2 | 140 Lunches | $581 |
| | | | 3 | 142 Breakfasts | $337 |
| | | | | 142 Lunches | $590 |

| | Sponsor | Site | Meal Service Observation Number | Number of Meals the Sponsor Claimed on the Meal Count Form | FY 2021 Questioned Costs |
|---|---|---|---|---|---|
| | | Site C | 1 | 200 Lunches | $831 |
| | | | 2 | 195 Lunches | $810 |
| | | | 3 | 195 Lunches | $810 |
| | | Site F | 1 | 73 Breakfasts | $173 |
| | | | | 73 Suppers | $303 |
| 4 | Sponsor 4 | Site C | 1 | * | $0* |
| | | | 2 | * | $0* |
| | | Site D | 1 | * | $0* |
| | | | 2 | * | $0* |
| | | Site E | 1 | * | $0* |
| **Total Questioned Costs** | | | | | **$9,938** |

*We reached out to this sponsor to obtain meal counts and received no response. We obtained some meal count forms from DHS Audit Services, but no meal counts for this site. The sponsor attempted to claim meals for this site for its July meal reimbursement claim; however, DHS's desk review revealed the sponsor had insufficient meal count documentation, and DHS did not reimburse the sponsor for the July meal reimbursement claim.

<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 sponsors claimed for the entire month for corresponding feeding sites and meal types. Based on our testwork, we noted that 7 sponsors did not maintain correct documentation to support the monthly meal reimbursement claims for 17 of 37 meals (46%). One of the sponsors did not provide meal count documentation to support its monthly claim for the meal type we performed or attempted to perform a meal service observation. See **Table 6** for details of the noncompliance.

**Table 6**
**Follow-up: Noncompliance for the Corresponding Month of Our Meal Observation**

| | Sponsor | Site | Number and Type of Meals Represented in Questioned Costs | Questioned Costs |
|---|---|---|---|---|
| 1 | Sponsor 1 | Site A | 5 Breakfasts | $12 |
| | | | 5 Lunches | $0* |
| | | Site B | - | $0* |
| | | Site C | - | $0* |
| 2 | Sponsor 4 | Site A | 2,428 Lunches | $0† |
| | | | 2,428 Snacks | $0† |
| | | Site B | 1,336 Suppers | $0† |
| 3 | Sponsor 6 | Site A | 150 Breakfasts | $356‡ |
| | | | 60 Lunches | $249‡ |
| | | Site B | - | $0* |
| | | | - | $0* |
| 4 | Sponsor 7 | Site A | 228 Breakfasts | $542‡ |
| | | | 200 Lunches | $831‡ |

| | Sponsor | Site | Number and Type of Meals Represented in Questioned Costs | Questioned Costs |
|---|---|---|---|---|
| 5 | Sponsor 9 | Site B | 49 Lunches | $203 |
| 6 | Sponsor 11 | Site A | - | $0* |
| | | | - | $0* |
| 7 | Sponsor 18 | Site A | 23 Lunches | $96 |
| **Total Questioned Costs** | | | | **$2,289** |

* Sponsors without questioned costs indicate that we found the sponsor had underclaimed meals.

† We reached out to this sponsor to obtain meal counts and received no response. We obtained some meal count forms from DHS Audit Services, but no meal counts for this site. The sponsor attempted to claim meals for this site for its July meal reimbursement claim; however, DHS's desk review revealed the sponsor had insufficient meal count documentation, and DHS did not reimburse the sponsor for the July meal reimbursement claim.

‡ These costs represent fiscal year 2020 questioned costs. All other questioned costs are for fiscal year 2021.

In addition to verifying the day of our attempted meal service observations, we also verified the number of meals the sponsors claimed for the entire month for the corresponding feeding sites and meal types. Our testwork revealed that for 12 of 29 meals reviewed (41%), 4 sponsors did not maintain correct documentation to support the monthly meal reimbursement claim for the meal type. See **Table 7** for details of the noncompliance.

**Table 7**
**Follow-up: Noncompliance for the Corresponding Month of Our Attempted Meal Observation**

| | Sponsor | Site | Number and Type of Meals Represented in Questioned Costs | FY 2021 Questioned Costs |
|---|---|---|---|---|
| 1 | Sponsor 8 | Site C | 30 Lunches | $123 |
| | | Site D | 42 Lunches | $172 |
| 2 | Sponsor 3 | Site B | - | $0* |
| | | | 562 Lunches | $2,297 |
| 3 | Sponsor 1 | Site D | - | $0* |
| | | Site E | 145 Lunches | $602 |
| 4 | Sponsor 4 | Site F | 1,821 Suppers | $0† |
| | | Site C | 1,240 Lunches | $0† |
| | | Site D | 798 Suppers | $0† |
| | | Site G | 2,160 Suppers | $0† |
| | | Site H | 1,275 Suppers | $0† |
| | | Site E | 1,860 Suppers | $0† |
| **Total Questioned Costs** | | | | **$3,194** |

*Sponsors without questioned costs indicate that we found the sponsor had underclaimed meals.

†The sponsor attempted to claim meals for this site for its July meal reimbursement claim; however, DHS's desk review revealed the sponsor had insufficient meal count documentation, and DHS did not reimburse the sponsor for the July meal reimbursement claim.

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: *Sponsors Served and Claimed Meals Above the Approved Serving Limits*

Based on our review of DHS's approved serving limit information in the Tennessee Information Payment System and our review of the meal count documentation obtained from the sponsors, we noted that 3 sponsors claimed meals above the maximum number of approved meals. See **Table 8.**

**Table 8**
**Meals Above the Approved Serving Limits**

| | Sponsor | Site | Number and Type of Meals Claimed Above the Approved Limits | FY 2021 Questioned Costs |
|---|---|---|---|---|
| 1 | Sponsor 9 | Site A | 1 Lunch | $4 |
| 2 | Sponsor 3 | Site A | 3,526 Breakfasts | $8,216 |
| | | | 3,241 Lunches | $13,248 |
| | | Site B | 4,848 Breakfasts | $11,296 |
| | | | 3,023 Lunches | $12,357 |
| 3 | Sponsor 19 | Site A | 2,150 Lunches | $8,928 |
| **Total Questioned Costs** | | | | **$54,049** |

Criteria (Applicable to Condition D)

According to the Summer Food Service Program's 2016 *Administration Guide,*

> **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.

Risk Assessment

We reviewed DHS's December 2019 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 did not implement 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 Green Book 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**

During our discussions, DHS management did not provide a cause for the issues. In our discussions with site supervisors, they said the causes for the errors noted in the conditions above were human error and miscommunication or lack of communication between the site personnel, the sponsor, and DHS.

**Effect**

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 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," as described in Section 200.208, "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 performance period;
>
> (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 200.339 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 for All Conditions**

We questioned $190,799 for the noncompliance noted above. See **Table 9** for the overall noncompliance and questioned costs noted at the sponsors.

**Table 9**
**Summary of Questioned Costs for All Conditions**

| Conditions | Questioned Costs | | Totals |
|---|---|---|---|
| | FY 2020 | FY 2021 | |
| **Condition A:** Meal service noncompliance. | $32,128 | $79,035 | $111,163 |
| **Condition B:** Incorrect number of meals claimed for the day of our meal service observations and attempted observations. | $1,019 | $19,085 | $20,104 |
| **Condition C:** Meal reimbursement documentation was inaccurate for the month of our meal service observations and attempted observations. | $1,978 | $3,505 | $5,483 |
| **Condition D:** Sponsors served and claimed meals above the approved serving limits. | - | $54,049 | $54,049 |
| **Totals** | $35,125 | $155,674 | $190,799 |

This finding, in conjunction with **Finding 2020-014,** 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 200.208 and 200.339.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur in part.

We do not concur with the assertion that management has not effectively analyzed the causes for sponsor non-compliance. DHS continually analyzes and evaluates the causes for program noncompliance. DHS addresses program noncompliance on an ongoing basis through training, technical assistance and corrective action as required by USDA.

We do not concur with the state auditor's assessment that DHS has either not provided sponsors training or has provided insufficient or ineffective training. All SFSP trainings are developed and conducted in conjunction with USDA - FNS. All SFSP training materials were reviewed by USDA as part of the 2020 DHS SFSP Management Evaluation and DHS was found to be in compliance with federal training requirements. COVID-19 and the timing of the onset of the public health emergency required that DHS pivot from in-person trainings to online trainings; however, all SFSP sponsors completed training as required. All SFSP sponsors completed a 4-part online training program; additionally, new SFSP sponsors completed a web-based training session. DHS is continuing to develop supplemental training opportunities for SFSP participants and provides individualized training upon request.

The state auditors indicate that "the serious deficiency process has its weaknesses," and as discussed in last year's audit, we concur that the serious deficiency process has its weaknesses. Despite its weaknesses DHS is federally required to follow the serious deficiency process as outlined in 7 CFR 225 and the *USDA Summer Food Service Program State Agency Monitor Guide (2017),* Part 8: Corrective Action, Serious Deficiency, and Termination. Management is acting in accordance with the guidance. The Serious Deficiency and Corrective Action processes were evaluated by USDA as part of the 2020 DHS SFSP Management Evaluation and DHS was found to be in compliance with federal requirements.

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 it appears that the sponsor has permanently corrected the finding, a temporary deferral of the serious deficiency is issued. If, in the future, it is discovered that the sponsor failed to permanently correct the serious deficiency the serious deficiency process is reinitiated.

The state auditors indicate 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." DHS is not able to base program denials off perceived intent of a 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.

DHS is committed to the success and federal compliance of our SFSP sponsors. DHS 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 DHS will continue to support this responsibility and act accordingly when compliance with the federal regulations is not upheld.

DHS has implemented additional front-end desk review processes to verify SFSP claim payments in instances of identified noncompliance. As noted in this audit report, no funds were questioned for Sponsor 4 because DHS reviewed and denied the SFSP claim for the period of review. This process highlights DHS additional internal controls that acted as intended to prevent disbursement of funds where significant instances of noncompliance exist.

<u>Condition A</u>: *Meal Service Noncompliance*

We concur in part.

We agree that meal service non-compliance occurs in the SFSP program, as it is one of the frequent issues identified in the DHS monitoring process. DHS monitored 7 of the 15 sponsors identified in this condition. DHS noted the same or similar instances of noncompliance in the issued reports and the sponsors are in the process of addressing the issues through corrective action and returning any identified overpayment. DHS' monitoring was not taken into consideration during the audit process because the review month or sites selected by DHS varied from the state auditors' selection or the timing of the report issuance prevented comparison. It should be noted that no funds were disbursed to Sponsor 4 during the month of review and this Sponsor has been terminated from the program.

<u>Condition B</u>: *Incorrect number of meals claimed for the day of our meal service observations and attempted observations*

We concur in part.

We agree that inconsistencies between observed meals and claimed meals occur in the SFSP program, as it is one of the frequent issues identified in the DHS monitoring process. DHS monitored 7 of the 15 sponsors identified in this condition. DHS noted the same or similar instances of noncompliance in the issued reports and the sponsors are addressing the issue through corrective action and returning any identified overpayment. DHS' monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection or the timing of the report issuance prevented comparison. It should be noted that no funds were disbursed to Sponsor 4 during the month of review and this Sponsor has been terminated from the program.

<u>Condition C</u>: *Meal reimbursement documentation was inaccurate for the month of our meal service observation and attempted observation*

We concur in part.

We agree that inaccurate meal reimbursement documentation occurs in the SFSP program, as it is one of the frequent issues identified in the DHS monitoring process. DHS monitored 3 of the 7 sponsors identified in this condition. DHS noted the same or similar instances of noncompliance in the issued reports and the sponsors are addressing the issue through corrective action and returning any identified overpayment. DHS' monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection or the timing of the report issuance prevented comparison. It should be noted that no funds were disbursed to Sponsor 4 during the month of review and this Sponsor has been terminated from the program.

The questioned costs identified in this condition overstate the magnitude of the issue, as the state auditors are identifying overpayments without consideration of underpayments.

<u>Condition D</u>: *Sponsors Served and Claimed Meals Above the Approved Serving Limits*

We concur in part.

We agree that sponsors serving and claiming meals above the approved daily serving limit occurs in the SFSP program, as it is one of the issues identified in the DHS monitoring process. DHS monitored 2 of the 3 sponsors identified in this condition. DHS noted the same or similar instances of noncompliance in the issued reports and the sponsors are addressing the issues through corrective action and returning any identified overpayment. DHS' monitoring was not taken into consideration during the audit process because the review month or sites selected varied from the state auditors' selection or the timing of the report issuance prevented comparison.

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

Management's comments do not dispute the conditions of noncompliance reported in our finding. Although management's comments provide details of their monitoring activities, their monitoring activities have not resolved the continued noncompliance identified at the subrecipient and department levels.

| | |
|---|---|
| **Finding Number** | 2020-016 |
| **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** | H126A190063 |
| **Federal Award Year** | 2019 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Repeat Finding** | 2019-023 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Although this finding is repeated for the third year, the Department of Human Services has increased spending for the pre-employment transition services under its 2019 Vocational Rehabilitations grant; however, the department fell just short of the required 15% spending threshold**

**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 federal fiscal year 2019,[48] DHS received a grant award of $54,964,517 from the federal government, which meant management needed to reserve and expend $8,244,678 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 for 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 (including internships), that is provided in an integrated environment in the community to the maximum extent possible;

[48] The federal fiscal year is the accounting period for the federal government. It begins on October 1 and ends on September 30.

(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 is responsible for performing all fiscal-related duties on behalf of DHS. A Controller is assigned to oversee DHS's fiscal-related duties.

**Prior Audit Results**

In the prior finding, we reported that DHS expended only $1,412,102 from the 2018 grant award to provide Pre-ETS, which was approximately 3% of grant fund expenditures and $5,725,883 less than the 15% requirement. Management concurred with the prior finding and stated they revised controls in their budgeting process to better manage the disbursement of funds and more closely align those disbursements with the federal funding award year. Management also stated they increased the number of providers to provide more services throughout the state.

**Condition and Cause**

To verify that DHS met the earmarking requirement for Pre-ETS, we determined the total 2019 grant award[49] expenditures and calculated the percentage expended for providing Pre-ETS. For the 2019 grant award, DHS expended approximately $54.8 million of the $54.9 million awarded, including $7,719,233 for Pre-ETS, which was approximately 14% of grant award expenditures. DHS was required to spend $8,220,097 for Pre-ETS and was approximately $500,864 short of meeting the 15% requirement.

According to program management, the department contracts with service providers to provide sufficient Pre-ETS services. Fiscal management conducts monthly budget meetings to review program budgets and tracks the department's progress for each of their grant awards. Additionally, Vocational Rehabilitation program and fiscal management meet quarterly to discuss the program and reporting. Program and fiscal management initially thought they had met the 15% requirement for the 2019 grant award; however, during the December 2019 monthly budget meeting, fiscal management found they had classified unallowable expenditures as Pre-ETS expenditures. When management corrected the classification error, they found the department was still short in meeting the 15% earmarking requirement. Given the onset of the COVID-19 pandemic in March 2020, management was unable to find alternatives to expend additional Pre-ETS funds.

[49] We did not perform this calculation for the 2020 grant award, as DHS still has until September 30, 2021, to expend Pre-ETS funds from the 2020 grant award.

## 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 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.

## 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 200.339, "If a non-Federal entity fails to comply with the U.S. Constitution, Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions," as described in Section 200.208, "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 performance period;
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 200.339 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's Comment

We concur.

The Vocational Rehabilitation (VR) program continues to earmark the required 15% through its budgeting processes with the department's budget team while working with community rehabilitation providers and Local Education Authorities (LEAs) to increase Pre-ETS availability through additional offerings outside the traditional school days including summer, evening or weekend sessions.

As a result of previous efforts to address this finding and despite the challenges posed by the COVID-19 pandemic limiting access to students that required a significant pivot in service delivery to an online model during the 4th quarter of the state fiscal year, the department was still able to expend over 14% of the required 15% of the 2019 Vocational Rehabilitation final grant award for Pre-ETS and provide the required services to students across Tennessee.

Additionally, beginning October 1, 2020, the department eliminated the local match requirement for LEAs that partner with the department through our Transition School to Work (TSW) contracts referred to as Third Party Cooperative Agreements (TPCAs) thereby increasing the allocation of each contract to 100% Pre-ETS earmark rather than the previous 78.7%. As a result of eliminating the local match requirement and LEA outreach efforts, the department increased the number of LEA contracted partners to provide Pre-ETS services by 9 to a total of 58 LEAs for federal fiscal year 2020 and is projected to be on track to expend the required 15% of the final grant award on Pre-ETS.

| | |
|---|---|
| **Finding Number** | 2020-017 |
| **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** | 1801TNCCDF, 1901TNCCDF, 2001TNCCDF, and 2001TNCCC3 |
| **Federal Award Year** | 2018 through 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Repeat Finding** | 2019-025 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $979 |

**As noted in the four prior audits, the Department of Human Services did not ensure that child care providers maintained adequate documentation of child care services, resulting in 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)[50] 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,
- the child's school enrollment, and
- the provider's participation in the star-quality rating program.

[50] EAV forms provide documentation of enrollment and attendance status for each child enrolled in the 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 the full payment as long as the child maintains an enrolled status and has not exceeded 20 consecutive days of being absent from the program. Once the absence allowance is exceeded, DHS continues payment to the provider, while following up with the child's family to determine whether the child should be terminated from the Certificate Program.

When providers submit EAV forms, fiscal services staff pay the providers based on each child's daily rate and the number of days in the EAV payment cycle.

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 systems Tennessee Licensed Care System (TLCS) and Tennessee Child Care Management System (TCCMS). 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 issue a report with a finding and 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. When Audit Services staff note deficiencies, the provider must complete a corrective action plan (CAP). The provider has 15 calendar days from the date the report is issued to complete the CAP and return it via email to the Child Care Compliance unit. The Program Coordinator for the Child Care Compliance unit is responsible for reviewing the CAP and approving or accepting it as noted by an authorized signature.

Additionally, program evaluators conduct both announced and unannounced visits to providers throughout the year. As part of their visit, program evaluators inspect the sign-in/sign-out sheets to ensure they are completed properly. The program evaluators document their visits and reviews on a checklist and in the TLCS system.

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 Results**

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 commented that the child care licensing and certificate staff's monitoring efforts to ensure providers complied with documentation requirements. Management's comments did not address whether they 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. Management did state that they were exploring a new attendance tracking and payment processing system. That system was not implemented at the time of our current audit.

The prior audit also determined that a contractor had charged unreasonable costs to the department. Management stated that they would require the contractor to revise its fiscal policies and would also work to recover any disallowed costs. Our follow-up during the current audit did not note any issues with contractors.

**Condition and Cause**

To determine if management followed program requirements, we tested a nonstatistical, random sample of 60[51] child care expenditures from July 1, 2019, to June 30, 2020, totaling $7,875,201, from a population of 103,906 transactions, totaling $217,757,017. We requested attendance documentation from the child care providers and supporting documentation from contractors to support child-care-related costs.

To determine if the department's monitoring activities were effective in identifying providers that had not adequately documented attendance for which they request reimbursements, we tested both Audit Services' monitoring activities and the program evaluators' inspection of providers. Audit Services released 19 monitoring reports of child care certificate providers during our audit period. We tested all 19 to determine if the documentation in Audit Services' working papers supported the reports' conclusions regarding the providers' attendance documentation. If the monitoring

[51] Our sample of 60 included 46 direct child care provider payments, 5 expenditures other than for direct child care, and 9 payments to a contractor. The 46 direct child care payments were selected from a population totaling $162,358,800. The 9 payments to a contractor were selected from a population of 50 payments of $200,000 or more each to a contractor, or 18% of the population of payments over $200,000 each to contractors.

report noted a finding regarding attendance documentation, we requested the corrective action plan (CAP) from the department's Child Care Compliance unit to determine if the plan had been received and properly accepted by the department.

We also selected a nonstatistical random sample of 60 licensed child care providers and all 27 non-licensed providers. We then examined the program evaluators' documentation of their announced annual visits to determine if they examined the provider's sign-in/sign-out sheets to determine if they were being properly used.

Child Care Providers Did Not Maintain Adequate Attendance Documentation

Based on our testwork, for 2 of 46 provider payments tested (4%), we noted that DHS did not ensure that child care providers maintained adequate documentation of child care services. We found that for the two errors noted, although the providers maintained some attendance documentation, the documentation was not adequate to support the providers' reimbursement requests. Specifically, we noted the following problems with the attendance documentation:

- The provider had no sign-in/sign-out sheets for the children on the EAV. There was no evidence that the children were enrolled or were in attendance for the period for which the provider submitted attendance verification for reimbursement.
- The provider was missing several sign-in sheets for the children during the submitted EAV period.

We questioned a total of $979 in federal funds for the days for which the child care providers did not maintain adequate documentation to support child care services. When we projected our sample errors to the population of child care provider reimbursements, the projection calculation triggered the federal finding reporting requirement. 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.

Despite the repeated findings, management has relied solely on the inspections completed by Licensing and Audit Services to certify that providers maintain accurate and complete documentation to support charges to the CCDF Grant. We found, however, that the monitoring processes DHS uses to confirm compliance with federal regulations are not adequate to ensure that child care providers maintain adequate documentation (see Condition B). Management stated that they were continuing to explore a new attendance tracking and payment management system as part of a modernization plan.

DHS Did Not Follow Its Monitoring Procedures for Corrective Action Plans

We examined the department's internal controls to determine if they were effective to ensure providers maintained the required documentation. According to the department's December 2019 Financial Integrity Act Risk Assessment, both the Audit Services Division and program evaluators perform monitoring visits to ensure sound fiscal management of program funds.

The Audit Services Division issued 19 child care provider monitoring reports during our audit period. Based on our review of all 19 monitoring reports, we found that in all reports, monitors reported that the providers had insufficient attendance documentation. As a result, these monitored child care providers were required to complete a CAP, which is due 15 days after the report is issued.

Based on our testwork, we found for 17 of 19 providers (89%), management did not ensure corrective action was taken. Specifically,

- 7 providers did not submit the CAP to the department (as of January 21, 2021, these providers were between 205 and 554 days late); and
- DHS CCDF program management had not indicated with an authorizing signature that they had accepted 10 provider CAPs, and thus it is unclear that program management is pursuing corrective action by these 10 providers.

According to the Director of Compliance, child care agencies contracting with the state did not submit a CAP in response to an audit review. Monitoring and management of CAPs was transferred to Child Care Compliance during the audit period immediately prior to the emergence of COVID-19, and Child Care Compliance staff need to follow up and monitor corrective action.

Risk Assessment

We reviewed DHS's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of departmental noncompliance with program requirements as a risk; however, the control was not operating effectively to mitigate its risk.

**Criteria**

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.

In addition, Section A.8 of the provider agreement states,

> The Contractor (Provider) 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, each person signing the child in and/or out should have a unique code or identifier on-site at all times. . . .

g. 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.

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. The Green Book provides general guidance and standards regarding the concepts of internal controls that may be applied to specific areas. These standards can be used as best practices when assessing and designing internal controls.

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

> **7.09** …When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

Additionally, according to Principle 16, "Perform Monitoring Activities,"

> **16.01** Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results". Additionally, Principle 16.04 states that "management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring…

**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.

## Effect

DHS cannot ensure that providers are reimbursed correctly without carefully reviewing provider documentation and ensuring providers respond timely to any deficiencies noted during an inspection. Our results indicate that DHS is not adequately monitoring providers and following up on results of providers with deficiencies. When DHS does not ensure child care providers maintain adequate and complete documentation, management cannot ensure that payments to child care providers are for actual services. Without effective controls to ensure compliance, DHS increases its risk of noncompliance, errors, fraud, waste, and abuse.

## 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. Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls. This includes ensuring staff monitor the status of any corrective action that providers are required to take following a monitoring visit. Staff should be assigned to ensure the providers submit their corrective action plans timely and work with them to fully correct any issues.

## Management's Comment

Child Care Providers Did Not Maintain Adequate Attendance Documentation

We concur.

The Department requires child care providers participating in the Child Care Certificate Program to maintain attendance documentation monitored during on-site visits by Child Care Licensing. Child care providers contracting with the Department did not fully adhere to document retention contract requirements. For the two (2) child care providers where this situation was found, the Department will issue management decision letters to recover any disallowed costs and establish corrective action before June 30, 2021. The Department is in the process of developing a new attendance tracking, billing and payment system as part of child care modernization that is expected to be implemented before December 31, 2021.

DHS did not follow its monitoring procedures for corrective action plans.

We concur.

The time period covered in the audit was July 01, 2019 to June 30, 2020. During the audit period, the Department implemented procedures for reviewing, accepting, and monitoring contractor corrective action plans in January 2020. Child Care Compliance is reviewing contractor corrective action plans received by the Office of Inspector General and following up to assure successful implementation of appropriate corrective action. The Department is in the process of the child care modernization that will further address these issues.

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|---|---|
| **Finding Number** | 2020-018 |
| **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** | G1701TNCCDF |
| **Federal Award Year** | 2017 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Repeat Finding** | 2019-027 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the fifth consecutive year, 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 sources: 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 two earmarking requirements for CCDF: administrative earmarking and quality 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 requirements** for the CCDF award for federal fiscal year (FFY) 2017, a state must spend at least 7% of the aggregate amount of discretionary, mandatory, and federal and state shares of the matching funds on quality activities. For FFY 2018 and 2019, the minimum quality spending requirement increased to 8%; for FFY 2020, the minimum requirement was raised to 9%. In addition, beginning with the CCDF award for FFY 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. For the 2017 grant award, 3% of the aggregate amount for the Infant and Toddler Quality Activities was approximately $3.5 million.

## Prior Audit Results

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 had not established adequate internal controls over earmarking, and program staff had not complied with the earmarking requirements for administrative costs and targeted funds[52]. Management concurred with the finding related to inadequate internal controls over earmarking and noncompliance with the earmarking requirements, and they stated they had implemented internal controls beginning with the 2019 grant award, which closes in 2021.

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 2017 grant year since that grant closed during our audit period. Subsequent grant awards were still available for use as of the end of our audit period, June 30, 2020, so we did not include them in this year's audit procedures. While management stated they implemented internal controls, since those controls were not in place for grant awards prior to the 2019 grant award, we could not test them as part of our audit work. We will test the effectiveness of these new controls in future audits of the program.

## Condition, Criteria, and Cause

Based on our review of accounting records and discussions with program and fiscal staff, we found that F&A's Controller and DHS's Child Care Services Program Directors did not have adequate controls in place to ensure that DHS expended a minimum of 3% of its aggregate 2017 grant award expenditures on Infant and Toddler Quality Activities, resulting in a $1.1 million deficit in required Infant and Toddler Quality Activity expenditures.

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 "Appendix I: Requirements" of the Green Book, "Management should design control activities to achieve objectives and respond to risks" and "should implement control activities through policies."

Title 45, *Code of Federal Regulations,* Section 98.50(b)(2) states "No less than three percent in fiscal year 2017 and each succeeding fiscal year shall be used to carry out activities at §98.53(a)(4) as such activities relate to the quality of care for infants and toddlers." See **Table 1** for the amounts of deficit in meeting the required spending thresholds for infant and toddler quality activities.

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[52] Prior to Fiscal Year 2017, Infant and Toddler expenditures were considered targeted funds instead of quality activity expenditures.

**Table 1**
**Deficit of Quality Activity Spending for the Federal Fiscal Year 2017 Grant Award**

| Quality Activity | Allotment | Expenditures Per Accounting Records | Total Deficit |
|---|---|---|---|
| Infant and Toddler | $3,514,261 | $2,393,789 | $1,120,473 |

Source: Edison accounting records.

Risk Assessment

We reviewed DHS's and F&A's December 2019 Financial Integrity Act risk assessment for DHS operations and determined that management did assess the risk of noncompliance with earmarking and a mitigating control.

Program management agreed that controls were not in place over the 2017 grant year award; however, management stated they have implemented controls over earmarking beginning with the 2019 grant year award that closes in 2021.

According to Green Book 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. . . .
>
> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**Effect**

By not establishing and maintaining effective internal controls to meet federal requirements, management increases the risk that management and staff's noncompliance will not be prevented or detected and corrected timely. Additionally, because the federal fiscal year 2017 grant award closed as of September 30, 2019, management no longer has access to expend those funds. In effect, the department did not use all available federal funding 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**

DHS's Director of Child Care Services and F&A's Controller for DHS fiscal activities should continue to evaluate any new controls they have implemented, 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 DHS meets the Infant and Toddler Quality Activities spending requirement. Additionally, management should develop policies and procedures for periodically monitoring expenditures to ensure DHS meets federal earmarking requirements within the required timeframe.

**Management's Comment**

DHS Child Care Services Program

We concur.

In response to the prior audit, the Department, along with the Department of Finance and Administration which provides fiscal services to the department, implemented a process in March 2020 to monitor captured quality contract expenses incurred for infant-toddler activities. Child Care Services and Fiscal Services management continue to meet quarterly to evaluate captured expenses, to review budget and spending strategies, to assure appropriate allocation of funds, and review earmarking calculation and requirements.

<u>DHS F&A</u>

We concur.

As indicated in the finding, F&A's Controller and DHS management implemented a process to monitor the status of earmarked expenditures on a quarterly basis to help ensure compliance with earmarking requirements effective March 2020. Support related to the earmarking discussions was provided to the auditors as proof of implementation.

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| **Finding Number** | 2020-019 |
| **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** | 1801TNCCDF, 1901TNCCDF, 2001TNCCDF, and 2001TNCCC3 |
| **Federal Award Year** | 2018 through 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | 2019-028 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior four audits, the Department of Human Services did not consistently perform case reviews of eligibility determinations and redeterminations; the department also lacks sufficient internal controls over manually adjusted rates, which resulted in incorrect 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 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.[53]

[53] The Star-Quality Child Care Program is a voluntary program that rewards child care agencies that exceed minimum licensing standards. See https://starquality.sworpswebapp.sworps.utk.edu/star-quality-program/.

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 Child Care Compliance Division provides a random sample of cases per child care specialist, along with a link to a SurveyMonkey tool, to field supervisors for review.[54] The sample includes both original eligibility determinations and redeterminations. Management uses the SurveyMonkey tool to record the results of the case review. The survey uses a point system to assign the case reading score, which denotes the child care specialist's performance. When evaluating performance, division staff deduct points for any errors the child care specialist made during the determination or redetermination process. Division staff compile the results for scoring so that management and field supervisors can review the scores and discuss areas for improvement with the child care specialist during a monthly conference.

Provider Payment Rates

According to the Department of Finance and Administration's Senior Business Analyst, when the Information Technology (IT) Division enters a new state provider rate in TCCMS, the payment calculation process uses this default rate and applies the default to all providers, unless there is a negotiated rate or provider exception rate,[55] which must be manually entered. If a provider charges an amount lower than the state rate, TCCMS creates an exception, which has to be manually adjusted. The Tennessee Licensed Care System[56] notifies the child care specialist of providers that need manual adjustments in TCCMS based on how they are designated in the system. The child care specialist is then supposed to manually enter the correct rate into TCCMS.

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.

**Prior Audit Results**

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 payments to child care providers in accordance with program requirements. Management stated that a new case reading tool would assist management and supervisors with the case file reviews across all categories of child care payment assistance and that long-term workflow technology tools would strengthen the case review process. Management also stated that they would explore a new payment system as part of child care modernization and have and will continue to conduct trainings as needed. According to the Director of Compliance, as of August 2020, supervisors now use a new tool called Formstack[57] to perform case reviews. DHS

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[54] Before August 2019, the Research and Data Analysis Unit provided the sample.

[55] A negotiated rate occurs when there is a sibling discount, and a provider exception rate occurs when the provider charges less than the state rate.

[56] The Tennessee Licensed Care System provides case management functions to regulators of Tennessee licensed care facilities.

[57] Formstack is a third-party workplace productivity platform used to automate workflows.

is working with a third-party contractor to implement a new payment system, with a target date of September 2021.

**Overall Condition and Cause**

To determine if DHS complied with federal eligibility requirements 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 TCCMS, for the period July 1, 2019, through June 30, 2020, and performed 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 manually entered provider rates were reviewed and did not ensure that staff calculated and made payments to child care providers in accordance with program requirements. Our testwork covered a period before DHS implemented the new case reading tool and system mentioned above.

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, DHS's supervisory case review process is management's key internal control to ensure staff perform eligibility determinations and redeterminations appropriately. As part of the CCDF State Plan, supervisors of the child care specialists who make the eligibility determinations are required to perform random monthly case reviews of at least 5 eligibility determination or redetermination cases assigned to each employee to ensure the determinations were accurate.

We identified 31 employees who were responsible for conducting eligibility determinations and redeterminations for the Child Care Certificate Program during the scope of our audit. For each of the 31 employees, we selected a random, nonstatistical month 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 4 of 31 employees (13%), the supervisors did not perform at least 5 CCDF eligibility determination and/or redetermination case reviews for the month we tested. For 2 of the 4 employees, supervisors did not review any cases for the selected month. According to the Director of Compliance, the supervisors did not consistently perform the required number of reviews.

Condition B: *Incorrect Payment Rate Calculations and No Internal Controls to Review Manually Entered Provider Rates*

From a population of 49,659 eligible individuals with payments totaling $166,050,134 for the Child Care Certificate Program from July 1, 2019, through June 30, 2020, 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 recalculated 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 10 of 60 eligible children tested (17%), DHS supervisors or management did not ensure that program staff correctly calculated provider rates in accordance with program requirements, resulting in underpayments to the 10 providers totaling $3,928. According to the Director of Compliance, 5 of the errors were due to program staff manually entering rates into TCCMS due to a negotiated rate or provider exception rate; however, management did not provide a cause for the remaining 5 errors.

Based on our discussion with the Child Care Certificate Director, management does not have a process in place to review manually entered rates, and according to the Senior Business Analyst, management does not have the ability to run a report showing which providers received a manually entered negotiated rate or rate exception. Additionally, the Senior Business Analyst stated that the manually entered rates do not go through the quality assurance process the IT Division uses to ensure the default rates are correct.

## 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.

Federal 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 for No Internal Controls Over Manually Entered Provider Rates

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides guidance to management for designing control activities to achieve objectives and respond to risks. According to 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. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

## Effect

Unless DHS establishes and implements adequate controls to ensure the accuracy of CCDF Child Care Certificate Program eligibility determinations, DHS increases the risk of paying child care providers for services rendered to ineligible program participants. By improperly applying the state's child care provider payment rate and lacking a review process for manually entered provider rates, DHS also increases the risk of under- or overpaying providers.

## 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 incorrect provider payments. The control process should include ensuring that supervisors perform and document each employee's monthly eligibility case reviews related to eligibility determinations and redeterminations, as required by federal regulations and the CCDF State Plan.

Recommendation for Incorrect Rates

The Director of Operations for CCDF should ensure that program staff enter the correct provider payment rates for eligible children into TCCMS.

Recommendation for Manual Entry of Provider Rates

The Commissioner should implement supervisory review controls to ensure child care specialists manually enter accurate provider rates. The control process should include ensuring supervisors perform and document a review of manual entries.

**Management's Comment**

Condition A: *Internal Controls Over Case Reviews Were Not Applied Consistently as Required by the CCDF State Plan*

We concur.

The time period covered in the audit was July 01, 2019 to June 30, 2020. As acknowledged by the auditors, implementation of the Department's modified case reading tool occurred after the audit period in August 2020. The Department will continue to strengthen its internal controls for consistent application through training and performance management.

Condition B: *Incorrect Payment Rate Calculations and No Internal Controls to Review Manually Entered Provider Rates*

We concur.

As noted in its response to the prior audit, the Department is aware of the potential for errors that may result from manual data entry in the current payment system. The time period covered in the audit was July 01, 2019 to June 30, 2020. Since that time, the Department has revised the terms of its child care provider contracts thereby eliminating manual rate adjustment. The Department is in the process of child care modernization that will further address these issues.

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|---|---|
| **Finding Number** | 2020-020 |
| **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** | 1801TNCCDF, 1901TNCCDF, and 2001TNCCDF |
| **Federal Award Year** | 2018 through 2020 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | 2019-029 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the four 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.[58] 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, DHS is 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 followed their own internal policies.

[58] The Star-Quality Child Care Program is a voluntary program that rewards child care agencies that exceed minimum licensing standards.

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.[59] DOE policy establishes that 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. In accordance with the terms of the Memorandum of Agreement, DOE staff enter their monitoring data into the Tennessee Licensing Care System (TLCS)[60] and contact DHS management in the event of a major violation.[61] 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[62] 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 and any complaints received. Program evaluators complete 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 live 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. DHS does not accept non-licensed out-of-state providers.

**Emergency Preparedness Plans**

45 CFR 98.1(a)(1) requires providers to maintain an emergency preparedness plan, which includes specific health and safety requirements. These plans assist providers with emergency planning caused by natural disasters or emergencies and include procedures for evacuating, sheltering in place and locking down, staff training and drills, and reuniting children with their families.

On April 3, 2020, the U.S. Department of Health and Human Services (HHS) issued DHS a Preliminary Notice of Possible Non-Compliance, alerting management of possible noncompliance with the emergency preparedness plans. HHS specifically notified management that "The Lead Agency does not have all of the requirements in place for CCDF-funded providers (appropriate to provider setting and age of children served) that include emergency preparedness and response planning."

**Waiver Due to COVID-19 Pandemic**

DHS received a waiver from HHS's Administration for Children and Families to suspend in-person monitoring beginning March 2020 due to the COVID-19 pandemic and to submit an amended state plan. The federal waiver will remain in place until 60 days following the end of the

[59] DOE providers receive a certificate of approval rather than a license.
[60] TLCS provides case management functions for regulators of Tennessee licensed care facilities.
[61] Rule 0520-12-01-.16(5)(a)(3)(ii) of the *Rules of the State Board of Education* defines a major violation as a failure to follow any regulation related to health and safety. An example of a major violation includes a monitor failing to perform a vehicle walkthrough after dropping off children.
[62] A licensing year begins when a child care provider receives its license.

state of emergency declared by the State of Tennessee, with a maximum duration until March 3, 2021. Our audit did not include monitoring visits that were suspended based on these waivers.

Additionally, on March 3, 2020, the Middle Tennessee region experienced a tornado that destroyed a DHS office building in Nashville. According to program management, this building contained records of visits of some providers in our testwork sample that could not be located. We exempted these providers from our testwork and did not include this missing documentation as errors in our audit conclusions.

## Prior Audit Results

In the prior finding, we found that DHS staff did not complete the entire health and safety checklist for unregulated providers due to an inadequate supervisory review process.[63] Additionally, DHS management did not ensure staff recorded licensing documentation for out-of-state providers. We also found that DOE did not perform supervisory reviews of the health and safety monitoring activities for the providers assigned to their supervision. DHS concurred with the prior finding and stated that Child Care Certificate Program management conducted training on expectations for completing health and safety checklists for unregulated providers in fall 2019. DHS also stated that the Child Care Certificate Program Director would monitor out-of-state license updates to ensure staff complete the updates in a timely manner. DOE management concurred with the prior finding and stated that beginning in January 2019, management implemented additional internal controls, including documenting supervisory approval and obtaining additional documentation to verify all sections of the health and safety checklist.

## Condition and Cause

To determine if management followed CCDF program requirements, we selected a nonstatistical, random sample of 60 licensed child care providers; all 27 non-licensed providers; and a nonstatistical, random sample of 60 DOE providers, to determine if DHS and DOE staff complied with CCDF's health and safety requirements for providers. For each provider, we tested whether DHS and/or DOE program evaluators performed health and safety evaluations and documented the results of the visits, and whether management ensured that monitoring activities included supervisory reviews of the staff's performance. We also tested providers' emergency preparedness plans to ensure providers complied with health and safety requirements. Based on our testwork, the departments did not ensure CCDF child care providers complied with the applicable health and safety requirements (see Conditions A and B).

We also performed testwork to determine if DHS management ensured providers' emergency preparedness plans contained all the health and safety requirements after DHS received the Preliminary Notice of Possible Non-Compliance from HHS on April 3, 2020. We requested the emergency plans for licensed, non-licensed, and DOE-approved child care providers to review and determine if the plans contained all the necessary requirements. We found that providers did not include all health and safety requirements in their plans (see Condition C).

[63] 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.

Condition A: *Staff Did Not Consistently Document That Licensed Providers Met Health and Safety Requirements*

Based on our testwork, we found that for 3 of 60 (5%) visits conducted for licensed providers, program evaluators did not document whether providers met or failed to meet 1 or more of the 11 health and safety requirements. The monitors' description of their visit or the monitoring and evaluation checklist did not include all 11 required areas, and the supervisory review of the monitors' documentation did not identify the deficiencies in the descriptions or checklists. Our testwork results involved documentation deficiencies involving storage and disposal of hazardous materials and emergencies due to food and allergy reactions.

We were told by a licensing supervisor that at each announced and unannounced visit, the program evaluator should evaluate health and safety requirements. Based on our testwork, we found inconsistencies in how the evaluators documented their evaluations of health and safety requirements. Specifically, we found the program evaluators

- did not document evaluation results,
- documented evaluation results within the visit record in the system, and
- documented evaluation results on a checklist maintained outside the system.

Given these inconsistencies, we are unsure how management ensures that program evaluators are sufficiently performing and documenting the health and safety evaluations.

Condition B: *DOE Staff Did Not Document That DOE-Approved Providers Met Health and Safety Requirements*

Based on our testwork, for 44 of 60 (73%) visits conducted for DOE-approved providers, program evaluators did not document whether providers met or failed to meet 1 or more of the 11 health and safety requirements. The monitors' descriptions of their visits did not include all 11 required areas, and DOE did not take proper action to address child care providers' noncompliance with the applicable health and safety requirements. We found that 3 of 60 (5%) providers tested had a major violation during our period. DOE evaluators did not inform DHS management of the major violations for these 3 providers, as required by the Memorandum of Agreement, except to enter the violations into TLCS. Management stated they were not aware of this requirement in the agreement.

We also noted that for 60 of 60 (100%) visits conducted by DOE staff, a supervisor did not properly document their review of the program evaluators' monitoring documentation; therefore, DOE management could not provide sufficient evidence that the supervisors reviewed the 11 health and safety requirements. According to the Senior Director of the Early Childhood Quality and Supports Early Childhood Education Division, management was unaware that reviewers needed to take additional steps in the system to properly document their review of a site visit.

Condition C: *DHS and DOE Staff Did Not Ensure That Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness Plans*

Based on our testwork, we determined that DHS and DOE management did not ensure that providers' emergency preparedness plans met all disaster and emergency response requirements including, but not limited to, accommodations for children with disabilities and chronic medical conditions. Specifically, we noted that

- for 48 of 54[64] (89%) DHS licensed providers tested, we found that 40 providers did not meet all requirements, and the remaining 8 did not submit emergency preparedness plans;
- for 15 of 15 (100%) DHS non-licensed providers,[65] we found that 3 providers did not meet all requirements, and the remaining 12 did not submit emergency preparedness plans; and
- for 48 of 60 (80%) DOE certified providers tested, we found that 45 providers did not meet all requirements, and the remaining 3 did not submit emergency preparedness plans.

According to the DHS Director of Compliance, DHS attempted but was unable to obtain emergency preparedness plans from some licensed and non-licensed providers. For those that were obtained, the Director of Compliance stated that the providers need technical assistance to ensure compliance. According to the DOE Senior Director of the Early Childhood Quality and Supports Early Childhood Education Division, management was unaware of each specific area of the plan that the federal regulations required.

Risk Assessment

We reviewed DHS's December 2019 Financial Integrity Act Risk Assessment and determined that management listed the risk of not ensuring compliance with health and safety requirements; however, the controls identified were not operating effectively to mitigate the risk.

**Criteria**

Criteria for All Conditions

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. "Appendix I: Requirements," states, "Management should design control activities to achieve objectives and respond to risks" and "Management should implement control activities through policies."

[64] We were unable to obtain emergency preparedness plans for 6 child care providers because they had been terminated before the end of our audit scope. Therefore, we only tested 54 of the 60 plans.

[65] Some providers did not receive payments during our audit period or had since closed. Therefore, we only tested 15 providers.

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 B

According to the Memorandum of Agreement between Department of Education and Department of Human Services Concerning Monitoring Responsibilities for Child Care Development Fund Recipients,

> The Department of Education (DOE), in supporting DHS's Implementation and monitoring for CCDF programs, is responsible for the following:
>
> - Annual monitoring in accordance with the Rules of State Board of Education, Chapter 0520-12-01, Standards for School-Administered Child Care Programs to include health and safety requirements provided in Chapter 0520-12-10.
> - Notifying DHS Child Care Certificate Program Director if any major health/safety violations occur in any CCDF participating schools as soon as practical.
> - Encoding annual visits and violations in TLCS or other DHS child care licensing electronic case management system as soon as practical.
> - In the event that DOE monitoring results in a substantiated health and safety violation, DOE will collaborate with DHS to address the violation and take appropriate action pursuant to T.C.A. 49-1-1101-1109 and the Rules of the State Board of Education, Chapter 0520-12-01.

Condition C

The health and safety requirements for emergency preparedness plans are found in 45 CFR 98.41(a)(1)(vii), which states,

> Emergency preparedness and response planning for emergencies resulting from a natural disaster, or a man-caused event (such as violence at a child care facility), within the meaning of those terms under section 602(a)(1) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5195(a)(1)) that shall include procedures for evacuation, relocation, shelter-in-place and lock down, staff and volunteer emergency preparedness training and practice drills, communication

and reunification with families, continuity of operations, and accommodation of infants and toddlers, children with disabilities, and children with chronic medical conditions.

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

> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

## Effect

When management does not ensure that program evaluators properly review and document their review of provider health and safety requirements or that the providers' emergency preparedness plans include all required areas, children in the providers' care are subjected to potential health and safety risks.

## Recommendation

Department of Human Services 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.

Department of Education 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, and ensure that follow-up procedures are performed as required when staff note health and safety violations. Management should train supervisors on the proper procedures to document their supervisory reviews of the program evaluators.

Both departments' managements should ensure that monitors determine if providers' emergency preparedness plans are complete and provide technical assistance when needed.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

## Management's Comment

Department of Human Services

Condition A: *Staff Did Not Consistently Document That Licensed Providers Met Health and Safety Requirements*

We concur.

The three (3) documentation errors noted by the auditors occurred prior to the Department's revision of its tool for monitoring health and safety and mobile devices implementation in summer

2020, at which time all licensing program evaluators received training on the new tool, including consistency of practice for documentation. As part of child care modernization, the Department is exploring functionality with its new eLicensing system to support staff in meeting this expectation and to improve internal controls.

Condition C: *DHS and DOE Staff Did Not Ensure That Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness Plans*

We concur.

In its Preliminary Notice of Possible Non-Compliance to the Department on April 03, 2020, ACF identified emergency preparedness and response planning as an area of possible noncompliance. The Department's response to ACF regarding emergency preparedness and response planning on May 29, 2020, was the following:

> The Lead Agency will revise the emergency preparedness checklist and template to include all elements specified within 45 CFR 98.41(a)(1)(vii) [evacuation, relocation, shelter-in-place and lock down, staff and volunteer emergency preparedness training and practice drills, communication and reunification with families, continuity of operations, and accommodation of infants and toddlers, children with disabilities, and children with chronic medical conditions]; and moving forward revise licensure rules for child care agencies to include any elements noted above that are not specifically addressed in the emergency preparedness statute (T.C.A. § 71-3-517). The Lead Agency will include provisions for each of the specific missing requirements identified during the monitoring visit (shelter in place, lockdown, continuity of operations, accommodations of infants and toddlers, volunteer emergency preparedness training and drills). The aforementioned emergency preparedness checklist and template will be revised to coincide with the implementation of the mobile devices for use by all program evaluators (summer 2020). Licensing staff and providers will be trained on the use of the new tools in conjunction with implementation of the mobile devices.

Consistent with its response, the Department revised its monitoring tool with the implementation of mobile devices for all licensing program evaluators who were trained on the tool before July 2020. An emergency preparedness checklist and template for child care providers were also revised to assure compliance with CCDBG requirements in November 2020. As part of child care modernization, the Department is exploring functionality with its new eLicensing system to support staff in meeting this expectation and to improve internal controls.

Department of Education

We concur. TDOE management will strengthen existing controls to ensure all child care provider site visits are performed in accordance with federal regulations and internal policy, including health and safety checks. When health and safety violations are noted, follow-up procedures will be performed as soon as practicable. Also, management will provide additional training to supervisors, stressing proper documentation procedures of supervisory reviews of program evaluators.

Additionally, TDOE will ensure all providers not only submit appropriately documented emergency preparedness plans, but that each plan also fully meets all disaster and emergency requirements.

Finally, management will assess the existing control structure placing an emphasis on implementing controls to be more effective in addressing the risks noted in this finding. Staff will be assigned to ensure risks are continually monitored and mitigating controls are continually assessed for effectiveness.

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|---|---|
| **Finding Number** | 2020-021 |
| **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-29869-17-55-A-47, UI-31319-18-55-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, UI-32867-19-60-A-47, UI-34086-20-55-A-47, UI-34192-20-55-A-47, UI-34743-20-55-A-47, LWWTWKCOVIDFY20, LWEBCOVIDFY20, LWFPUCCOVIDFY20, LWPEUCCOVIDFY20, LWPUACOVIDFFY20, LWPCARESEURFY20, LWP100_PEBSFY10, LWP951STATEFY10, LWP953STATEFY10, LWPEUC895BSFY10, TUC-State Expenditures |
| **Federal Award Year** | 2018 through 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $6,000 |

**The Department of Labor and Workforce Development approved Unemployment Insurance claims without reviewing employers' disputing responses and did not provide written notice of claims determinations to interested parties**

**Background**

The Unemployment Insurance program is a federal-state partnership designed to ensure the economic security of workers who lose their jobs through no fault of their own. The U.S. Department of Labor provides grant funding for each state to design and administer its own Unemployment Insurance program within federal requirements. In Tennessee, the Division of Employment Security within the Department of Labor and Workforce Development (the department) operates the state's Unemployment Insurance program to issue direct payments to individuals during times of involuntary unemployment.

Employers pay quarterly state unemployment taxes into a trust fund from which the department distributes benefits to eligible claimants. Each employer's unemployment tax rate is based in part on benefits collected by former employees. The department processes four general types of claims:

- Tennessee Unemployment Compensation, also known as "regular" benefits, provides unemployment coverage for most of the state's salary and wage earners.
- Combined Wage Claims are filed by workers who earned wages in Tennessee plus at least one other state.
- Unemployment Compensation for Federal Employees covers former employees of the U.S. government.

- Unemployment Compensation for Ex-servicemembers provides benefits to individuals separated from military service.

Approval Process for Unemployment Claims

According to state regulations, individuals filing Unemployment Insurance claims with the department must meet certain earnings (monetary) requirements from past employment and must be currently unemployed or earning less than the $275 maximum weekly benefit amount. The claimant must also meet other eligibility (non-monetary) requirements to qualify for benefits. In general, claimants must have separated from their most recent employer through no fault of their own. Claimants' circumstances generally fall into one of three non-monetary categories:

1. lack of work – the employer laid off the employee, or reduced his or her working hours;
2. quit – the employee voluntarily quit with just cause; or
3. discharge – the employer terminated the employee because of performance issues other than misconduct.

To determine whether a claimant qualifies for benefits, the department sends a request letter to the separating employer notifying them of the claim and the reason the claimant gave for his or her separation. The employer has 7 days to respond to the letter to dispute the claim.

Upon approving or denying a claim, the department sends a decision letter to the claimant and the employer explaining the reason for the determination and the parties' right to appeal the determination within 15 days of the decision letter's mailing date. Claimants have the right to appeal if the department denies their claim for benefits. Likewise, employers may appeal approved claims to protect their state unemployment tax rate from future increases.

**Condition, Cause, and Criteria**

**Impact of COVID-19 Pandemic**

Beginning in April 2020, the department experienced a surge in Unemployment Insurance claims due to the COVID-19 pandemic. Our audit scope included claims the department handled in the initial months of the pandemic, through June 30, 2020. As the pandemic persisted beyond the end of our audit period and into 2021, the department continued to report elevated claims volume. Our fiscal year 2021 audit of the Unemployment Insurance program will capture the prolonged impact of the COVID-19 pandemic on the department's internal controls over claims handling and compliance with eligibility determination requirements.

We obtained the population of 4,972,913 Unemployment Insurance benefit payments that the department issued in fiscal year 2020. We grouped the payments by type of claim and selected a random, nonstatistical sample of each claim type (see **Table 1**) to test a total of 90 payments for compliance with eligibility requirements.

**Table 1**
**Unemployment Insurance Claim Types and Sample Size**

| Claim Type | Population | Sample Size |
|---|---|---|
| Tennessee Unemployment Compensation | 4,856,396 | 60 |
| Combined Wage Claim | 98,277 | 10 |
| Unemployment Compensation for Federal Employees | 11,245 | 10 |
| Unemployment Compensation for Ex-servicemembers | 6,995 | 10 |
| | 4,972,913 | 90 |

<u>Decision Letters Not Issued</u>

Federal regulations for each program require that the department provide written notice to all interested parties of each determination and redetermination of eligibility; however, we found that the department did not issue non-monetary determination letters (decision letters) to all claimants or separating employees. See the details in **Table 2**.

**Table 2**
**Decision Letter Errors**

| Program | Errors | Sample Tested | Error % | Parties That Did Not Receive a Letter |
|---|---|---|---|---|
| Tennessee Unemployment Compensation | 2 | 60 | 3% | Separating Employers |
| Unemployment Compensation for Federal Employees | 5 | 10 | 50% | Claimants and Separating Employers |
| Unemployment Compensation for Ex-Servicemembers | 8 | 10 | 80% | Claimants and Separating Employers |

Based on our discussion with the Claims Center Director, not all claims require decision letters, such as lack-of-work claims that the claimant's employer has verified. From management's perspective, there is no question as to the claimant's nonmonetary eligibility in these cases, so the department has no determination to communicate to the claimant and employer. We also found that when employers do not reply to a request for information related to a lack-of-work claim within 10 days, the unemployment system automatically approves the claim. The system, however, does not always generate and send a decision letter on an automatically approved lack-of-work claim without staff action.

To ensure all parties are adequately notified of a claimant's eligibility for benefits and have sufficient time to appeal, best practices dictate that the department should provide a written notice to the claimant and the claimant's separating employer with the agency decision, even when that decision is system-generated.

We did not question costs for this condition because the claimants were eligible for benefits, despite the absence of a decision letter.

For Tennessee Unemployment Compensation, Section 50-7-304(b)(1)(B), *Tennessee Code Annotated*, states,

> The agency representative shall promptly give written notice to the claimant and all other interested parties of the nonmonetary determination and the reasons for the determination. The nonmonetary determination of the agency representative shall become final, unless an interested party files an appeal from the nonmonetary determination within fifteen (15) calendar days after the date of mailing of the written notification of the nonmonetary determination to the last known address of the party, or within fifteen (15) calendar days after the date the written notification is given to the party, whichever first occurs.

Also, for Unemployment Compensation for Federal Employees, Title 20, *Code of Federal Regulations* (CFR), Part 609, Section 9, states,

> The provisions of the applicable State law which shall apply include, but are not limited to:
>
> (3) Notices to individuals and Federal agencies, as appropriate, including notice to each individual of each determination and redetermination of eligibility for or entitlement to UCFE [Unemployment Compensation for Federal Employees].

Additionally, for Unemployment Compensation for Ex-servicemembers, 20 CFR 614.6(d) states,

> (1) The State agency promptly shall give notice in writing to the individual of any determination or redetermination of a first claim . . . Each notice of determination or redetermination shall include such information regarding the determination or redetermination and notice of right to reconsideration or appeal, or both, as is furnished with written notices of determinations and redeterminations with respect to claims for State unemployment compensation. . . .
>
> (2) A notice of claim filing and subsequent notices of monetary and nonmonetary determinations on a UCX [Unemployment Compensation for Ex-servicemembers] claim shall be sent to each Federal military agency for which the individual performed Federal military service during the appropriate base period, together with notice of appeal rights of the Federal military agency to the same extent that chargeable employers are given such notices under State law.

System Failed to Identify Claims With Disagreeing Responses Claims

For 2 out of 60 (3%) Tennessee Unemployment Compensation payments tested, the department approved, without reviewing, claims in which the claimant and employer provided different reasons for separation (disagreeing responses). The claimants attested that they lost their employment due to lack of work, whereas their employers submitted disagreeing responses stating that the claimants had quit.

The Claims Center Director said that for an unknown reason, the department's unemployment benefits system experienced an issue and did not flag the claims as having disagreeing responses provided by the claimant and employer. Instead, the system automatically approved the claims.

We questioned federal costs totaling $6,000 for this condition.

Tennessee Unemployment Compensation regulations require the department to render a determination based on the issues presented and to transmit a decision upon the issues. Section 50-7-304(b)(1)(B), *Tennessee Code Annotated*, states,

> The agency representative shall then review the claim deemed valid monetarily and render a determination on the nonmonetary issues presented, except that in any case in which the payment or denial of benefits will be determined by § 50-7-303(a)(4), the agency representative shall promptly transmit the agency representative's full findings of fact with respect to § 50-7-303(a)(4) to the commissioner, who, on the basis of the evidence submitted and additional evidence that the commissioner may require, shall affirm, modify or set aside the findings of fact and transmit to the agency representative a decision upon the issues involved under § 50-7-303(a)(4), which shall be deemed to be the nonmonetary determination of the agency representative.

Risk Assessment

We reviewed the department's December 2019 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of processing problems with the unemployment claims system, which led to improper claims determinations. Management did identify the risk of employees filing fraudulent claims and listed the agency decision letter sent to employers as the mitigating control; however, our testwork disclosed that this control was not operating effectively.

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 Green Book 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. . . .
>
> **7.09** . . . When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

## Effect

When department staff do not send written notifications of agency decisions of benefit determinations, claimants and employers may not be fully informed of the reason for the decision to approve or deny the claim for benefits. When the department does not send claimants and employers claims-related correspondence, the department increases the risk of paying benefits to claimants who are ineligible or have filed fraudulent claims.

When the unemployment claims system does not flag claims with disagreeing responses for staff to review, the department increases the risk of paying benefits to claimants that should have been disqualified from receiving benefits. The department also risks improperly increasing the employer's unemployment insurance tax liability.

**Questioned Costs**

This finding, in conjunction with **Finding 2020-022**, 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. To resolve this audit finding, department management will work with the federal grantor to determine the amount of any disallowed costs.

**Recommendation**

The issues we identified in this finding included improper payments the department issued in the first three months of the COVID-19 pandemic. Without prompt corrective action, these problems may become more significant or pervasive as the department continues to handle increased claims volume into the 2021 fiscal year.

The Commissioner and the Administrator for the Employment Security Division should direct the unemployment system vendor to configure the system to generate agency decision letters on all claim determinations, as required by state law and federal regulations. Management should also analyze the unemployment system's benefit payment processes to identify the root cause of system processing errors, and ensure the vendor implements necessary updates to prevent the system from automatically approving claims with disagreeing responses instead of flagging the claims for staff review.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur.

With the massive influx of unemployment claims due to COVID-19, the department faced an impossible task of reviewing all unemployment claims. Because of the volume, the department relied on a system indicator to notify staff when a conflicting response is received from the separating employer. When a conflicting employer response is received, the system is supposed to prevent auto approval of the claim and stop payment until it can be reviewed by staff. Multiple tickets have been entered with the systems vendor over the past 4 years to correct issues with this functionality. The business rules were re-specified by the department in August 2020 and were implemented by the vendor in December 2020. The department continues to monitor the effectiveness of the new business rule.

The department's policy is that the system must generate determination letters on lack of work claims when there is not a response from the employer, and the system is designed to function in that way. This ensures that employers are notified of potential charges to their account in the event that they did not receive or did not see a request for separation information when the claim was filed. The only time decision letters are not required is when the employer responds and verifies that the separation was lack of work. This was discussed and agreed upon with the Comptroller's office in the prior audit. In September 2020, the department discovered that the UI system had not sent the required decision letters on 78,000 claims. Once this was discovered, the department instructed the vendor to retroactively send the decision letters. The department continues to monitor the sending of decision letters to ensure that the system is functioning properly and that all required letters are sent.

| | |
|---|---|
| **Finding Number** | 2020-022 |
| **CFDA Number** | 17.225 and 97.034 |
| **Program Name** | Unemployment Insurance<br>Disaster Unemployment Assistance |
| **Federal Agency** | Department of Homeland Security<br>Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | FEMA-4476-DR-TN, FEMA-4541-DR-TN, LWFPUCCOVIDFY20, LWPUACOVIDFFY20 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |

**Questioned Costs**

| CFDA | Federal Award Identification Number | Amount |
|---|---|---|
| 17.225 | LWFPUCCOVIDFY20 | $46,200 |
| 17.225 | LWPUACOVIDFFY20 | $11,846 |
| 97.034 | FEMA-4476-DR-TN, FEMA-4541-DR-TN | $31,485 |

**The Department of Labor and Workforce Development did not properly pay Disaster Unemployment Assistance and Pandemic Unemployment Assistance benefits due to ineffective internal controls, management override of existing controls, and information processing errors**

**Background**

In 2020, the Tennessee Department of Labor and Workforce Development (the department) administered two emergency unemployment benefit programs for workers affected by a major disaster:

- **Pandemic Unemployment Assistance** (PUA) provided federally funded unemployment benefits to individuals unable to work due to the COVID-19 pandemic.
- **Disaster Unemployment Assistance** (DUA) provided federally funded unemployment benefits to individuals unable to work because the President has declared a major disaster (see **Table 1**).

**Table 1**
**Tennessee Major Disasters in Fiscal Year 2020**

| Disaster Name | Disaster Declaration Date | Affected Counties | Emergency Unemployment Program |
|---|---|---|---|
| Middle Tennessee tornado | March 5, 2020 | Davidson County, Putnam County, and Wilson County | DUA |

| Disaster Name | Disaster Declaration Date | Affected Counties | Emergency Unemployment Program |
|---|---|---|---|
| COVID-19 pandemic | April 2, 2020 | All 95 Tennessee counties | PUA |
| Southeast Tennessee tornado | April 24, 2020 | Bradley County and Hamilton County | DUA |

Source: Federal Emergency Management Agency major disaster declarations.

The PUA and DUA programs are administratively similar and share two key eligibility requirements. To qualify, a claimant

1. must have lost employment as a direct result of the major disaster; and
2. must not be eligible for regular unemployment benefits (for example, because he or she is self-employed), or must have exhausted entitlement to regular unemployment benefits.

Eligible DUA and PUA claimants receive a minimum weekly benefit amount of $120 up to a maximum of $275, depending on past earnings. Claimants must provide proof of earnings as follows:

- DUA claimants must submit documentation of their employment, self-employment, or past earnings, so that department staff can determine the appropriate weekly benefit amount. DUA claimants who fail to submit this documentation within 21 days of filing are ineligible for benefits.
- For the PUA program, claimants may self-report their past earnings without providing supporting documentation. However, claimants who do not substantiate their self-reported past earnings qualify only for the minimum weekly benefit amount of $120.

In addition to the weekly benefit based on past earnings, some DUA and PUA claimants qualified for a temporary emergency increase in benefits under the Federal Pandemic Unemployment Compensation (FPUC) program. For each week that a claimant was eligible for at least $1 in unemployment benefits from March 29 to July 31, 2020, the department issued the claimant an additional $600 in FPUC benefits.

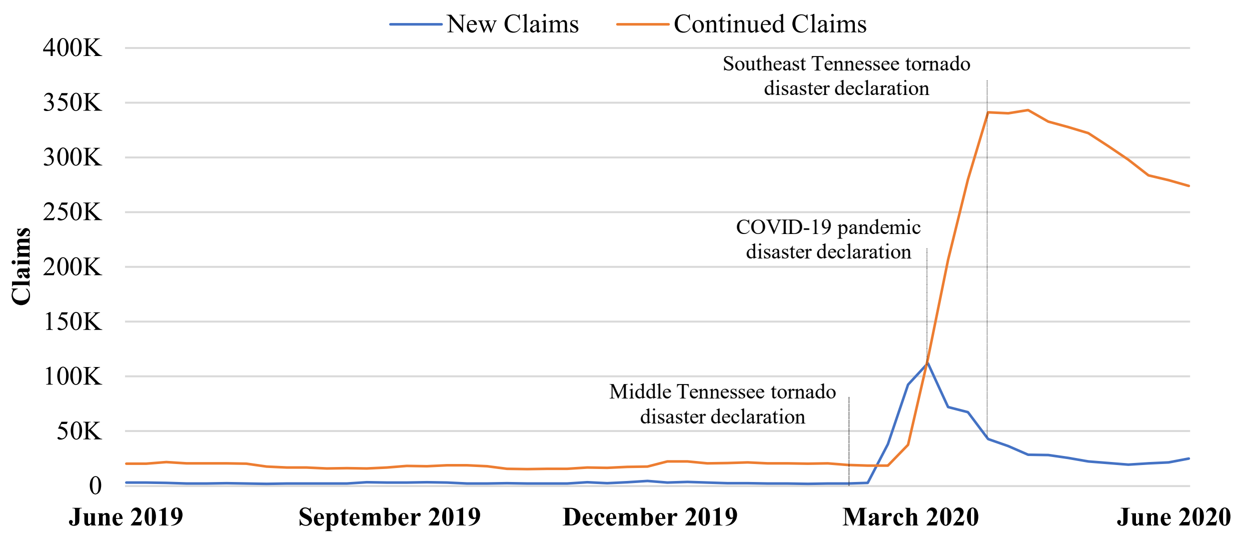
Claimants file claims, including details of the separation and documentation of wages, through the department's Geographic Solutions Unemployment System (GUS). The claimant completes an initial application form online, and GUS generates the type of claim (regular, DUA, PUA, or another type) based on the claimant's responses. Department staff are responsible for reviewing and approving the claim for benefits within GUS.

**Overall Condition and Cause**

Management designed controls for normal operating conditions for department staff to review DUA and PUA claims to ensure claimants met emergency unemployment compensation program eligibility requirements. These controls were inadequate to address the high volume of claims requested as a result of the three major disasters that impacted Tennessee in rapid succession: two tornadoes and the COVID-19 pandemic. Management elected to override existing controls and discontinue staff review of claims to address the high volume of claims more quickly. The department misclassified or improperly processed claims due to limitations and deficiencies in the GUS application, and, without the critical review process operating effectively, the department did not detect the errors. As a result of these control and system deficiencies, the department improperly paid DUA benefits to ineligible claimants, overpaid and underpaid PUA claimants' benefits, and did not issue written determinations on DUA and PUA claims to claimants and employers.

Based on discussion with the Unemployment Program Specialist, department staff should have manually reviewed and approved DUA claims to ensure that claimants met eligibility criteria. Staff had just begun processing DUA claims for the Middle Tennessee tornado in early March when an outbreak of COVID-19 emerged in the state. Tennessee, like many states across the country, took action to prevent the spread of COVID-19 by closing nonessential businesses and encouraging citizens to shelter in place. Many citizens lost their jobs or were laid off, and the number of workers filing claims for unemployment benefits surged (see **Exhibit 1**).

**Exhibit 1**
**New and Continued Unemployment Claims, Fiscal Year 2020**




Source: U.S. Department of Labor's Unemployment Insurance weekly claims data.

On March 27, 2020, two weeks after the influx of claims related to COVID-19 started, the President signed the Coronavirus Aid, Relief, and Economic Security Act, establishing the PUA program and extending unemployment relief to self-employed workers and others not eligible for regular benefits. Management spent approximately three weeks overseeing an upgrade to the department's unemployment claims system to accommodate the new program and developing processes for handling PUA claims. To distribute program payments as soon as possible, management elected to initially pay all PUA claimants the minimum weekly benefit of $120. For claimants who submitted documentation of wages, management planned for department staff to recalculate and finalize the claimant's weekly benefit amount and issue retroactive backpay, if necessary.[66]

The department began processing PUA claims on April 22, 2020. Two days later, the President declared the Southeast Tennessee tornado a major disaster, triggering DUA eligibility for a new class of affected workers.

The historic spike in claims volume and challenges of adopting the new PUA program amid consecutive major disasters placed pressure on the department's resources for handling unemployment claims, prompting management to override the established controls. The Unemployment Program Specialist said that the department lacked manpower to carry out staff reviews and approvals of all DUA claims. Similarly, the Claim Center Director said that due to the influx of claims, department staff could not carry out manual reviews of each PUA claim.

**Pandemic Unemployment Assistance Extended to March 13, 2021**

Our audit scope included Pandemic Unemployment Assistance (PUA) claims the department processed from April 22, 2020, through to June 30, 2020. The department continued operating the PUA program through the end of the 2020 calendar year, and in December 2020, the federal government extended the PUA program through to March 13, 2021. Our fiscal year 2020 audit results represent the department's initial handling of PUA claims. Our fiscal year 2021 audit will capture the department's internal controls over PUA claims and compliance with eligibility determination requirements over the 9-month period ending March 13, 2021.

**Results of Testwork**

We obtained the population of 2,315 DUA payments totaling $298,054 and the population of 945,192 PUA payments totaling $131,277,067 the department issued during the 2020 fiscal year. We selected random nonstatistical samples of 25 DUA payments and 60 PUA payments to determine the department's compliance with program eligibility requirements. Based on a review of claimants' applications for benefits and supporting claims documentation, we determined the department improperly paid DUA and PUA benefits and did not comply with federal regulations surrounding claims determination notices. Specifically, we found that

A. Claimants affected by the COVID-19 pandemic received DUA benefits.
B. Claimants eligible for regular unemployment compensation received DUA benefits.
C. Claimants did not show good cause for late DUA filing.
D. The department did not collect documentation to substantiate DUA claimants' past employment or earnings.
E. Claimants did not receive the correct PUA weekly benefit amount.
F. The department did not issue written determinations for DUA and PUA claims.

[66] Management communicated this plan in their April 27, 2020, press release announcing the department had started processing applications for PUA benefits.

***Condition A and Criteria:*** *Claimants Affected by COVID-19 Pandemic Received DUA Benefits*

For 9 of 25 DUA payments tested (36%), the department paid DUA benefits to claimants who attested to losing their jobs as a direct result of the COVID-19 pandemic, not the Middle Tennessee tornado or Southeast Tennessee tornado. The majority of the nine claimants lived and worked outside the tornado-affected counties shown in **Table 1** on page 2. Claimants who lose their jobs for a COVID-19 related reason are not eligible for DUA benefits on that basis and instead must file under the regular unemployment compensation or the PUA program.

Based on discussion with management, workers affected by the COVID-19 pandemic started filing unemployment claims at about the same time that the Middle Tennessee tornado occurred. The departments unemployment system, GUS, appeared to confuse some claimants because it included a question asking if the claimant lost employment due to a recent disaster or pandemic. When a claimant answered "yes" to that question, the system prompted the claimant to select the specific disaster from a list. Initially, "Middle Tennessee tornado" was the only option claimants could select to proceed with the application process, because the federal government had not yet established the PUA program. Management subsequently updated the online application to reflect PUA benefits on April 21, 2020, but many claimants affected by COVID-19 had already inadvertently filed for DUA benefits. Without the department's manual claim review and approval controls operating effectively, these misfiled claims proceeded to payment undetected.

In July 2020, management discovered that claimants unemployed due to COVID-19 had misfiled for DUA benefits, several months before we commenced our testwork and identified the same problem. Upon management's original discovery of this, they promptly notified the state's regional contact at the U.S. Department of Labor about the misclassified claims and swept DUA applications to identify approximately 1,000 claimants affected by the COVID-19 pandemic. The department's Fiscal unit made correcting journal entries in August to reallocate DUA funding the department received for these claimants to the PUA program. The nine errors we identified in our testwork, however, were not included among the payments that management identified as misclassified and thus were not part of the correcting journal entries.

According to Title 20, *Code of Federal Regulations* (CFR), Sections 625.5(a) and 625.5(c), "The unemployment of an unemployed worker is caused by a major disaster if…unemployment is a direct result of the major disaster."

For this condition, we questioned the cost of $12,480 in federal DUA benefits the department issued to the nine claimants whose unemployment was not the direct result of the Middle Tennessee tornado or the Southeast Tennessee tornado.

***Condition B and Criteria:*** *Claimants Eligible for Regular Unemployment Benefits Received DUA Benefits*

For 2 of 25 DUA payments tested (8%), the department paid DUA benefits to claimants who were eligible for regular unemployment benefits. Based on review of claims documentation, the claimants were unemployed as a direct result of a major disaster but met the eligibility requirements for regular unemployment benefits. Since the DUA program only provides benefits for claimants who are ineligible for regular unemployment benefits, disaster-affected claimants who qualify for regular unemployment compensation must file under that program.

According to the Unemployment Program Specialist, the claims system erroneously determined the claimants lacked sufficient past earnings to qualify for regular unemployment benefits and processed the application as a DUA claim instead. Because staff were not manually reviewing and approving DUA claims, the processing error went undetected and the system automatically paid the claims.

Concerning DUA payments, 20 CFR 625.4 states,

> An individual shall be eligible to receive a payment of DUA with respect to a week of unemployment, in accordance with the provisions of the Act and this part if:
>
> (i) The individual is not eligible for compensation (as defined in §625.2(d)) or for waiting period credit for such week under any other Federal or State law….

For this condition, we questioned the cost of $6,325 in federal DUA benefits the department issued to the two claimants who met eligibility requirements for regular unemployment compensation.

***Condition C and Criteria:*** *System Did Not Generate Claimant Late DUA Filing Forms*

For 2 of 25 DUA payments tested (8%), claimants submitted their initial application for DUA benefits after the filing deadline (more than 30 days after the announcement date of the major disaster). DUA regulations allow the department to accept and pay late claims if the claimant shows good cause for filing late. Based on our review of claims documentation, the department's unemployment claim system did not offer an opportunity for claimants to document the reason for their late filing.

The Unemployment Program Specialist said the unemployment claims system should have automatically generated a late filing form on claims filed after the 30-day initial filing window. A late filing form allows a claimant to explain his or her reason for filing late and stops payment on the claim until a staff member manually reviews and approves the late filing. Since the system failed to generate late filing forms on these claims, and management suspended staff review of all DUA claims, the department had no mechanism to identify and properly process claims received after the filing deadline.

On filing deadlines, 20 CFR Section 625.8 (a) states,

> An initial application for DUA shall be filed by an individual with the State agency of the applicable State within 30 days after the announcement of the major disaster of which the individual became unemployed.
>
> An initial application filed later than 30 days after the announcement date of the major disaster shall be accepted as timely by the State agency if the applicant had good cause for filing late.

For this condition, we questioned the cost of $2,880 in federal DUA benefits and $10,800 in FPUC benefits the department issued to the two claimants who filed for benefits after the application deadline without showing good cause for the late filing.

***Condition D and Criteria:*** *No Documentation Substantiating DUA Claimants' Past Employment or Earnings*

For 5 of 25 DUA payments tested (20%), the department did not ensure claimants provided documentation to substantiate employment, self-employment, or wages earned within 21 days of the claim filing date. DUA regulations require the department to disqualify and discontinue payment on DUA claims without evidence of the claimant's employment or earnings history.

The Unemployment Program Specialist said the department was so inundated with claims that they lacked sufficient manpower to review all DUA claims for proof of employment or earnings. Had a staff member reviewed these claims and noticed missing documentation, they would have stopped payment after 21 days and established an overpayment, if necessary.

In addition, 20 CFR 625.6(e)(1) requires that claimants furnish documentation to substantiate the employment or self-employment or wages earned within 21 days of filing of the initial DUA application. Furthermore, Section 625.6(e)(2) states,

> Any individual who fails to submit documentation to substantiate employment or self-employment…shall be determined to be ineligible for payment of DUA for any week of unemployment during the disaster.

For this condition, we questioned the cost of $9,800 in federal DUA benefits and $35,400 in FPUC benefits the department issued to the five claimants who did not provide proof of income, employment, or self-employment, within 21 days of filing for benefits.

***Condition E and Criteria:*** *Claimants Did Not Receive the Correct PUA Weekly Benefit Amount*

For 16 of 60 PUA payments tested (27%), the department did not ensure claimants received their correct weekly benefit amount. Of the 16 errors we identified,

- 8 claimants received the minimum weekly benefit of $120. Based on our review of the supporting evidence of past earnings, these claimants should have received weekly benefits of $132 to $275.
- 3 claimants received between $222 and $275 in weekly benefits, $102 to $155 above the minimum amount. Because these claimants never submitted documentation to substantiate the higher benefit amount, these claimants should have received the minimum weekly benefit of $120.
- 4 claimants received between $236 and $275 in weekly benefits. Based on our review of the supporting evidence of past earnings, these claimants should have received lower weekly benefits of $120 to $200.
- 1 claimant received $217 in weekly benefits. Based on our review of the supporting evidence of past earnings, the claimant should have received a weekly benefit of $233.

Based on discussion with the Claims Center Director, department management designed a control process for PUA claims where department staff would manually review and adjust claimants' weekly benefit amounts based on documentation provided. Due to the overwhelming volume of PUA claims received, however, management lacked sufficient staffing to execute the control process as designed to ensure timely manual eligibility reviews of PUA claims.

The U.S. Department of Labor issued PUA implementation guidance to stage agencies in Unemployment Program Letter 16-20, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions* (UIPL 16-20). According to UIPL 16-20,

> States must accept documentation of income to determine a claimant's eligibility for a higher PUA [weekly benefit amount] at any time during the Pandemic Assistance Period…The state must take into account any existing wage records and consider the individual's declaration of self-employment and other wages at the time of initial claim filing to calculate the [weekly benefit amount]. The individual will then have 21 days to submit documentation substantiating the declaration to continue receiving a [weekly benefit] above the minimum PUA [weekly benefit amount].
>
> If, at the time of implementing the PUA program, the state processed claims using the minimum PUA [weekly benefit amount], the state must provide a monetary determination for all PUA claims and include notice that the individuals may submit documentation to be considered for a higher PUA [weekly benefit amount] at any time during the Pandemic Assistance Period. The state must immediately issue a monetary redetermination if the state determines the documentation is sufficient to permit a re-computation for a higher PUA [weekly benefit amount]... The state must recalculate the PUA [weekly benefit payment] for any weeks previously paid and provide supplementary payment as appropriate.

For this condition, we questioned costs of $11,846, representing the excess federal PUA benefits the department paid to seven claimants who did not provide evidence to substantiate a higher weekly benefit amount.

***Condition F and Criteria:*** *Department Did Not Issue Written Determinations for DUA and PUA Claims*

For 20 of 25 DUA payments tested (80%) and 55 of 60 PUA payments tested (92%), the department did not issue a written determination of the claimant's application for benefits. A written determination provides the claimant with the department's reason for approving or denying a claim for benefits.

Based on discussion with the Claims Center Director and the Unemployment Program Specialist, management has elected not to routinely generate written determinations for certain types of approved and uncontested claims, which included most of the DUA and PUA claims we tested. The department does issue written determinations for contested claims and claims with potential issues as to the claimant's eligibility for benefits.

As prescribed in 20 CFR 625.9(d),

> Notices to individual. The State agency shall give notice in writing to the individual, by the most expeditious method, of any determination or redetermination of an initial application, and of any determination of an application for DUA with respect to a week of unemployment which denies DUA or reduces the weekly amount initially determined to be payable, and of any redetermination of an application for DUA with respect to a week of unemployment.

Although management has not complied with federal regulations, we did not question costs for the missing written determinations because the errors we noted did not negate the claimants' eligibility for benefits.

*Risk Assessment*

We reviewed the department's December 2019 Financial Integrity Act Risk Assessment for the Employment Security Division and determined that management listed the risk of natural disaster or pandemic disrupting services, resulting in eligible claimants not receiving benefits. Management cited the department's Business Resumption Plan and Human Resources Emergency Workforce Management Plan as controls to mitigate disruptions to the department's systems and workforce. Management did not identify the risk and mitigating controls to address rapid, unexpected spikes in claims volume. Management's risk assessment also did not address the risk of improper payments due to claims processing errors in GUS or management overriding established controls to expedite payment to claimants.

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," and Principle 8, "Assess Fraud Risk,"

> **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.
>
> **7.09** … When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions. . .
>
> **8.07** . . . In addition to responding to fraud risks, management may need to develop further responses to address the risk of management override of controls.

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

Without a strong control process built to withstand and adapt to periods of high unemployment, the department cannot ensure that only qualified claimants receive DUA or PUA funding. Until management implements sufficient controls to handle large claims volumes and ensures corrective action to fix claims processing errors within GUS, the department has an increased risk of improper DUA and PUA payments to ineligible claimants.

Furthermore, when the department's claims system does not reliably generate written notifications of department determinations of eligibility for DUA and PUA benefits, claimants may not be fully informed of the reason for the decision to approve or deny the claim for benefits. The department risks paying benefits to claimants who are ineligible or have filed fraudulent claims if it does not send claims-related correspondence to all interested parties.

**Questioned Costs**

This finding, in conjunction with finding 20-LWD-02, 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. In resolution of this audit finding, department management will work with the federal grantor to determine the amount of any disallowed costs.

**Recommendation**

The issues we identified in this finding included improper payments the department issued in the first three months of the COVID-19 pandemic. Without prompt corrective action, these problems may become more significant or pervasive as the department continues to handle increased claims volume into the 2021 fiscal year.

Management of the Employment Security Division should ensure that GUS is able to accurately process all unemployment claims to the correct program type. Management should identify the systematic cause of known processing errors and inconsistencies (such as failure to generate late filing forms on DUA claims) and direct the vendor to deploy system patches as necessary.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur.

The auditor's assessment regarding the department's internal controls and the typical process is correct. The DUA program is not something that occurs often, and when it does, the department is typically able to handle it with a small team of experienced staff members. With the massive volume that resulted as a result of the COVID-19 pandemic, and the fact that there were two additional disasters declared as a result of tornados, and all three of these events occurred in less than two months, it was not possible to process all of these claims manually. Had the department processed all of these hundreds of thousands of claims manually, we would still be working on claims filed in early April or possibly even late March 2020. The department relied on queries and on statements provided by the claimants to process the claims. The department also does not have sufficient staff to manually review documents provided by claimants and manually add wages to claims. So, the decision was made to start the claimants off at the minimum and allow them to self-certify to the wages that they earned, in order to properly set their weekly benefit amount. The department contracted with third party vendors; however, they were limited in the activities they could perform due to USDOL regulations regarding non-merit staff. The department was limited in hiring merit staff, due to the statewide hiring freeze. The department will conduct audits on all of these claimants and establish overpayments and adjustments where necessary. This process has not yet begun as claims filings remain high and processing and paying eligible claims is currently the department's highest priority.

The claims that were processed as DUA and should have been PUA were largely the result of a timing issue. The Middle Tennessee Tornados occurred on March 2, 2020, and the DUA program was set up and active within the system on March 9, 2020. When a disaster is declared, a question is added to the unemployment application to determine if an individual was separated due to a natural disaster or pandemic. A "Yes" answer to this question generates the disaster portion of the application and flags the claim as being filed due to a disaster or pandemic. We began to see claims being filed because of COVID-19 on March 15, 2020, prior to the PUA program being created. This resulting in claimants filing due to the pandemic, but inadvertently selecting the tornado as the reason for filing.

The department detected the error in claims type in June 2020 and attempted to correct the claims, including paying them from the correct program. However, it appears that not all of the claims were corrected.

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|---|---|
| **Finding Number** | 2020-023 |
| **CFDA Number** | 17.801 |
| **Program Name** | Employment Service Cluster |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | DV-32916-19-55-5-47, DV-34235-20-55-5-47 |
| **Federal Award Year** | 2019 through 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Disabled Veterans Outreach Program personnel did not document participants' eligibility for services, and discontinued participants from the program earlier or later than required by federal regulations**

**Background and Criteria**

Jobs for Veterans State Grants is part of the Employment Service, a cluster of federal programs established to improve the functioning of the nation's labor markets by bringing together individuals who are seeking employment and employers who are seeking workers. Jobs for Veterans State Grants provides funding for states to hire Disabled Veterans Outreach Program (DVOP) specialists to deliver career services to eligible veterans. DVOP specialists work in the Department of Labor and Workforce Development's career centers throughout Tennessee to provide eligible veterans vocational guidance and support, such as job referrals and interview skills training.

*Eligibility Criteria*

According to Title 38, *United States Code*, Chapter 41, Section 4211(4), veterans eligible for DVOP specialist services are those who

- served on active duty for more than 180 days and were released from service with other than a dishonorable discharge,
- were released from active duty because of a service-connected disability,
- were members of a reserve unit who were called to serve on active duty and were subsequently released with other than a dishonorable discharge, or
- were discharged from active duty due to sole survivorship (the only surviving child in a family of servicemembers).

Furthermore, to receive DVOP specialist services, an eligible veteran must attest to having at least one or more or the following significant barriers to employment:

- a service-connected disability,

- homelessness,
- recent separation from the armed forces, with 27 or more consecutive weeks of unemployment within the last 12 months,
- release from incarceration within the last 12 months,
- no high school diploma or equivalent certificate, or
- low income.

To verify an individual is a veteran eligible for DVOP specialist services, the department asks the veteran to provide his or her Department of Defense Form 214 (DD-214), "Certificate of Release or Discharge from Active Duty". If the veteran does not have his or her DD-214 form, the department requests a copy from the National Archives and Records Administration. The department also requires the individual to complete a Military Services Form, attesting to his or her significant barriers to employment.

The National Archives and Records Administration suspended its DD-214 printing services on March 23, 2020, due to the coronavirus pandemic. Subsequently, the U.S. Department of Labor's State Director of Veterans' Employment and Training Service advised department management that an individual applying for DVOP specialist services may self-attest to his or her veteran status on the Military Services Form in lieu of providing a DD-214.

*Program Exit Criteria*

According to federal guidance and department policy, participants are discontinued or "exited" from DVOP specialist services when a participant has not received services for at least 90 calendar days, and no future services are planned for the participant. DVOP specialists record case notes with dates and descriptions of services provided to each participant in the department's Virtual OneStop system. When a participant obtains and maintains employment for 90 days, or cannot be contacted after multiple attempts, the DVOP specialist logs the participant's most recent service as his or her last activity and closes the participant's file in Virtual OneStop.

## Condition and Cause

Based on discussion with the Veterans' Service Coordinator and the Intensive Service Coordinator, we determined that division management did not provide proper guidance and training for DVOP specialists to adequately document participants' eligibility for services and exit from services. Although the Veterans Service Coordinator stated that career center team leaders reviewed new participants' case files to ensure that DVOP specialists appropriately determined eligibility, this process was not formalized in the department's policies or procedures, and team leaders did not document their review.

We reviewed case files of participants who received services and participants who exited from services during the fiscal year to determine the department's compliance with federal eligibility and exit regulations. We found that the department's inadequate internal controls over DVOP specialist training and monitoring led to noncompliance with the program's eligibility requirements. Specifically, DVOP specialists did not adequately document participants' eligibility for services and did not properly record services provided to ensure participants exited the program 90 days after their last service.

*Eligibility Determinations*

We selected a random nonstatistical sample of 60 participants from the population of 864 individuals who received DVOP specialist services between July 1, 2019, and June 30, 2020. Based on our testwork, DVOP specialists did not ensure that 9 of 60 participants (15%) were eligible for services. Specifically,

- 8 participants did not have a Military Services Form attesting to one or more significant barriers to employment, and
- 1 participant did not have a DD-214 form or a self-attestation as evidence of eligible veteran status and did not have a Military Services Form attesting to one or more significant barriers to employment.

*Untimely Program Exits*

We selected a random nonstatistical sample of 60 participants from a total population of 891 participants who exited the program between July 1, 2019, and June 30, 2020. Based on our testwork, DVOP specialists exited 9 of 60 participants (15%) from services earlier or later than 90 days from the last service date:

- The DVOP specialists exited five participants prematurely from the program. Those exits occurred between 1 and 42 days before 90 days from the participant's last service date had passed. According to the Intensive Service Coordinator, DVOP specialists did not properly update the last service date. Based on our review of case files in Virtual OneStop, we found that DVOP specialists recorded the last service date for participants but provided subsequent services without updating the date of in the system, resulting in premature exits.
- The DVOP specialists exited four participants late from the program. Those exits occurred between 4 and 125 days after 90 days from the participant's last service date had passed. According to the Intensive Service Coordinator, DVOP specialists inappropriately extended program participation because they identified follow-ups with participants as the last service date; however, based on our review of federal guidance, follow-ups should not extend participation in the program. Furthermore, when DVOP specialists became aware that the participant's last service date was earlier than scheduled in the system, they did not update the system to reflect this earlier date.

*Risk Assessment*

Given the problems identified during our fieldwork, we also reviewed the department's June 2019 Financial Integrity Act Risk Assessment. We determined that management identified the risks of inadequate policies, inadequate documentation for participant eligibility determinations, and inadequate documentation of service provision for establishing participant exit dates in its risk assessment. Although department management identified mitigating controls for these risks, our inquiries of management and testwork revealed that the controls were not sufficient to prevent noncompliance with eligibility determination and exit regulations.

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,"

> **7.09** Based on the selected risk response, management designs the specific actions to respond to the analyzed risks. The nature and extent of risk response actions depend on the defined risk tolerance. Operating within the defined risk tolerance provides greater assurance that the entity will achieve its objectives. Performance measures are used to assess whether risk response actions enable the entity to operate within the defined risk tolerances. When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

**Effect**

When DVOP specialists do not document eligibility determinations, there is an increased risk that ineligible participants will improperly receive program services. As a result, the division will have fewer resources to provide services to eligible participants.

When DVOP specialists exit participants too early, participants lose access to supports they may need to obtain and keep employment. When participants remain in the program past their exit date, the department commits its limited resources to individuals who may no longer require specialized DVOP services. Additionally, early and late exits could cause the department to report inaccurate information to the U.S. Department of Labor, which relies on these reports to determine the effectiveness of DVOP's programmatic goals.

**Recommendation**

Management in the Workforce Services Division should provide guidance and training to ensure DVOP specialists support eligibility determinations with adequate documentation and properly record services provided to establish accurate participant exit dates.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur. The exit date was extended based on untimely input of case notes. As written case notes were entered into the system untimely, this pushed the service date beyond the 90 days. As a result, management is taking the following steps to ensure the proper recording of services being provided to establish participant exit dates:

- The Intensive Services Coordinator has started individual meetings with each DVOP and their Team Lead to properly train them on job duties including: proper exiting of a participant, related check lists, and required information to be included in case notes. Additionally, case notes must be entered into the VOS file within three (3) business days preventing extension of participation.
- We revised the monitoring check list that provides step by step instruction of how to ensure all the required documentation and case notes are included in the case file.
- To ensure eligibility and services to a non-Vet does not occur, we have provided the Military Service Form to the One-Stop Operators in our American Job Centers (AJC) to include guidance ensuring that all individuals entering our doors for service are given the form to complete to self-attest to having a barrier to employment, to be assessed whether a DVOP or Career Specialist needs to be seen, and the document must be uploaded into the individual's VOS document file. This document is included on the check list to ensure it is in the file.
- Because jobs for veteran state grants are a staffing grant and we provide individualized career services/case management only (no direct funds spent on veterans), we can use self-attestation for enrollment purposes. Form DD-214 is not required for DVOP services. However, in training the DVOPs, we do stress that they need to try to get a copy of the DD-214 when possible and put it in the participant's file so the participant does not encounter any issues when trying to enroll in any other programs.
- A virtual Teams meeting took place with our AJC Team Leads on February 16, 2021, to discuss the findings from the Comptroller's Audit. Training sessions will be scheduled for the near future to provide additional guidance to Team Leads on how to properly review and monitor the DVOP case file, as well as how to accurately complete the Manager's Quarterly Report that is sent to U.S. Vets.
- Training has been provided to DVOPs on how to run a Non-Vet report for themselves ensuring they are not providing this service inadvertently in the system.
- Where the additional need has been determined, we will provide additional Technical Assistance (TA) through guidance provided by our State Director for Veterans' Employment and Training Services (VETS).

Leadership will ensure that appropriate staff monitor these activities to help mitigate risks and improve case management operations.

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| **Finding Number** | 2020-024 |
| **CFDA Number** | 17.207, 17.225, and 17.801 |
| **Program Name** | Unemployment Insurance<br>Employment Service Center |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Federal Award Identification Number** | UI-29869-17-55-A-47, UI-31319-18-55-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, UI-32867-19-60-A-47, UI-34086-20-55-A-47, UI-34192-20-55-A-47, UI-34743-20-55-A-47, LWWTWKCOVIDFY20, LWEBCOVIDFY20, LWFPUCCOVIDFY20, LWPEUCCOVIDFY20, LWPUACOVIDFFY20, LWPCARESEURFY20, LWP100_PEBSFY10, LWP951STATEFY10, LWP953STATEFY10, LWPEUC895BSFY10, TUC-State Expenditures, ES-29439-16-55-A-47, ES-31014-17-55-A-47, ES-31876-18-55-A-47, ES-33456-19-55-A-47, DV-32916-19-55-5-47, DV-34235-20-55-5-47 |
| **Federal Award Year** | 2017 through 2020 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Repeat Finding** | 2019-034 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**As noted in the prior five 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 four 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 2019 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,"

> **7.09** Based on the selected risk response, management designs the specific actions to respond to the analyzed risks. The nature and extent of risk response actions depend on the defined risk tolerance. Operating within the defined risk tolerance

provides greater assurance that the entity will achieve its objectives. Performance measures are used to assess whether risk response actions enable the entity to operate within the defined risk tolerances. When risk response actions do not enable the entity to operate within the defined risk tolerances, management may need to revise risk responses or reconsider defined risk tolerances. Management may need to conduct periodic risk assessments to evaluate the effectiveness of the risk response actions.

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 address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

**Management's Comment**

We concur.

The department delivered a confidential response to the Office of the Comptroller.

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| **Finding Number** | 2020-025 |
| **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 and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | 2019-039 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the second consecutive year, Aeronautics Division management did not ensure compliance with prevailing wage rate requirements in the Davis-Bacon Act**

**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 location. In order to ensure that contractors and subcontractors are paying workers the applicable prevailing wage rate, Title 29, *Code of Federal Regulations* (CFR), Part 5, Section 5.5(a), states that the act's prevailing wage rate requirement 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, 29 CFR 3.4 stipulates that contractors and subcontractors must submit weekly certified payrolls to the state agency (that is, the Department of Transportation) within seven days after the regular payment date of the payroll period. Furthermore, 48 CFR 22.406-6(b) states that if the contractor fails to submit certified payrolls promptly, the department will withhold payments to protect the interest of the government and construction workers.

According to the Aeronautics Division's Project Managers, they oversee compliance with the Davis-Bacon and related acts by documenting when they receive the certified payrolls and verifying the accuracy of the wage scale rates.

**Prior Audit Results**

In the prior finding, 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 document or maintain the date the contractors and subcontractors submitted the certified payrolls and did not include the act's prevailing wage requirement in contracts. After we presented management with the finding in February 2020, management concurred, and they created and implemented the *Davis-Bacon Act Policies and Procedures* in April 2020. The policies and procedures require staff to save certified payrolls, save correspondence to document receipt of certified payrolls, ensure they receive certified payrolls within seven days of the contractor's pay period payment, and withhold reimbursement requests until contractors submit all certified payrolls.

**Condition, Cause, and Effect**

We obtained and analyzed a list of construction contract expenditures for fiscal year 2020 and identified 145 unique projects. Using the 145 unique projects, we created a population of each project paired with each week in a year; this resulted in a population of 7,685 possible payroll periods.[67] We then selected a random and systematic sample of 60 payroll periods to test. If no construction work was performed during the randomly selected week, we tested the next available payroll period when construction work was performed. Management implemented corrective action in April 2020, which was near the end of our audit period. Our random and systematic sample included 53 payroll periods before management's corrective action and 7 payroll periods after management's corrective action. We determined that the 60 payroll periods tested resulted from 32 unique projects.

Testwork Results

Our testwork revealed that for 9 of the 32 projects tested (28%), the department had not included the prevailing wage rate requirement in the construction contracts because those contracts were executed before management updated the contract template to include the prevailing wage rate requirement. As of December 1, 2020, the department had closed 5 of these contracts, and 4 remain active. For 1 of the active contracts, management amended the contract to include the prevailing wage rate requirement.

Although management could not implement corrective action until April 2020, we found issues during the audit period concerning the department's compliance with federal and state wage rate requirements prior to this date, as described below.

- For 50 of 60 payroll periods tested (83%), the department did not ensure that contractors submitted payrolls at all or did not ensure they complied with the 7-day submission deadline. Specifically, we found the following:
  - For 24 payroll periods, the contractor never submitted the documentation. These payroll periods occurred before management implemented corrective action.
  - For 26 payroll periods, the contractor submitted the certified payrolls between 42 to 485 days late.

Internal Control Deficiencies

For the majority of the audit period, we found management had not established controls to comply with 29 CFR 3.4. Management did not have an effective internal control in place to ensure staff maintained documentation of correspondence with the contractors when following up for unsubmitted payroll records, and management did not ensure that staff adequately documented

[67] We determined the number of possible payroll periods by pairing each project with 53 weeks in a year (365 days per year divided by 7 days per week = 52.14 weeks, which we rounded up to 53).

when the department received the payroll records and whether they were received within the required timeframe.

As noted above, although our testwork covered the entire period, we emphasize that all 50 errors occurred before April 2020, the month management implemented correction action. We did not find any errors after management's corrective action and, according to management, they expect to see continued improvement in the next audit cycle given the corrective actions to achieve compliance with *Davis-Bacon Act Policies and Procedures*.

<u>Risk Assessment</u>

Given the problems identified during our fieldwork, we also reviewed the department's December 2019 Financial Integrity Act Risk Assessment and determined that management's risk assessment did not identify the specific risks and mitigating controls associated with ensuring that contractors or subcontractors complied with prevailing wage rate requirements.

The U.S. Government Accountability Office's *Standards for Internal Controls 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 Green Book 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.

## Recommendation

Aeronautics Division management should ensure that all construction contracts in excess of $2,000 contain the prevailing wage rate provisions; for older, active contracts, management should amend the contracts to include the required provisions. Division management should ensure that all contractors and subcontractors understand the contract requirement to submit certified payrolls within seven days of the payroll payment.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

## Management's Comment

We concur. We understand this finding is related to the entire fiscal year and that the items noted in the finding for fiscal year ended June 30, 2020 all occurred prior to implementation of the fiscal year ended June 30, 2019 corrective action. We have confidence that the corrective action is effective and did establish controls to comply with the central prevailing wage requirements inthe Davis-Bacon Act.

Aeronautics will review all construction contracts in excess of $2,000 to ensure the prevailing wage rate provisions are included in the contracts and discuss the potential for amending contracts that do not contain the required provisions. Management will schedule additional training for staff to ensure they are following the established policies and procedures and enforcing the regulations. Additional communication will be developed for engineering firms to provide to contractors regarding the contract requirements to submit certified payrolls within seven days of the payroll payment. The division will request Contractors and Subcontractors to provide a TIMELY CERTIFIED PAYROLL SUBMITTAL ATTESTATION form for each active contract, to ensure understanding of the requirement. These actions will be completed by May 1, 2021. Additionally, the division will assign a staff member to conduct a self-audit of the fourth quarter of FY 2021 (April-June) by September 1, 2021 to identify risks and implement further mitigating controls if needed.

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| **Finding Number** | 2020-026 |
| **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** | 2019-037 |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**For the second consecutive year, the Department of Transportation's Aeronautics Division management did not submit or submitted incomplete and inaccurate information on financial reports to the Federal Aviation Administration**

**Background**

The Department of Transportation (the department), as the administrator of the Airport Improvement Program participating in the State Block Grant Program,[68] 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[69] 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.[70]

[68] 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.
[69] An open grant is a grant that has funding available to be expended.
[70] Closeout is the process to finalize a grant that was fully expended.

2. *SF-270, Request for Advance or Reimbursement*

[The SF-270 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. *SF-271, Outlay Report and Request for Reimbursement for Construction Program*

[The SF-271 report], or an ADO/RO approved equivalent report, must be submitted annually to summarize requests for reimbursements 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 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 Report (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 was needed.

## Prior Audit Results

In the prior audit finding, Aeronautics management did not submit to the FAA the SF-425 annual reports for eight open grants that were due on December 29, 2018. We also found that although Aeronautics management submitted all four SF-425 closeout reports, three reports were incomplete. In addition, for the MOA Annual Report, due by December 15, 2018, the department did not include three of six required key report line items. In response to our prior finding, management concurred and stated they would implement new policies and procedures by September 2020.

## Current Audit Results

For the current audit, we found that management implemented reporting policies and procedures effective March 1, 2020, and properly submitted the only SF-425 closeout report. For the audit period, management had problems with their submission of the SF-425 annual reports for open grants and the MOA Annual Report. As described below, management submitted the reports prior to implementing the reporting policies and procedures in March 2020. We also identified a new issue involving the accuracy of the information reported on the MOA Annual Report. We followed up with management in January 2021 and verified that management submitted SF-425 annual reports timely in December 2020. In addition, we verified that management submitted the MOA Annual Report in December 2020 and included the three missing key report line items. Because our fieldwork had concluded, we could not determine the sufficiency of management's corrective action related to the accuracy of the reports. We will follow up on management's corrective actions during the next audit.

## Condition

Based on our testwork, management did not have effective internal controls in place to ensure Aeronautics staff submitted accurate financial and program activity reports to the Memphis ADO by the required due dates.

### Untimely Report Submissions

*SF-425 Annual Financial Report Submission For Open Grants*

As of September 30, 2019, the federal fiscal year-end, the department had seven open grants with the FAA. We found that the Aeronautics Director and Assistant Director did not submit to FAA any of the seven (100%) SF-425 annual reports due on December 29, 2019. The reports related to the following open grants:

1. 3-47-SBGP-50-2016,
2. 3-47-SBGP-52-2017,
3. 3-47-SBGP-53-2017,
4. 3-47-SBGP-54-2018,
5. 3-47-SBGP-56-2018,
6. 3-47-SBGP-57-2019, and
7. 3-47-SBGP-58-2019.

### Deficiencies in the Report Preparation and Review Process

*Memorandum of Agreement (MOA) Annual Report*

For the MOA Annual Report, due by December 15, 2019, although management submitted the report, management did not include three of the 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." As of April 30, 2020, management stated that they had notified staff to collect the missing report information so that they can report all key report line items on the next MOA Annual Report.

Based on our review of the MOA Annual Report, we found that the Aeronautics Assistant Director's report preparation process resulted in inaccurate reporting. Additionally, we found that Aeronautics management did not have a review process in place to ensure that the Aeronautics Assistant Director accurately prepared the "Summary of Open Projects" section of the MOA Annual Report before submitting the report to the Memphis ADO. We recalculated the report lines. See **Table 1**.

**Table 1**
**Inaccurate Amounts Reported on the MOA Annual Report for the Summary of Open Projects**

| Report Line | Department Reported | State Audit Calculation | Amount Overstated/(Understated) |
|---|---|---|---|
| **Project 57555012819 Balance Remaining** | $ 0 | $ 22,500 | $ (22,500) |
| **Sum of Federal Allotments Grand Total** | 120,323,227 | 74,961,757 | 45,361,470 |
| **Sum of Expenditures to Date Grand Total** | 107,976,173 | 49,077,624 | 58,898,549 |
| **Balance Remaining Grand Total** | $12,324,554 | $25,861,633 | $(13,537,079) |

Source: MOA Annual Report, due by December 15, 2019.

Risk Assessment

We reviewed the department's December 2019 Financial Integrity Act Risk Assessment and determined that Aeronautics Division management did not identify the risk of submitting inaccurate federal reports.

**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. 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) 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 Green Book 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 of designing risk responses.

**Cause**

SF-425 Annual Financial Report and MOA Annual Report Submissions

The Aeronautics Assistant Director stated that the division did not implement corrective action to track and collect information and properly complete the required reports until March 2020. Because the financial reports in our audit period were due to FAA before management implemented corrective action, the department missed the December 29, 2019, report submission deadline for the SF-425 annual reports and did not include the missing key report lines in the MOA Annual Report submitted in August 2019.

Inaccurate Financial Information on MOA Annual Report

The Aeronautics Assistant Director stated that he uses an Excel spreadsheet to prepare the MOA Annual Report; however, he converts the report to a PDF and submits it to the Memphis ADO. After we brought the inaccuracies to management's attention, the Aeronautics Assistant Director reviewed his spreadsheet and found that it did not contain a formula to automatically calculate the balance remaining for project 57555012819.

According to the Aeronautics Assistant Director, management interpreted the "Summary of Open Projects" grand totals to include all open and closed projects; however, this should only report open projects. Additionally, the Aeronautics Assistant Director agreed that the Summary of Open Projects information would have been clearer if it separately listed the grand total for open projects only and a grand total for open and closed projects or included a note that explained the grand totals included both open and closed projects.

**Effect**

Without establishing and implementing effective reporting controls, neither the state nor the federal awarding agency can make appropriate programmatic decisions based on the contents of the reports.

## Recommendation

The Commissioner should ensure that Aeronautics Division management and staff prepare and submit accurate and complete financial and program activity reports as required. Aeronautics Division management should establish and document an adequate report review process.

Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

## Management's Comment

We concur. The division was informed of the original finding in January 2020. Management developed and implemented a corrective action plan on March 1, 2020, to improve the reporting process for the following year's reporting cycle due December 2020. Therefore, no reports were submitted by the Aeronautics Division using the new procedures during the 2020 audit period.

Upon a second review of FY 2019 reporting an error was identified. The Aeronautics Division submitted a corrected report to the FAA on February 18, 2020, and received an email from the FAA Memphis ADO accepting the truncated FY 2019 report as an equivalent TN SBGO MOA report even though the report is missing three additional fields listed in the MOA. The division believes its procedures implemented March 2020 have corrected the condition noted in the 2020 audit findings. However, the Aeronautics Division will, by May 1, 2021, review and update internal reporting policies and procedures originally implemented on March 1, 2020, to ensure compliance with federal reporting requirements.

| | |
|---|---|
| **Finding Number** | 2020-027 |
| **CFDA Number** | 84.063 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Northeast State Community College |
| **Federal Award Identification Number** | P053P192666 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | $397 |

**College Staff Did Not Adequately Monitor Attendance for Pell Recipients**

**Condition**

Northeast State Community College instructors did not adequately monitor and report attendance for students receiving Pell. We reviewed a sample of 40 students who received Title IV Student Financial Assistance during the 2019-2020 award year. Errors were noted for four of 40 students tested (10%) who either never attended; or withdrew, dropped out, or were terminated from classes prior to completing 60% of the term for which the award was made, resulting in federal questioned costs of $397.

- One student was charged and paid the full amount of tuition and fees for the Fall 2019 semester. Because the instructor did not report that the student never attended class, the student was incorrectly awarded a Pell grant of $243 for the class after the census date. The student officially withdrew prior to completing 60% of the term. Financial Aid staff discovered the error in the initial award while calculating the Title IV return of funds in November 2019. The $243 amount was properly returned to ED on November 8, 2019.
- A second student was awarded and received $3,098 in a federal Pell award for the Fall 2019 semester. Because the instructor did not report that the student never attended one of her classes, the student's Pell award was not properly reduced. Because of the lack of attendance, the student should have only received $2,323 in Pell resulting in a $775 overaward. College staff corrected the error and remitted the $775 to ED after we discovered and reported it to them.
- A third student officially withdrew from all classes on the census date (14$^{th}$ day of class) in the Spring 2019 semester. This was the date the Business Office released excess balances to the students. The following day, college staff removed the entire Pell award amount from the student's account, thereby creating a balance due from the student. Our audit determined that the student had attended classes and was, therefore, due a partial award. The student was underpaid $203.89. After we brought the error to staff's attention, college staff corrected the error by calculating a post-withdrawal distribution. Investigation of this student by our auditors and Financial Aid staff found that the

"Purge Report" used by the school did not identify students who attended class but dropped on/or prior to the census date and would have earned some money for both the school and the student. College staff corrected the programming of the "Purge Report" during the audit to include the students who withdrew on or prior to the census date. Staff then calculated the amount of missed post-withdrawal distributions for all students caused by the report error as totaling $2,150.04 ($515.71 for nine students in the Fall 2019 semester plus $1,634.33 for twelve students in the Spring 2020 semester.)

- An instructor incorrectly reported that one student ceased attending classes in the Fall 2019 semester. As a result, Financial Aid staff treated the student as an unofficial withdrawal and incorrectly calculated and returned funds of $378 to ED. However, we determined that the student attended class for the full semester and took the final exam.

**Cause**

Three errors were caused because instructors did not properly monitor and report attendance. The final error was caused because the report used to determine students purged from school, but having attended classes, was not originally programmed to indicate students who withdrew on or prior to the census date.

**Criteria**

Per the 2019-2020 Federal Student Aid Handbook, volume 3, page 92, "Your school must have a procedure in place to know whether a student has begun attendance in all classes for purposes of the Federal Pell Grant Program. The Department does not dictate the method a school uses to document that a student has begun attendance, however, a student is considered not to have begun attendance in any class in which the school is unable to document that attendance."

Per the 2019-2020 Federal Student Aid Handbook, volume 5, page 4, "Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive."

**Effect**

Not properly determining if a student began attendance or attended throughout a semester could result in adverse actions against the institution. In addition, not properly monitoring and reporting attendance could lead to overpayments or underpayments to ED by the college or students and potential underpayments and overpayments to students.

The total amount of questioned costs for the transactions noted above is $775 less the overpayment to ED of $378, for net questioned costs of $397. We tested a sample of $90,502 from a total population of $10,705,318.89.

**Recommendation**

Northeast State Community College should provide additional training to instructors to ensure that the instructors document and report attendance properly. The training should emphasize that the information is necessary to determine the amounts of Title IV awards and potential returns of Title IV funds. The college should also continue to use its recently modified Purge Report.

**Management's Comment**

Management concurs that attendance was not adequately monitored during the audit period, and the college's Purge Report was not adequately designed to identify students who attended, but dropped or withdrew, on or prior to the census date. In order to correct this deficiency, Northeast State will provide training to all faculty members responsible for recording student attendance. Training will initially be provided to all academic Deans during the Academic Council meeting, and then to faculty members within each academic discipline during individual division meetings. The training will include the potential impacts on the students and institution if attendance is not accurately tracked and the appropriate methods to record and communicate class attendance. The training will be conducted each academic year and provided to new faculty members during the onboarding process. Management will monitor the recording of attendance through division reports at the census date to ensure attendance has been recorded for all students. As described in the audit finding, management corrected the Purge Report programming during the audit. Northeast State will continue to use the updated Purge Report.

| | |
|---|---|
| **Finding Number** | 2020-028 |
| **CFDA Number** | 84.007, 84.033, and 84.063 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Northeast State Community College |
| **Federal Award Identification Number** | P007A195420, P033A195420, P063P192666 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Northeast State Community College did not provide adequate internal controls in one area**

**Finding**

Northeast State Community College did not design and monitor internal controls in one specific area. For this area, we found an internal control deficiency related to the college's information technology control environment that was not in compliance with industry-accepted best practices. This deficiency is considered a significant deficiency in internal control.

Ineffective implementation of internal controls increases the likelihood of errors, data loss, and unauthorized access to college information. 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 college with detailed information regarding the specific condition we identified, as well as the related criteria, cause, and our specific recommendation for improvement.

**Recommendation**

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.

**Management's Comment**

Management concurs with the finding. We have already begun to implement controls to address the finding.

| | |
|---|---|
| **Finding Number** | 2020-029 |
| **CFDA Number** | 84.007, 84.063, and 84.268 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Tennessee State University |
| **Federal Award Identification Number** | P063P190381(Pell), P007A193927(SEOG), P268K200381(DL) |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | |

| **CFDA** | **Federal Award Identification Number** | **Amount** |
|---|---|---|
| 84.063 | P063P190381 | $1,259.04 |
| 84.268 | P268K200381 | $1,745.11 |

**Tennessee State University did not return Title IV funds in compliance with federal regulations**

**Condition**

We selected a sample of 11 students from a population of 120 Title IV aid recipients who officially or unofficially withdrew from classes at Tennessee State University during the 2019–2020 award year. When we reperformed the return of Title IV funds calculations, we found that the university did not perform its return of Title IV funds calculations in compliance with federal regulations for 6 of the 11 Title IV aid recipients tested (54.5%). Based on the high error rate for the original 11 students tested, we did not expand our testwork.

For 6 of 11 students tested, management made the following errors:

1) For the fall 2019 semester, the university did not exclude the fall break from the total number of calendar days in the period of enrollment and the number of calendar days completed; as a result, an additional 8 class days were included in the calculation. Because the days in the semester were incorrectly calculated, the date on which the student had earned his or her financial aid was incorrect for the return of funds calculation. These errors resulted in the university returning more funds than required for 3 of the students tested.
2) When calculating summer term returns, the university incorrectly used the first day of the May term as the start of the summer term, regardless of which summer term the student attended. Because the days in the semester were incorrectly calculated, the date on which one student had earned financial aid was incorrect for the return of funds calculation. This error resulted in the university not returning enough required funds for 1 of the students tested.

3) The university did not calculate the return of funds for 2 students who did not attend class. This error resulted in the university not returning enough required funds for these 2 students.

In addition, for the 3 students discussed in items 2 and 3 above, financial aid personnel did not return Title IV funds to the Department of Education (ED) in a timely manner. After we brought these errors to management's attention, the institution stated that they had returned the funds for 2 of the 3 students on December 20, 2020. These funds were returned to ED over 489 days late. The funds for the final student who withdrew during the summer of 2020, have not been returned as of January 12, 2021.

**Criteria**

As a general rule, students earn all financial aid awarded when they have completed 60% of each applicable term. Prior to that 60% completion date, a calculation is required to determine what, if any, funds need to be returned. Title 34, *Code of Federal Regulations* (CFR), Part 668, Section 22(f)(2)(i), states that

> The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

The 2019–2020 *Federal Student Aid (FSA) Handbook*, Volume 5, page 5–80, provides the following guidance on determining the length of a scheduled break: "[d]etermine the last day that class is held before a scheduled break—the next day is the first day of the scheduled break. The last day of the scheduled break is the day before the next class is held."

Furthermore, according to Volume 3, page 3–6 of the FSA handbook, "The number of weeks of instructional time is based on the period that begins . . . on the first day of classes in the academic year and ends on the last day of classes or examinations."

Regarding returning unearned funds, Volume 5, page 5–108 of the FSA handbook states, "[a] school **must** return unearned funds for which it is responsible **as soon as possible but** no later than 45 days from the determination of a student's withdrawal" [emphasis in original].

**Cause**

The university did not have adequate procedures in place to ensure the Financial Aid Office properly and timely calculated the return of Title IV funds in compliance with federal regulations.

For the fall 2019 semester, the Registrar's Office did not exclude fall break dates from the "Days in Period" amounts in Banner, the student information system. Although the Financial Aid Office did notice that break days were not excluded and had the Registrar's Office update the information in Banner, no one ensured that Banner recalculated the previously prepared return of funds calculations.

For the summer 2020 terms, the Registrar's Office recorded all students' start date as the first day of the May term. When calculating the return of funds, the university made no adjustments based on each student's enrollment in summer terms. Because the Financial Aid Office miscalculated the number of days in the payment period, they also did not return these funds timely because the error caused the 60% completion date to also be incorrect.

Lastly, when the Registrar's Office identified that students were not attending, it did not promptly notify the Financial Aid Office. The Registrar stated that these errors were due to oversight. These errors also caused funds to not be returned timely.

**Effect**

The university calculated a total return of $119,193 in Title IV funds for the 2019–2020 award year. For our sample of 11 students, the university calculated a total return of $15,543 in Title IV funds. The corrected total for the 11 students was $18,547.15, which is $3,004.15 more than the university returned to the U.S. Department of Education. When the university does not timely return Title IV funds to the U.S. Department of Education, it could result in adverse actions against the university.

**Recommendation**

The Registrar's Office and the Financial Aid Office should follow federal regulations. Although the Registrar's Office is responsible for entering the number of days, including breaks, in the period of enrollment into the Banner information system, the Financial Aid Office should verify that the Registrar's Office entered the information correctly. Management should ensure that the Financial Aid Office reperforms all return of Title IV funds calculations and makes necessary corrections to student and federal fund accounts for the 2019-2020 academic year. Management should ensure that the Registrar's Office communicates any status changes to the Financial Aid Office.

**Management's Comment**

Management concurs with the finding. To ensure that the university is in compliance with federal regulations regarding Title IV funds, the following actions will be taken:

- Necessary adjustments will be made to student accounts identified during the performance of the audit for differences not considered immaterial by auditors. Tennessee State University Office of Financial Aid staff will make the corrections by March 15, 2021.
- Reports developed in conjunction with our Office of Technology are currently being used to identify students who have withdrawn or stopped attending. These reports are reviewed weekly after census date each term, and the Return to Title IV calculation is performed for each student. These reports also help to identify and confirm if an enrolled student ever attended classes. (If it is determined the student never attended classes, this is not considered a Return of Title IV situation. For students in this category, all federal aid is cancelled.)

- Beginning spring 2021, we will continue to remove aid for students identified as having never attended. Notification will be made to the Records Office and the Bursar's Offices. The Records Office is responsible for the removal of any classes for which the student was enrolled but never attended. Further, Records Office will update Clearinghouse regarding student's enrollment status. The Bursar's Office staff will determine whether the student owes any funds back to the university. If there is a balance owed, the Records Office will not remove enrolled classes until the student returns any outstanding funds.
- Beginning spring 2021, we will continue communicating monthly with the Tennessee State University Records Office and the Tennessee State University Financial Aid Office. Prior to the start of each term, the Assistant Vice President of Financial Aid confirms with the Registrar that any break of five or more days has been recorded in the Banner system by Records Office personnel and any changes in start and end dates for the terms have been made prior to the start of classes.
- Effective July 1, 2021, procedures regarding drawdown of federal funds will be modified. Instead of drawing down 100% of funds available at the time, the University will leave a cushion of approximately 10% not drawn down. This will help ensure that the University maintains compliance with returning Title IV funds to the Department of Education (ED) in a timely manner. The need to initiate refunds to ED should be greatly diminished as there will always be a cushion of funds that have not been drawn down.

| | |
|---|---|
| **Finding Number** | 2020-030 |
| **CFDA Number** | 84.268 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Tennessee State University |
| **Federal Award Identification Number** | P268K200381 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The Financial Aid Office did not adequately reconcile its Direct Loan records to the Direct Loan Servicing System's records, as required by federal regulations, and did not resolve discrepancies timely**

## Condition

The United States Department of Education (ED) requires a mandatory Direct Loan reconciliation be performed monthly. The reconciliation should compare Direct Loan data between the school's financial aid office and business office, and between school data, ED's Common Origination and Disbursement (COD) System, and ED's Grants Management (G5) System. The Financial Aid Office at Tennessee State University did not properly reconcile and document the university's Direct Loan financial records with the federal Direct Loan Servicing System. The Financial Aid Office did perform informal monthly reconciliations for August and September. After noting a large discrepancy in October 2019, however, they prepared an informal aggregated reconciliation for the remaining academic year. As of January 14, 2021, the Financial Aid Office has not been able to resolve all discrepancies from the academic year.

## Criteria

Title 34, *Code of Federal Regulations*, Part 685, Section 300(b)(5), states that to participate in the Direct Loan program, a school must "on a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the secretary."

The *2019-2020 Federal Student Aid Handbook*, Volume 4, page 4–129, gives additional information regarding the reconciliation process:

> A school that participates in the Direct Loan Program is required monthly to reconcile cash (funds it received from the G5 system to pay its students) with disbursements (actual disbursement records) it submitted to the Common Origination and Disbursement (COD) system.

In addition, the handbook further states on page 4-134,

> A school has completed its monthly reconciliation when all differences between the Direct Loan SAS and the school's internal records (Direct Loan system, financial aid office, and business office system) have been resolved or documented and the school's ending cash balance is zero. Schools should clearly outline their method of documentation in both business office and financial aid office procedures.

Finally, while the handbook does not specify a particular format or reconciliation method, it does require that the school maintains "documented results of its monthly reconciliation to provide to auditors and reviewers at their request" (page 4-135).

**Cause**

The Assistant Director of Loans stated the Financial Aid Office had not experienced large discrepancies between their records and COD, and therefore, she did not consider it necessary to document the reconciliations given the lack of discrepancies. However, after noting discrepancies in the October 2019 reconciliation, the Assistant Director of Loans determined aggregating the months into a single reconciliation would assist in identifying the discrepancies. As previously stated, Financial Aid personnel have not resolved the differences as of January 14, 2021.

**Effect**

Performing documented monthly reconciliations and retaining all supporting documentation enable Financial Aid staff to ensure that all Direct Loan funds disbursed to students are received from ED and that disbursements to students are made timely and for the correct amounts. Without documented reconciliations, the university cannot demonstrate it has met the federal reconciliation requirement, and supervisors cannot review the reconciliations to ensure they have been completed correctly and on a timely basis.

**Recommendation**

The Director of Financial Aid should ensure that the required monthly reconciliations are prepared based on instructions in the *Federal Student Aid Handbook* and yearly training documents. If any items on the School Account Statement do not agree to the institution's financial records, Financial Aid staff should investigate and resolve these differences in a timely manner. In addition, the Director of Financial Aid should ensure that reconciliations are documented. The Director of Financial Aid and a member of the Business Office should review the reconciliation each month and at award year-end to ensure accuracy and completeness. The Financial Aid Office and the Business Office should develop policies and procedures for the reconciliation process.

**Management's Comment**

Management concurs with the finding. Effective April 1, 2021, within the first 10 days of each month, the Assistant Director of Loans will reconcile the university's Direct Loan records to the Direct Loan Servicing System's records for the prior month. The reconciliation will be prepared using instructions in the Federal Student Aid Handbook. The Assistant Director of Loans will ensure that the reconciliations are documented and complete. Any identified variances will be investigated and resolved at the time of reconciliation. The Assistant Vice President of Financial Aid will review the completed monthly reconciliations and verify the accuracy and completeness of the reconciliations.

The Director of Financial Aid (or designee) and a member of the Business Office will review each reconciliation each month and at award year-end to ensure accuracy and completeness. This reconciliation and review will be documented and maintained for audit purposes. The Financial Aid Office and the Business Office will develop policies and procedures for the reconciliation process.

| | |
|---|---|
| **Finding Number** | 2020-031 |
| **CFDA Number** | 84.063 and 84.268 |
| **Program Name** | Student Financial Aid Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Tennessee Technological University |
| **Federal Award Identification Number** | N/A |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Tennessee Technological University did not have adequate procedures to prevent, or to detect and correct, errors in enrollment reporting for the federal Direct Loan Program**

**Condition**

We tested a sample of 25 Direct Loan borrowers at Tennessee Technological University (TTU) who had a status change during the year, and we found that for 3 of the 25 students tested (12%), the student status reported by the Registrar's Office to the National Student Loan Data System (NSLDS) did not agree with the status reported in Banner, TTU's information system. The Registrar's Office incorrectly reported one student as withdrawn, rather than graduated. For this student, the Associate Registrar corrected this error with NSLDS on September 16, 2020, 100 days late. The other two students had withdrawn from some of their classes, so their statuses changed from full-time to half-time and three-quarter time. While the Registrar's Office reported changes for these students, the changes reported were inaccurate. The Associate Registrar did not report the corrected statuses until January 19, 2021—132 and 226 days late, respectively.

**Criteria**

The *Federal Student Aid Handbook,* Volume 2, page 2–66, states that institutions "must report enrollment changes within 30 days; however, if a roster file is expected within 60 days, you may provide the updated data on that roster file."

In the introduction to Chapter 1, the *NSLDS Enrollment Reporting Guide* states, "Accurate and timely Enrollment Reporting to NSLDS is essential to the Department of Education's successful delivery of Title IV aid."

**Cause**

For the first student, the Associate Registrar stated her staff believed the submission of a particular file for graduating students was sufficient information for the Clearinghouse. After we identified this issue and TTU staff reached out to the Clearinghouse, they learned that submission of that particular file alone was not a sufficient method of ensuring timely submission to the Clearinghouse. For the other two students, the Associate Registrar stated that they discovered that a computer process run by TTU's IT staff was not operating properly. When asked why staff did not correct these two students' status when we brought it to TTU staff's attention, the Associate Registrar said that she had tried to upon discovery but was unable to submit to the NSLDS. She did not realize that staff still had not corrected the students' status until we asked when the staff had submitted the corrections.

## Effect

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs. Not accurately reporting enrollment status changes could result in the inappropriate granting of an in-school deferment or the failure to start the grace period or properly initiate the loan repayment process.

## Recommendation

The Registrar should revise procedures to ensure that the Registrar's Office uploads and submits the correct information to NSLDS. The Registrar should ensure that computer processes run by the university's staff are operating effectively. In addition, the Registrar should ensure that staff are aware of reporting deadlines and the importance of reporting enrollment status changes.

## Management's Comment

We concur. The section of the Records and Registration procedural manual that specifically addresses the process and steps to upload enrollment data to Clearinghouse, which then updates NSLDS, will be revised by April 1, 2021. This revision will include a statement that makes it clear that all enrollment changes made in a term that has ended will not update in the scheduled data load and must be made directly to the Clearinghouse database. The revision will detail that all individual changes to the Clearinghouse database will be recorded by capturing a screenshot of the submission and saving that screenshot in the students' academic file. The procedural manual will include the specific criteria for compliance as presented in the Federal Student Aid Handbook, Volume 2, page 2-66, which states institutions "must report enrollment changes within 30 days; however, if a roster file is expected within 60 days, you may provide the updated data on that roster file."

By April 1, 2021, the procedural manual will be revised to address the computer process that runs to update the time status on students that have added or dropped courses that affect enrollment status to ensure the process is operating effectively. Additionally, by April 1, 2021, Records and Registration will secure confirmation from Information Technology Services that the process, when executed, is running properly by updating appropriate fields.

By April 1, 2021, the exception form used to gain approval for out-of-term enrollment changes will be revised to include a required area to indicate if/when the student's Clearinghouse record will need to be corrected (for retroactive withdrawals or approved registration changes that affect enrollment status) and to include a field to document when the Clearinghouse is notified of the change.

The Registrar and Associate Registrar completed training with Clearinghouse titled Compliance Reporting: Avoiding Common Enrollment Audit Findings on February 10, 2021.

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|---|---|
| **Finding Number** | 2020-032 |
| **CFDA Number** | 84.007, 84.063, 84.268 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | University of Tennessee at Chattanooga |
| **Federal Award Identification Number** | P007A193936, P063P192249, P26K202249 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**The University of Tennessee at Chattanooga did not comply with return of funds requirements for federal student financial aid**

**Condition and Criteria**

The University of Tennessee at Chattanooga (UTC) did not comply with return of funds requirements for federal student financial aid. We selected a sample of 40 students from a population of 407 Title IV aid recipients who withdrew, dropped out, or were terminated from classes prior to completing 60% of the term for which the award was made. We found that the university did not perform its return of Title IV funds calculations in compliance with federal regulations for 21 of the 40 Title IV aid recipients tested (53%).

For all 21 of the students, staff in the Office of Financial Aid calculating returns for official or unofficial withdrawals incorrectly counted the number of days in the term used in return of funds calculations for the spring 2020 semester, as they did not count both weekends adjacent to the break. Per Title 34, *Code of Federal Regulations,* Part 668, Section 22(f)(2)(i) and (ii)(B), breaks of five or more consecutive days are excluded from the return calculation, as well as any adjacent weekend days when classes are not held. (See also the 2020 *Federal Student Aid Handbook,* Volume 5, page 5–80). Because of COVID-19, there were two spring break schedules at UTC during 2020. In the first scenario, the term began on January 6, 2020, and ended on April 28, 2020, and included a week of spring break from March 7 through March 15, 2020 (9 days, including adjacent weekends), for a term length of 105 days. Staff at UTC mistakenly calculated this term length to be 107 days since they deducted only 7 days for the break. In the second scenario, the term also began on January 6, 2020, but included an extended spring break of 16 days (March 7 through March 22), and ended on May 1, 2020, for a total term length of 101 days. Staff mistakenly calculated this term length to be 103 days since they counted the break as 14 days instead of 16.

Due to these errors, the university calculations for our sample of 40 students called for a net amount of $1,037 more than was necessary to be returned to the U.S. Department of Education (ED). Due to provisions of the CARES Act, the university was not required to make most monetary returns to ED related to withdrawals in the spring 2020 semester. Nevertheless, UTC failed to perform return calculations correctly, as required, and as noted above. Absent the CARES Act provision (COVID-19 waiver), the university would have returned too much money to ED in each case because Financial Aid Office staff based their calculations on an inflated number of days in the term, resulting in an unearned percentage greater than (and an earned percentage less than) the amount that would have been determined had the calculation been done correctly. Likewise, the amount of Title IV aid earned by the student based on his or her earned percentage of the initial award would have been less than the correct amount.

In another instance, the university did not make the required return of funds to ED within the required timeframe. Instead, the funds were returned 125 days after the student's withdrawal. Per the 2020 *Federal Student Aid Handbook*, Volume 5, page 5–108, "A school must return unearned funds for which it is responsible as soon as possible but no later than 45 days from the determination of a student's withdrawal."

**Cause**

Financial aid personnel performed the return calculations for the withdrawals using the Banner system, which allows the user to adjust for the breaks discussed above. However, the adjustments were not made correctly. According to the Director of Financial Aid, the staff member was unaware of the details of the requirements pertaining to breaks of more than five days, as described above.

The Director of Financial Aid explained that the late return was due to an oversight. The student was a distance learning student and was not subject to the COVID-19 waiver. When this was discovered, the funds were returned.

**Effect**

Not making the prescribed allowance for spring break distorted the calculated percentage of federal aid earned by withdrawing students, and therefore caused errors in the calculations of amounts to be returned to the federal student aid programs. Due to the COVID-19 crisis and the resulting waiver by ED, returns to ED were not actually required for most withdrawals in the spring 2020 semester. Actual returns were required only for withdrawing students enrolled completely in on-line classes that did not withdraw due to COVID-19 related circumstances. (Schools still had to complete the refund calculation for students for whom the calculation would normally be required, and report calculated refund data to ED.) Because of this waiver, only one of the calculation errors in our sample above required an actual return of funds, and only six actual returns were required in the spring 2020 semester.

**Recommendation**

The Director of Financial Aid should ensure that staff members are aware of the requirements promulgated by the U.S. Department of Education to accomplish correct and timely returns to the financial aid programs. The Director should see that controls are in place to monitor return calculations, ensuring correct data entry and propriety of calculations.

The Director should review refunds calculated during the spring 2020 semester to ensure that in the limited cases where the COVID-19 waiver was not applicable, students were properly awarded earned aid and that any amounts refunded to ED were correct. In addition, the Director should develop procedures to ensure that student refunds are returned within 45 days of determination of a student's withdrawal.

**Management's Comment**

We concur. Regarding the miscalculation on the number of days, UTC had a few classes that were held on the Saturday before the Spring Break, thereby impacting any potential refund amounts for these students. UTC will review student refunds for the spring 2020 semester and ensure that all of these were properly calculated and reported. The staff have been made aware of the proper way to calculate the days related to breaks in the semester.

Regarding the 45-day requirement for refunds, this error was discovered during our internal audit process of institutional charges. Upon finding the error, we reprocessed and returned additional aid on May 15, 2020. The correction was reprocessed outside of the 45-day timeframe. We have revised our internal auditing procedures to ensure errors will be caught and corrected prior to the 45-day deadline.

| | |
|---|---|
| **Finding Number** | 2020-033 |
| **CFDA Number** | 84.268 |
| **Program Name** | Federal Direct Student Loans |
| **Federal Agency** | Department of Education |
| **State Agency** | University of Tennessee at Knoxville |
| **Federal Award Identification Number** | P268K192250 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**Student Financial Aid Office staff at the University of Tennessee at Knoxville did not prepare federal Direct Loan reconciliations on a timely basis**

**Condition**

The United States Department of Education (ED) requires a mandatory Direct Loan reconciliation to be performed monthly. The reconciliation should reconcile Direct Loan data between the school's financial aid office and business office, and between school data, ED's Common Origination and Disbursement (COD) System, and ED's Grants Management (G5) System. At the University of Tennessee at Knoxville, during the fiscal year ended June 30, 2020, 9 of 12 reconciliations (75%) were not completed timely at the end of each month. For example, reconciliations for August through November 2019 were not completed until January 21, 2020, and reconciliations for January 2020 through March 2020 were not prepared until May 20, 2020. Also, the July 2019 reconciliation was completed 33 days after month-end, and the May 2020 reconciliation was completed on July 28, 2020.

**Cause**

The Student Financial Aid Office's Reconciliation Coordinator left employment to assume another job within the university system in September 2019. The office contracted with the former employee for a three-month period to complete the reconciliations and extended this contract through July 2020, as the Reconciliation Coordinator position remained unfilled during the remainder of the year ended June 30, 2020. Because of this employee's other responsibilities, reconciliations were not prepared timely.

**Criteria**

Per Title 34, *Code of Federal Regulations*, Part 685, Section 300(b)(5), to participate in the Direct Loan program, a school must "on a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the secretary."

The *2019-2020 Federal Student Aid Handbook*, Volume 4, page 4-129, adds additional information regarding the reconciliation process and states:

A school that participates in the Direct Loan Program is required monthly to reconcile cash (funds it received from the G5 system to pay its students) with disbursements (actual disbursement records) it submitted to the Common Origination and Disbursement (COD) system.

**Effect**

If the school does not reconcile Direct Loan data on a monthly basis, there could be irreconcilable differences between the institution's Direct Loan data and Direct Loan data on the federal COD system and federal G5 system. Issues not resolved on a timely basis could also lead to unaccounted for cash balances and difficulties in performing the final required closeout reconciliation.

**Recommendation**

The Student Financial Aid Office staff at the University of Tennessee at Knoxville should ensure staff assigned to perform Direct Loan reconciliations complete the reconciliations timely at the end of each month.

**Management's Comment**

We concur. The University of Tennessee Knoxville has a designated staff member assigned to complete the monthly reconciliation of financial aid funds. The employee assigned to this position accepted another job within the University in September 2019, but was contracted to continue reconciliation duties through the fiscal year, as the time required to repost and rehire the position was delayed, due to the pandemic. The employee's new job duties impacted the timeliness of the reconciliations. A new staff member was hired in September 2020 and was able to bring all federal reconciliations current by the October 2020 ledger. In addition, an additional team member will be trained to serve as back-up to this position.

| | |
|---|---|
| **Finding Number** | 2020-034 |
| **CFDA Number** | 84.425 |
| **Program Name** | Education Stabilization Fund |
| **Federal Agency** | Department of Education |
| **State Agency** | University of Tennessee at Chattanooga |
| **Federal Award Identification Number** | P425E202342 |
| **Federal Award Year** | 2020 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Reporting |
| **Repeat Finding** | N/A |
| **Pass-Through Entity** | N/A |
| **Questioned Costs** | N/A |

**CARES Act information was not included or was inaccurate in a required 30-day report at UT Chattanooga**

**Condition**

On April 25, 2020, the University of Tennessee at Chattanooga (UTC) received a Grant Award Notification under the Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund (84.425E – Student Aid Portion) in the amount of $4,756,890 from the U.S. Department of Education (ED).

Per review of UTC's website and inquiry of management, management did not report one of the required items, "the total amount of Emergency Financial Aid Grants distributed to students under Section 18004(a)(1) of the CARES Act as of the date of submission," on a required 30-day report. (The posted website report included information as of May 15, 2020.)

In addition, management underreported the number of students who received an Emergency Financial Aid Grant on or prior to May 15, 2020, by 18 students.

**Cause**

The CARES Act is a new and evolving program. UTC management relied upon their contact at ED for guidance as to required items to be posted and overlooked the total amount of Emergency Financial Aid Grants distributed to students that was included in the ED response. Per the Executive Director of Budget and Finance, this oversite "will be corrected both going forward and on previously posted documents."

The Dean of Students provided the Vice Chancellor for Finance and Administration an inaccurate report as to the number of students receiving Emergency Financial Aid Grants on or prior to May 15, 2020. The Vice Chancellor for Finance and Administration then used this inaccurate information in the 30-day report posted to the university's website.

## Criteria

Beginning May 6, 2020, ED, via an electronic announcement (EA), initially required each school who received a Higher Education Emergency Relief Fund (HEERF) [18004(a)(1) Student Aid Portion] award to publicly post certain information on their website no later than 30 days after the award, and then update the information every 45 days thereafter. On August 31, 2020, ED revised the EA by decreasing the frequency of reporting after the initial 30-day period from every 45 days thereafter to every calendar quarter.

ED required a total of seven items to be reported on each required report. The electronic announcement identified the following four items as critical information each school was required to report:

a. The total amount of Emergency Financial Aid Grants distributed to students under Section 18004(a)(1) of the CARES Act as of the date of submission.
b. The estimated total number of students at the institution eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants to Students under Section 18004(a)(1) of the CARES Act.
c. The total number of students who have received an Emergency Financial Aid Grant under Section 18004(a)(1) of the CARES Act.
d. The method(s) used by the institution to determine which students receive the Emergency Financial Aid Grants and how much they would receive under Section 18004(a)(1) of the CARES Act.

The other required items are as follows:

a. An acknowledgement that the institution signed and returned to the Department the Certification and Agreement and the assurance that the institution has used, or intends to use, no less than 50 percent of the funds received under Section 18004(a)(1) of the CARES Act to provide Emergency Financial Aid Grants to students.
b. The total amount of funds that the institution will receive or has received from the Department pursuant to the institution's Certification and Agreement for Emergency Financial Aid Grants to Students.
c. Any instructions, directions, or guidance provided by the institution to students concerning the Emergency Financial Aid Grants.

## Effect

The university did not comply with reporting requirements on this interim report. The failure to comply with ED reporting requirements could impact future CARES funding to the university. In addition, required information was not provided to the public via the university's website.

**Recommendation**

Management at the University of Tennessee at Chattanooga should ensure CARES Act reporting is complete and accurate by thoroughly reviewing CARES Act submission requirements to ensure all required elements have been reported. The Dean of Students should also ensure information provided to the Vice Chancellor for Finance and Administration is accurate.

**Management's Comment**

We concur. In an effort to be compliant and adhere to all the reporting requirements, one requirement was misinterpreted in the university's report and published website information. The university reported the total amount available to be distributed rather than the amount distributed. This was an unintended oversite that has since been corrected both on the report and website publishing.

As mentioned above in the Cause, this has been an evolving process for both the university and ED. In the early stages of implementing processes and reporting, communication and manual processes between the Dean of Students Office and Budget and Finance were heavily relied on to be compliant. To reduce the potential risk of error in reporting, student information is now available to report through an ad hoc automated report instead of manual record keeping. All amounts related to student counts have been verified and accurately reported.

# Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

| 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 | | | | $ (4,042.00) | $ - |
| **Subtotal Peace Corps** | | | | | $ (4,042.00) | $ - |
| | **Department of Agriculture** | | | | | |
| 10.001 | Agricultural Research Basic and Applied Research | | | | $ 2,113,863.93 | $ - |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | | | | 1,063,194.81 | - |
| 10.069 | Conservation Reserve Program | | | | 193,164.67 | - |
| 10.156 | Federal-State Marketing Improvement Program | | | | 52,648.67 | - |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | | | | 386,679.59 | 238,969.18 |
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational Funds | | | | 962,000.00 | 962,000.00 |
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash) | | | | 24,955,604.58 | 24,955,604.58 |
| 10.202 | Cooperative Forestry Research | | | | 718,015.99 | - |
| 10.203 | Payments to Agricultural Experiment Stations Under the Hatch Act | | | | 6,660,141.56 | - |
| 10.215 | Sustainable Agriculture Research and Education | | | $ 39,811.00 | | |
| | | University of Georgia | 2014-38640-22155 | (732.85) | | |
| | | University of Georgia | RD309-134/S001153 | 1.87 | | |
| | | University of Georgia | RD309-137/S001471 | 6,182.31 | | |
| | | University of Georgia | SUB00001757 | 21,710.09 | | |
| | | University of Georgia | SUB00001989 | 15,661.82 | | |
| | | University of Georgia | SUB00002016 | 8,280.39 | | |
| | | University of Kentucky Research Foundation | 3200001610-18-217 | (69.89) | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | University of Kentucky Research Foundation | 320000614-16-255 | (212.37) | | |
| | | Virginia Polytechnic Institute and State University | 2019-USA-4RS03 | 35,560.82 | | |
| | | | | | 126,193.19 | - |
| 10.216 | 1890 Institution Capacity Building Grants | | | $ 391,007.52 | | |
| | | Alabama A&M University | 2019-38821-29156 | 17,664.14 | | |
| | | | | | 408,671.66 | 5,615.51 |
| 10.217 | Higher Education - Institution Challenge Grants Program | | | $ 502,236.18 | | |
| | | University of Arkansas, Fayetteville | SUB #UA2020-88 | 11,895.07 | | |
| | | University of Florida | UFDSP00011215 | (903.16) | | |
| | | University of Florida | Unknown | 37,844.98 | | |
| | | | | | 551,073.07 | 245,500.98 |
| 10.220 | Higher Education - Multicultural Scholars Grant Program | North Carolina Agricultural and Technical State University | 2014-38413-21797 | | 6,471.35 | - |
| 10.226 | Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants | | | | 142,172.77 | 16,116.00 |
| 10.303 | Integrated Programs | | | | 85,037.53 | - |
| 10.304 | Homeland Security Agricultural | University of Florida | UFDSP00011548 | | 33,192.75 | - |
| 10.310 | Agriculture and Food Research Initiative (AFRI) | | | $ 97,885.72 | | |
| | | North Carolina State University | 2015-0097-17 | (69.79) | | |
| | | University of Georgia | SUB00001643 | 26,737.30 | | |
| | | University of Louisville | Z5775002 | 99,570.10 | | |
| | | Vanderbilt University | 2017-68001-26352 | 77,924.71 | | |
| | | | | | 302,048.04 | 15,504.99 |
| 10.311 | Beginning Farmer and Rancher Development Program | | | | 177,479.90 | - |
| 10.326 | Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | | | | 165,470.53 | 82,256.90 |
| 10.328 | National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program | | | $ 258,340.34 | | |
| | | University of Florida | 2018-70020-28930 | 2,230.75 | | |
| | | University of Florida | UFDSP0012367 | 1,628.36 | | |
| | | | | | 262,199.45 | 209,009.18 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 10.329 | Crop Protection and Pest Management Competitive Grants Program | | | | 208,553.98 | - |
| 10.351 | Rural Business Development Grant | | | $ 210,630.47 | | |
| | | Middle Tennessee Industrial Development Association | Unknown | 48,472.06 | | |
| | | | | | 259,102.53 | 74,580.00 |
| 10.500 | Cooperative Extension Service | | | $ 1,576,267.45 | | |
| | | Kansas State University | 2016-48696-25889 | 13,245.69 | | |
| | | University of Arkansas, Little Rock | 31000-06 | 694.96 | | |
| | | University of Arkansas, Little Rock | 31011-02 | 2,865.13 | | |
| | | University of Arkansas, Little Rock | 31014-03 | 3,196.00 | | |
| | | University of Arkansas, Little Rock | Unknown | 31,230.83 | | |
| | | University of Minnesota | A004345901 | 8,062.54 | | |
| | | University of Missouri | C00059381-4 | 6,733.90 | | |
| | | University of Missouri | C00067296-6 | 4,308.75 | | |
| | | | | | 1,646,605.25 | 14,319.35 |
| 10.511 | Smith-Lever Funding (Various Programs) | | | | 12,669,186.72 | - |
| 10.512 | Agriculture Extension at 1890 Land-grant Institutions | | | | 1,569,730.05 | - |
| 10.514 | Expanded Food and Nutrition Education Program | | | | 3,202.95 | - |
| 10.534 | CACFP Meal Service Training Grants | | | | 6,184.83 | - |
| 10.535 | SNAP Fraud Framework Implementation Grant | | | | 49,418.52 | - |
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | | | | 89,147,895.52 | 62,123,806.98 |
| 10.558 | Child and Adult Care Food Program | | | | 53,736,281.16 | 52,367,876.12 |
| 10.558 | Child and Adult Care Food Program (COVID Relief Funds) | | | | 7,842,283.12 | 7,842,283.12 |
| 10.560 | State Administrative Expenses for Child Nutrition | | | | 7,113,710.07 | 1,243,556.69 |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | | | | 74,776.78 | 76,021.95 |
| 10.576 | Senior Farmers Market Nutrition Program | | | | 414,600.45 | 381,358.21 |
| 10.578 | WIC Grants To States (WGS) | | | | 1,824,858.89 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | | | | 849,887.92 | 853,540.32 |
| 10.582 | Fresh Fruit and Vegetable Program | | | | 3,020,833.86 | 3,020,833.86 |
| 10.652 | Forestry Research | | | | 367,569.00 | - |
| 10.664 | Cooperative Forestry Assistance | | | | 1,867,212.51 | 609,808.67 |
| 10.675 | Urban and Community Forestry Program | | | | 174,837.46 | 17,818.37 |
| 10.676 | Forest Legacy Program | | | | 2,592.30 | - |
| 10.678 | Forest Stewardship Program | | | | 211,380.17 | - |
| 10.680 | Forest Health Protection | | | $ 383,488.24 | | |
| | | Gypsy Moth Slow the Spread Foundation, Inc. | 20-01-14 | 24,870.71 | | |
| | | | | | 408,358.95 | 4,474.88 |
| 10.691 | Good Neighbor Authority | | | | 26,038.61 | - |
| 10.697 | State & Private Forestry Hazardous Fuel Reduction Program | | | | 8,792.54 | - |
| 10.699 | Partnership Agreements | | | | 38,780.83 | - |
| 10.769 | Rural Business Enterprise Grants | | | | 48,848.88 | - |
| 10.777 | Norman E. Borlaug International Agricultural Science and Technology Fellowship | | | | 8,088.22 | - |
| 10.855 | Distance Learning and Telemedicine Loans and Grants | | | | 340,170.54 | - |
| 10.861 | Public Television Station Digital Transition Grant Program | | | | 88,786.19 | - |
| 10.874 | Delta Health Care Services Grant Program | | | | 515,450.43 | - |
| 10.902 | Soil and Water Conservation | | | $ 1,046,112.14 | | |
| | | Alcorn State University | 68-3AQ75-18-004 | 51,303.43 | | |
| | | | | | 1,097,415.57 | 253,434.08 |
| 10.903 | Soil Survey | | | | 16,347.21 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 10.912 | Environmental Quality Incentives Program | | | $ 159,771.37 | | |
| | | Pheasants Forever, Inc | WLFW 2.0 | 956.78 | | |
| | | | | | 160,728.15 | - |
| 10.931 | Agricultural Conservation Easement Program | | | | 5,675.96 | - |
| 10.960 | Technical Agricultural Assistance | | | | 20,249.81 | - |
| 10.961 | Scientific Cooperation and Research | | | $ (4.85) | | |
| | | Mississippi State University | 183905.31026.01 | 445.32 | | |
| | | | | | 440.47 | - |
| 10.962 | Cochran Fellowship Program-International Training-Foreign Participant | | | | 3,650.02 | - |
| 10.U01 | USDA FS White Oak - Taylor | | | | 9,463.36 | - |
| 10.U02 | CPB Radio Comm Service Lane 18-20 | Corporation for Public Broadcasting | 1607 | | 114,155.00 | - |
| 10.U03 | Our Daily Bread of Tennessee - Moran | Our Daily Bread of Tennessee | 03-47--6437004 | | 10,145.90 | - |
| 10.U04 | SARD Professional | University of Florida | AID-OAA-A-15-00039 | | 3,053.95 | - |
| **Subtotal Department of Agriculture** | | | | | $ 225,350,668.67 | $ 155,614,289.92 |
| | **Department of Commerce** | | | | | |
| 11.003 | Census Geography | | | | $ 3,407.76 | $ 3,407.76 |
| 11.303 | Economic Development Technical Assistance | | | | 222,398.33 | - |
| 11.549 | State and Local Implementation Grant Program | | | | 75,430.54 | - |
| 11.611 | Manufacturing Extension Partnership | | | | 2,862,357.46 | - |
| **Subtotal Department of Commerce** | | | | | $ 3,163,594.09 | $ 3,407.76 |
| | **Department of Defense** | | | | | |
| 12.002 | Procurement Technical Assistance For Business Firms | | | | $ 427,844.09 | $ - |

**State of Tennesse**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2020**

| 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 | | | | 1,068,456.37 | 1,068,456.37 |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | | | | 127,307.44 | - |
| 12.400 | Military Construction, National Guard | | | | 84,180.00 | - |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | | | | 35,426,960.35 | 96,555.04 |
| 12.404 | National Guard ChalleNGe Program | | | | 3,420,312.17 | - |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering | Academy of Applied Sciences | 19-871-031 | $ (6,741.78) | | |
| | | American Lightweight Materials Manufacturing Innovation Institute (ALMMII) | PO 4003-02 | (3,883.98) | | |
| | | American Lightweight Materials Manufacturing Innovation Institute (ALMMII) | PO B008 MOD 01 | 60,670.16 | | |
| | | National Science Teachers Association | 20-871-039 | 18,800.00 | | |
| | | | | | 68,844.40 | - |
| 12.631 | Science, Technology, Engineering and Mathematics (STEM) Educational Program: Science, Mathematics and Research for Transformation (SMART) | United Soybean Board | Unknown | | 7,748.95 | - |
| 12.800 | Air Force Defense Research Sciences Program | | | | 19,888.75 | - |
| 12.902 | Information Security Grants | | | | 256,248.07 | - |
| 12.903 | GenCyber Grants Program | | | | 93,070.14 | 26,909.69 |
| 12.905 | CyberSecurity Core Curriculum | | | | 13,331.42 | 12,175.26 |
| 12.U01 | Education Partnership Agreement | | | | 5,486.00 | - |
| **Subtotal Department of Defense** | | | | | $ 41,019,678.15 | $ 1,204,096.36 |
| | | **Department of Housing and Urban Development** | | | | |
| 14.169 | Housing Counseling Assistance Program | | | | $ 162,550.96 | $ 78,361.65 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | 31,542,328.44 | 30,627,331.26 |
| 14.231 | Emergency Solutions Grant Program | | | 3,326,741.90 | 2,970,971.63 |
| 14.239 | Home Investment Partnerships Program | | | 9,420,948.99 | 8,738,050.96 |
| 14.241 | Housing Opportunities for Persons with AIDS | | | 1,375,547.47 | 1,340,710.58 |
| 14.267 | Continuum of Care Program | | | 130,465.70 | - |
| 14.275 | Housing Trust Fund | | | 4,678,701.60 | 4,420,284.25 |
| 14.401 | Fair Housing Assistance Program State and Local | | | 536,472.00 | - |
| 14.896 | Family Self-Sufficiency Program | | | 281,950.37 | - |
| 14.U01 | Office of Manufactured Housing | | | 271,123.50 | - |
| 14.U02 | City of Knoxville ESG 2018/19 Patterson | City of Knoxville Community Development Division | C-19-0003 | (217.29) | - |
| 14.U03 | City of Knoxville ESG 2019/20 Patterson | City of Knoxville Community Development Division | C-20-061 | 14,926.98 | - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 51,741,540.62 | $ 48,175,710.33 |
| | **Department of the Interior** | | | | |
| 15.252 | Abandoned Mine Land Reclamation (AMLR) | | | $ 479,033.70 | $ 17,034.93 |
| 15.608 | Fish and Wildlife Management Assistance | | | 227,283.14 | 227,283.14 |
| 15.615 | Cooperative Endangered Species Conservation Fund | | | 624,230.07 | 385,376.60 |
| 15.616 | Clean Vessel Act | | | 328,323.17 | 328,323.17 |
| 15.622 | Sportfishing and Boating Safety Act | | | 152,234.95 | 152,234.95 |
| 15.623 | North American Wetlands Conservation Fund | | | 100,000.00 | 100,000.00 |
| 15.631 | Partners for Fish and Wildlife | | | 87,284.78 | 87,284.78 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 15.634 | State Wildlife Grants | | | 894,891.48 | - |
| 15.650 | Research Grants (Generic) | | | 7,349.37 | 7,349.37 |
| 15.657 | Endangered Species Recovery Implementation | | | 224,342.33 | 7,671.26 |
| 15.663 | NFWF-USFWS Conservation Partnership | National Fish and Wildlife Foundation | 1904.16.052925 | 17,814.48 | - |
| 15.670 | Adaptive Science | | | (32,403.83) | (32,403.83) |
| 15.808 | U.S. Geological Survey Research and Data Collection | | | 42,758.16 | - |
| 15.810 | National Cooperative Geologic Mapping | | | 69,064.28 | - |
| 15.904 | Historic Preservation Fund Grants-In-Aid | | | 936,708.08 | 605,732.17 |
| 15.916 | Outdoor Recreation Acquisition, Development and Planning | | | 1,357,724.09 | - |
| 15.939 | Heritage Partnership | | | 560,065.58 | 560,065.58 |
| 15.U01 | FWS Tennessee NWR Complex - Pelren | | | 10,437.32 | - |
| **Subtotal Department of the Interior** | | | | $ 6,087,141.15 | $ 2,445,952.12 |
| | **Department of Justice** | | | | |
| 16.017 | Sexual Assault Services Formula Program | | | $ 555,883.06 | $ 543,462.07 |
| 16.111 | Joint Law Enforcement Operations (JLEO) | | | 19,211.64 | - |
| 16.320 | Services for Trafficking Victims | | | 11,362.94 | - |
| 16.525 | Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | | | 147,058.87 | - |
| 16.540 | Juvenile Justice and Delinquency Prevention | | | 761,959.20 | 599,414.63 |
| 16.550 | State Justice Statistics Program for Statistical Analysis Centers | | | 44,536.10 | - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 16.554 | National Criminal History Improvement Program (NCHIP) | | | | 490,281.26 | 128,602.83 |
| 16.575 | Crime Victim Assistance | | | | 42,561,144.62 | 41,071,735.22 |
| 16.576 | Crime Victim Compensation | | | | 4,082,000.00 | - |
| 16.580 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | | | | (2.60) | - |
| 16.585 | Drug Court Discretionary Grant Program | | | $ 826,577.90 | | |
| | | Tennessee Association of Drug Court Professionals | Unknown | 3,200.96 | | |
| | | | | | 829,778.86 | 821,640.03 |
| 16.588 | Violence Against Women Formula Grants | | | | 2,925,650.35 | 1,773,832.58 |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | | | | 400,438.92 | - |
| 16.603 | Corrections Technical Assistance/Clearinghouse | | | | 18,807.68 | - |
| 16.710 | Public Safety Partnership and Community Policing Grants | | | | 1,510,598.78 | - |
| 16.726 | Juvenile Mentoring Program | National 4-H Council | 4-H NMP 8 | $ (3,441.18) | | |
| | | National 4-H Council | Unknown | 21,184.06 | | |
| | | | | | 17,742.88 | - |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | | | | 5,574,759.38 | 5,099,450.43 |
| 16.741 | DNA Backlog Reduction Program | | | | 1,614,001.14 | - |
| 16.742 | Paul Coverdell Forensic Sciences Improvement Grant Program | | | | 343,832.49 | - |
| 16.745 | Criminal and Juvenile Justice and Mental Health Collaboration Program | | | | 23,278.27 | 23,278.27 |
| 16.750 | Support for Adam Walsh Act Implementation Grant Program | | | | 386,091.50 | - |
| 16.754 | Harold Rogers Prescription Drug Monitoring Program | | | | 934,880.75 | 29,000.00 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 16.812 | Second Chance Act Reentry Initiative | | | | 244,860.11 | 145,841.64 |
| 16.813 | NICS Act Record Improvement Program | | | | 77,169.09 | - |
| 16.825 | Smart Prosecution Initiative | | | | 201,205.70 | 131,492.76 |
| 16.828 | Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program | | | | 71,819.88 | - |
| 16.833 | National Sexual Assault Kit Initiative | City of Memphis | 2015-AK-BX-K004 | | 3,315.87 | - |
| 16.838 | Comprehensive Opioid, Stimulant, and Substance Abuse Program | | | | 1,035,584.09 | 959,731.57 |
| 16.842 | Opioid Affected Youth Initiative | | | | 116,707.72 | - |
| 16.922 | Equitable Sharing Program | | | | 173,911.78 | - |
| 16.U01 | Governors Task Force Marijuana | | | | 517,026.86 | - |
| 16.U02 | Task Force OT | | | | 104,580.80 | - |
| **Subtotal Department of Justice** | | | | | $ 65,799,477.99 | $ 51,327,482.03 |
| | | **Department of Labor** | | | | |
| 17.002 | Labor Force Statistics | | | | $ 877,550.70 | $ - |
| 17.005 | Compensation and Working Conditions | | | | 113,759.57 | - |
| 17.225 | Unemployment Insurance | | | | 580,527,877.79 | 677,769.52 |
| 17.225 | Unemployment Insurance (COVID Relief Funds) | | | | 3,094,611,887.39 | - |
| 17.235 | Senior Community Service Employment Program | | | | 1,250,814.28 | 1,202,906.36 |
| 17.245 | Trade Adjustment Assistance | | | | 2,232,618.77 | 35,209.00 |
| 17.268 | H-1B Job Training Grants | | | $ 1,154,079.45 | | |
| | | Greater Memphis Alliance for a Competitive Workforce | HG-30131-17-60-A-47-GMASWORKFORCE-UofM | 185,435.64 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Memphis Bioworks Foundation | HG-22604-12-0-A-47-SW | 12,923.00 | | |
| | | Memphis Bioworks Foundation | HG-26665-15-60-A-47 | (11,383.83) | | |
| | | | | | 1,341,054.26 | - |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) | | | | 843,127.28 | - |
| 17.273 | Temporary Labor Certification for Foreign Workers | | | | 160,107.36 | - |
| 17.277 | WIOA National Dislocated Worker Grants / WIA National Emergency Grants | | | | 3,524,327.36 | 3,489,584.89 |
| 17.285 | Apprenticeship USA Grants | | | $ 208,802.03 | | |
| | | American Association of Community Colleges | AP-33025-19-75-A-11 | 35,529.13 | | |
| | | | | | 244,331.16 | 98,739.60 |
| 17.503 | Occupational Safety and Health State Program | | | | 3,815,125.36 | - |
| 17.504 | Consultation Agreements | | | | 1,073,502.87 | - |
| 17.600 | Mine Health and Safety Grants | | | | 185,098.44 | - |
| 17.720 | Disability Employment Policy Development | | | | 733,473.99 | - |
| **Subtotal Department of Labor** | | | | | $ 3,691,534,656.58 | $ 5,504,209.37 |

**Department of State**

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 19.009 | Academic Exchange Programs - Undergraduate Programs | FHI 360 | PO19002774 | | $ 149,436.42 | $ - |
| 19.033 | Global Threat Reduction | | | | 1,017.55 | - |
| 19.415 | Professional and Cultural Exchange Programs - Citizen Exchanges | | | | 917,245.04 | 766,466.13 |
| 19.U01 | Inst of Int HHH1901_UTK_1.1.20 Hamrick | Institute of International Education | HHH1901_UTK_1.1.20 | | 1,070.49 | - |
| 19.U02 | Inst of Intl Edu Inc HHH1801 Neisler | Institute of International Education | HHH1801_UTK_02.08.19 | | 3,263.17 | - |
| **Subtotal Department of State** | | | | | $ 1,072,032.67 | $ 766,466.13 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Department of Transportation** | | | | | |
| 20.106 | Airport Improvement Program | | | | $ 20,736,523.27 | $ 20,736,523.27 |
| 20.232 | Commercial Driver's License Program Implementation Grant | | | | 201,055.06 | - |
| 20.240 | Fuel Tax Evasion-Intergovernmental Enforcement Effort | | | | 4,446.29 | - |
| 20.301 | Railroad Safety | | | | 2,685.83 | - |
| 20.505 | Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | | | | 702,942.82 | 351,068.72 |
| 20.509 | Formula Grants for Rural Areas and Tribal Transit Program | | | | 17,935,698.30 | 17,581,017.92 |
| 20.528 | Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program | | | | 1,622,738.25 | 1,472,895.47 |
| 20.607 | Alcohol Open Container Requirements | | | | 9,770,836.93 | 2,262,796.85 |
| 20.614 | National Highway Traffic Safety Administration | | | $ 238,842.61 | | |
| | | National Safety Council | AGREEMENT # NSC-26359 | 69,323.45 | | |
| | | National Safety Council | DTNH22-15-H-00473 0001 | 11,691.69 | | |
| | | | | | 319,857.75 | 65,327.17 |
| 20.615 | E-911 Grant Program | | | | 1,893,279.00 | - |
| 20.700 | Pipeline Safety Program State Base Grant | | | | 655,689.68 | - |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | | | | 811,311.71 | 83,809.20 |
| **Subtotal Department of Transportation** | | | | | $ 54,657,064.89 | $ 42,553,438.60 |
| | **Department of the Treasury** | | | | | |
| 21.016 | Equitable Sharing | | | | $ 14,000.00 | $ - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 21.019 | Coronavirus Relief Fund (COVID Relief Funds) | | | | 629,155,038.61 | - |
| **Subtotal Department of the Treasury** | | | | | $ 629,169,038.61 | $ - |
| | **Appalachian Regional Commission** | | | | | |
| 23.002 | Appalachian Area Development | | | | $ 5,586,532.83 | $ 5,055,921.89 |
| 23.011 | Appalachian Research, Technical Assistance, and Demonstration Projects | | | | 569,051.50 | 59,260.26 |
| **Subtotal Appalachian Regional Commission** | | | | | $ 6,155,584.33 | $ 5,115,182.15 |
| | **Equal Employment Opportunity Commission** | | | | | |
| 30.002 | Employment Discrimination_State and Local Fair Employment Practices Agency Contracts | | | | $ 177,700.00 | $ - |
| **Subtotal Equal Employment Opportunity Commission** | | | | | $ 177,700.00 | $ - |
| | **General Services Administration** | | | | | |
| 39.003 | Donation of Federal Surplus Personal Property (Noncash) | | | | $ 371,477.77 | $ - |
| 39.011 | Election Reform Payments | | | | 378,089.36 | - |
| **Subtotal General Services Administration** | | | | | $ 749,567.13 | $ - |
| | **National Aeronautics and Space Administration** | | | | | |
| 43.001 | Science | | | $ 16,518.16 | | |
| | | University of Toledo | NNX16ACS4A | 110,595.74 | | |
| | | | | | $ 127,113.90 | $ - |
| 43.008 | Office of Stem Engagement (OSTEM) | | | $ 41,203.93 | | |
| | | Vanderbilt University | 3799-019687 | 41,218.81 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Vanderbilt University | UNIV59308 | 14,100.00 | | |
| | | Vanderbilt University | UNIV59432-FORMERLY 3807-019687 | 7,425.00 | | |
| | | | | | 103,947.74 | - |
| **Subtotal National Aeronautics and Space Administration** | | | | | $ 231,061.64 | $ - |
| | **National Endowment For the Arts** | | | | | |
| 45.025 | Promotion of the Arts Partnership Agreements | | | | $ 800,400.00 | $ 754,000.00 |
| **Subtotal National Endowment For the Arts** | | | | | $ 800,400.00 | $ 754,000.00 |
| | **National Endowment For the Humanities** | | | | | |
| 45.160 | Promotion of the Humanities Fellowships and Stipends | | | | $ 2,614.88 | $ - |
| 45.161 | Promotion of the Humanities Research | | | | 169,129.43 | - |
| **Subtotal National Endowment For the Humanities** | | | | | $ 171,744.31 | $ - |
| | **Institute of Museum and Library Services** | | | | | |
| 45.310 | Grants to States | | | | $ 3,477,591.81 | $ 372,895.15 |
| 45.313 | Laura Bush 21st Century Librarian Program | | | | 95,398.90 | - |
| **Subtotal Institute of Museum and Library Services** | | | | | $ 3,572,990.71 | $ 372,895.15 |
| | **Small Business Administration** | | | | | |
| 59.037 | Small Business Development Centers | | | | $ 1,075,399.79 | $ 80,049.35 |
| 59.037 | Small Business Development Centers (COVID Relief Funds) | | | | 1,984,503.95 | - |
| **Subtotal Small Business Administration** | | | | | $ 3,059,903.74 | $ 80,049.35 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| **Tennessee Valley Authority** | | | | | |
| 62.004 | Tennessee Valley Region_Economic Development | | | $ 2,675.24 | $ - |
| 62.U01 | Ocoee Trust Fund | | | 25,395.81 | - |
| 62.U02 | TVA - Solar Farm 8500021516 - Patterson | | | 467,999.61 | - |
| 62.U03 | TVA Diversity Alliance Grant FY20 | | | 1,596.45 | - |
| 62.U04 | TVA PO #3549180 TN River Tr Collett | | | 54,768.79 | - |
| 62.U05 | TVA PO 5339017 Baumann | | | 15,122.21 | - |
| 62.U06 | TVA PO 5692532 Baumann | | | 74,566.62 | - |
| 62.U07 | TVA Tall Fescue Eradication-Harper | | | 13,245.71 | - |
| 62.U08 | TVA- MCClung Museum - Baumann | | | (2,520.03) | - |
| 62.U09 | Tennessee Valley Authority Emergency Preparedness | | | 1,683,857.61 | 379,357.74 |
| **Subtotal Tennessee Valley Authority** | | | | $ 2,336,708.02 | $ 379,357.74 |
| **Department of Veterans Affairs** | | | | | |
| 64.005 | Grants to States for Construction of State Home Facilities | | | $ 3,974,289.48 | $ - |
| 64.015 | Veterans State Nursing Home Care | | | 34,987,526.88 | - |
| 64.034 | VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces | | | 65,342.66 | - |
| 64.054 | Research and Development | | | 177,149.76 | - |
| 64.101 | Burial Expenses Allowance for Veterans | | | 1,334,630.00 | - |
| 64.124 | All-Volunteer Force Educational Assistance | | | 557,785.47 | - |
| 64.203 | Veterans Cemetery Grants Program | | | 290,708.04 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 64.U01 | Educational Assistance Annual Reporting | | | 945.26 | - |
| 64.U02 | Support Veterans | | | 11,730.00 | - |
| 64.U03 | VA Medical Center IPA Agreements-Waters | | | 209,677.82 | - |
| **Subtotal Department of Veterans Affairs** | | | | $ 41,609,785.37 | $ - |
| | **Environmental Protection Agency** | | | | |
| 66.032 | State Indoor Radon Grants | | | $ 315,622.87 | $ - |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | | 366,736.08 | - |
| 66.040 | State Clean Diesel Grant Program | | | 337,409.64 | 337,409.64 |
| 66.419 | Water Pollution Control State, Interstate, and Tribal Program Support | | | 153,270.98 | - |
| 66.433 | State Underground Water Source Protection | | | 120,266.24 | - |
| 66.454 | Water Quality Management Planning | | | 252,335.33 | 130,105.00 |
| 66.460 | Nonpoint Source Implementation Grants | | | 2,078,916.43 | 941,849.71 |
| 66.461 | Regional Wetland Program Development Grants | | | 191,787.08 | 18,988.50 |
| 66.605 | Performance Partnership Grants | | | 2,887,407.21 | - |
| 66.608 | Environmental Information Exchange Network Grant Program and Related Assistance | | | 57,879.39 | - |
| 66.701 | Toxic Substances Compliance Monitoring Cooperative Agreements | | | 104,946.84 | - |
| 66.707 | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | | | 145,339.53 | - |
| 66.708 | Pollution Prevention Grants Program | | | 95,082.13 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 66.716 | Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies | eXtenions Foundation | SA-2019-26 | $ 10,904.10 | | |
| | | eXtenions Foundation | SA-2020-01 | 5,997.95 | | |
| | | | | | 16,902.05 | - |
| 66.801 | Hazardous Waste Management State Program Support | | | | 2,150,962.60 | - |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | | | | 291,536.01 | - |
| 66.804 | Underground Storage Tank (UST) Prevention, Detection, and Compliance Program | | | | 615,323.81 | - |
| 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | | | | 1,322,701.09 | - |
| 66.809 | Superfund State and Indian Tribe Core Program Cooperative Agreements | | | | 114,884.75 | - |
| 66.817 | State and Tribal Response Program Grants | | | | 692,812.29 | - |
| **Subtotal Environmental Protection Agency** | | | | | $ 12,312,122.35 | $ 1,428,352.85 |
| | **Nuclear Regulatory Commission** | | | | | |
| 77.008 | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | | | | $ 363,365.19 | $ - |
| **Subtotal Nuclear Regulatory Commission** | | | | | $ 363,365.19 | $ - |
| | **Department of Energy** | | | | | |
| 81.041 | State Energy Program | | | | $ 1,057,920.56 | $ - |
| 81.042 | Weatherization Assistance for Low-Income Persons | | | | 3,051,630.76 | 2,623,036.91 |

**State of Tennesse**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2020**

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | | | $ 556,861.36 | | |
| | | North Carolina State University | SUBAWARD 2017-3030-01 AMEND 1 | 27,713.44 | | |
| | | | | | 584,574.80 | 70,000.00 |
| 81.119 | State Energy Program Special Projects | | | | 3,233.47 | - |
| 81.136 | Long-Term Surveillance and Maintenance | | | | 4,365,666.28 | 244,137.46 |
| 81.214 | Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis | | | | 1,810,632.83 | 110,788.76 |
| 81.U01 | Argonne Natl Lab-Workshops-IESP-Dongarra | | | | (2,094.23) | - |
| 81.U02 | CNS LLC 4300160307 Sawhney | | | | 16,965.87 | - |
| 81.U03 | Oak Ridge WMA | | | | 240,830.85 | - |
| **Subtotal Department of Energy** | | | | | $ 11,129,361.19 | $ 3,047,963.13 |
| | **Department of Education** | | | | | |
| 84.002 | Adult Education - Basic Grants to States | | | | $ 9,084,837.31 | $ 5,301,015.17 |
| 84.010 | Title I Grants to Local Educational Agencies | | | | 308,677,941.20 | 305,155,161.97 |
| 84.011 | Migrant Education State Grant Program | | | | 1,469,712.87 | 1,469,535.08 |
| 84.013 | Title I State Agency Program for Neglected and Delinquent Children and Youth | | | | 291,593.10 | 291,593.10 |
| 84.031 | Higher Education Institutional Aid | | | | 10,697,540.31 | - |
| 84.048 | Career and Technical Education -- Basic Grants to States | | | $ 23,438,271.52 | | |
| | | Hamilton County Department of Education | V048A190042 | 7,930.51 | | |
| | | | | | 23,446,202.03 | 21,314,605.21 |
| 84.051 | Career and Technical Education -- National Programs | | | | 365,167.79 | 271,319.74 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 84.120 | Minority Science and Engineering Improvement | | | $ 219,881.17 | | |
| | | Meharry Medical College | 161206PMJ157 | 10,088.90 | | |
| | | | | | 229,970.07 | - |
| 84.126 | Rehabilitation Services Vocational Rehabilitation Grants to States | | | | 52,842,761.32 | 3,809,240.54 |
| 84.129 | Rehabilitation Long-Term Training | | | | 76,877.63 | - |
| 84.144 | Migrant Education Coordination Program | | | | 272,726.00 | 272,726.00 |
| 84.177 | Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | | | | 648,610.87 | - |
| 84.181 | Special Education-Grants for Infants and Families | | | | 9,800,489.53 | 5,712,020.50 |
| 84.184 | School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs) | | | | 180,947.95 | - |
| 84.187 | Supported Employment Services for Individuals with the Most Significant Disabilities | | | | 344,506.00 | - |
| 84.196 | Education for Homeless Children and Youth | | | | 1,356,961.49 | 1,288,947.18 |
| 84.200 | Graduate Assistance in Areas of National Need | | | | 292,022.24 | - |
| 84.282 | Charter Schools | | | | 2,855,041.70 | 2,724,771.01 |
| 84.287 | Twenty-First Century Community Learning Centers | | | | 20,893,009.19 | 20,564,665.59 |
| 84.323 | Special Education - State Personnel Development | | | | 784,108.59 | 111,899.79 |
| 84.325 | Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | | | $ 597,217.03 | | |
| | | Salus University | UTK 88404 FALL 2018 | 8,000.00 | | |
| | | Salus University | UTK 88405 FALL 2019 | 33,562.86 | | |
| | | University of Florida | H325A120003 | 10,876.20 | | |
| | | | | | 649,656.09 | - |
| 84.326 | Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | The University of Oregon | 2406U0A | | 70,691.96 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 84.330 | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | | | | 201,957.26 | - |
| 84.334 | Gaining Early Awareness and Readiness for Undergraduate Programs | | | | 6,297,666.92 | 3,870,333.70 |
| 84.335 | Child Care Access Means Parents in School | | | | 1,057,351.77 | - |
| 84.336 | Teacher Quality Partnership Grants | | | | 132,087.20 | - |
| 84.358 | Rural Education | | | | 3,931,194.92 | 3,732,179.60 |
| 84.365 | English Language Acquisition State Grants | | | | 5,650,273.86 | 5,374,082.24 |
| 84.367 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | | | $ 34,301,492.09 | | |
| | | National Writing Project | 08-TN04-SEED2019-C3WPAI | 5,945.81 | | |
| | | National Writing Project | 94-TN02 | 319.52 | | |
| | | | | | 34,307,757.42 | 33,788,121.20 |
| 84.369 | Grants for State Assessments and Related Activities | | | | 7,223,700.00 | - |
| 84.372 | Statewide Longitudinal Data Systems | | | | 680,002.71 | 224,155.00 |
| 84.374 | Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund) | | | | 52.83 | - |
| 84.382 | Strengthening Minority-Serving Institutions | | | | 695,769.76 | - |
| 84.407 | Transition Programs for Students with Intellectual Disabilities into Higher Education | | | $ 399,537.64 | | |
| | | Vanderbilt University | UNIV59739 | 207.66 | | |
| | | | | | 399,745.30 | - |
| 84.411 | Education Innovation and Research (formerly Investing in Innovation (i3) Fund) | National Writing Project | 05-TN03-2018I3C3WP | | 2,325.29 | - |
| 84.418 | Promoting Readiness of Minors in Supplemental Security Income | The University of Oregon | SUB2417A0A | | 38,575.10 | - |
| 84.419 | Preschool Development Grants | | | | 6,867,960.08 | 6,056,359.33 |
| 84.424 | Student Support and Academic Enrichment Program | | | | 19,554,231.73 | 19,386,817.72 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 84.425 | Education Stabilization Fund (COVID Relief Funds) | | | 105,441,460.79 | - |
| 84.U01 | NAEP State Coordinator/Basic Participation Contract | | | 142,114.99 | - |
| 84.U02 | SEOG Emergency Grant | | | 40,800.00 | - |
| **Subtotal Department of Education** | | | | $ 637,996,403.17 | $ 440,719,549.67 |
| | **National Archives and Records Administration** | | | | |
| 89.003 | National Historical Publications and Records Grants | | | $ 183,656.56 | $ 32,004.24 |
| **Subtotal National Archives and Records Administration** | | | | $ 183,656.56 | $ 32,004.24 |
| | **Delta Regional Authority** | | | | |
| 90.200 | Delta Regional Development | | | $ 24,556.65 | $ - |
| **Subtotal Delta Regional Authority** | | | | $ 24,556.65 | $ - |
| | **Election Assistance Commission** | | | | |
| 90.401 | Help America Vote Act Requirements Payments | | | $ 127,122.36 | $ 104,973.05 |
| 90.404 | 2018 HAVA Election Security Grants | | | 2,326,368.15 | 2,343,221.39 |
| 90.404 | 2018 HAVA Election Security Grants (COVID Relief Funds) | | | 1,076,811.89 | 609,983.37 |
| **Subtotal Election Assistance Commission** | | | | $ 3,530,302.40 | $ 3,058,177.81 |
| | **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 | | | $ 88,129.42 | $ 69,350.16 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 93.042 | Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | | | 331,552.47 | 331,552.47 |
| 93.043 | Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | | | 444,170.00 | 444,170.00 |
| 93.048 | Special Programs for the Aging, Title IV, and Title II, Discretionary Projects | | | 39,313.87 | 10,043.87 |
| 93.052 | National Family Caregiver Support, Title III, Part E | | | 3,605,016.00 | 3,605,016.00 |
| 93.065 | Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure | | | 401,032.08 | - |
| 93.069 | Public Health Emergency Preparedness | | | 8,728,367.24 | 3,186,201.65 |
| 93.070 | Environmental Public Health and Emergency Response | | | 279,486.06 | 17,128.47 |
| 93.071 | Medicare Enrollment Assistance Program | | | 667,984.32 | 649,006.02 |
| 93.072 | Lifespan Respite Care Program | | | 292,393.76 | 270,910.30 |
| 93.073 | Birth Defects and Developmental Disabilities - Prevention and Surveillance | | | 59,325.00 | - |
| 93.074 | Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | | | 1,090,614.98 | 577,468.84 |
| 93.079 | Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | | | 99,915.68 | 99,855.00 |
| 93.080 | Blood Disorder Program: Prevention, Surveillance, and Research | | | 22,835.23 | 9,927.15 |
| 93.090 | Guardianship Assistance | | | 9,177,758.76 | - |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | | | 898,121.44 | - |
| 93.103 | Food and Drug Administration Research | | | 925,684.88 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | | | | 3,365,848.63 | 2,346,619.55 |
| 93.110 | Maternal and Child Health Federal Consolidated | | | $ 1,219,128.09 | | |
| | | Vanderbilt University | SUBAWARD-VUMC6915 | 3,245.57 | | |
| | | Vanderbilt University | T73MC30767 | 6,132.35 | | |
| | | Vanderbilt University | VUMC59412 | 130,312.57 | | |
| | | | | | 1,358,818.58 | 6,905.93 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | | | 834,325.38 | 700,525.49 |
| 93.118 | Acquired Immunodeficiency Syndrome (AIDS) Activity | | | | 126,524.37 | 58,340.46 |
| 93.124 | Nurse Anesthetist Traineeship | | | | 43,447.75 | - |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | | | | 172,998.75 | - |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | | | | 2,770,090.49 | 668,493.20 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | | | | 892,078.12 | 790,078.12 |
| 93.165 | Grants to States for Loan Repayment | | | | 367,500.00 | 367,500.00 |
| 93.197 | Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | | | | 392,961.39 | - |
| 93.211 | Telehealth Programs | | | $ 260,190.61 | | |
| | | Ridgeview Behavioral Health Services | G25R1132469-01-00 | 8,262.45 | | |
| | | | | | 268,453.06 | - |
| 93.217 | Family Planning Services | | | | 8,458,928.72 | 2,033,623.19 |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | | | | 303,521.34 | 303,521.34 |
| 93.235 | Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program | | | | 1,242,270.46 | 934,811.80 |
| 93.240 | State Capacity Building | | | | 263,134.67 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.241 | State Rural Hospital Flexibility Program | | | | 311,302.61 | 240,742.75 |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance | | | $ 11,804,655.65 | | |
| | | Appalachian Regional Coalition on Homelessness | CABHI-18 | 30,902.80 | | |
| | | Ridgeview Behavioral Health Services | TI-18-003 | 10,608.69 | | |
| | | Rutherford County | SAMHSA 17 | 63,095.55 | | |
| | | | | | 11,909,262.69 | 9,722,647.06 |
| 93.247 | Advanced Nursing Education Workforce Grant Program | | | | 1,814,091.30 | - |
| 93.251 | Early Hearing Detection and Intervention | | | | 299,778.73 | 157,912.40 |
| 93.262 | Occupational Safety and Health Program | | | | 119,212.29 | - |
| 93.268 | Immunization Cooperative Agreements | | | | 5,201,961.35 | 1,162,395.78 |
| 93.268 | Immunization Cooperative Agreements (Noncash) | | | | 88,835,093.64 | - |
| 93.270 | Viral Hepatitis Prevention and Control | | | | 1,029,023.88 | - |
| 93.276 | Drug-Free Communities Support Program Grants | Promise Center, Inc. | 20-200 | | 2,939.40 | - |
| 93.283 | Centers for Disease Control and Prevention Investigations and Technical Assistance | | | | 33,773.94 | - |
| 93.301 | Small Rural Hospital Improvement Grant Program | | | | 14,992.47 | (11,644.74) |
| 93.301 | Small Rural Hospital Improvement Grant Program (COVID Relief Funds) | | | | 534,007.67 | 534,007.67 |
| 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) | | | | 849,564.56 | 364,856.78 |
| 93.317 | Emerging Infections Programs | | | | 4,880,036.82 | 2,808,068.61 |
| 93.319 | Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas | | | | 479,183.85 | - |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | | | | 7,283,140.64 | 19,808.42 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID Relief Funds) | | | 13,390,745.43 | 2,634.90 |
| 93.324 | State Health Insurance Assistance Program | | | 991,322.18 | 795,060.28 |
| 93.325 | Paralysis Resource Center | Christopher & Dana Reeve Foundation | 90PR3002-02-01 | (103.50) | - |
| 93.336 | Behavioral Risk Factor Surveillance System | | | 251,511.69 | - |
| 93.354 | Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | | | 2,056,043.85 | 290,987.27 |
| 93.354 | Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (COVID Relief Funds) | | | 3,330,626.20 | 200,000.00 |
| 93.359 | Nurse Education, Practice Quality and Retention Grants | | | 669,726.46 | 71,851.76 |
| 93.367 | Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs | | | 137,748.07 | - |
| 93.369 | ACL Independent Living State Grants | | | 376,176.67 | 257,848.75 |
| 93.413 | The State Flexibility to Stabilize the Market Grant Program | | | 68,370.78 | - |
| 93.426 | Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke | | | 1,435,913.38 | 743,477.66 |
| 93.464 | ACL Assistive Technology | | | 453,846.00 | 301,345.78 |
| 93.470 | Alzheimer's Disease Program Initiative (ADPI) | | | 55,334.89 | - |
| 93.478 | Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees | | | 110,821.41 | 48,230.00 |
| 93.498 | Provider Relief Fund (COVID Relief Funds) | | | 1,935,441.45 | - |
| 93.516 | Public Health Training Centers Program | Emory University | A176162 | 24,999.88 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 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 | | | 692,540.24 | 10,390.56 |
| 93.539 | PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds | | | 24,117.76 | - |
| 93.556 | MaryLee Allen Promoting Safe and Stable Families Program | | | 5,240,658.43 | - |
| 93.558 | Temporary Assistance for Needy Families | | | 148,357,684.68 | 552,724.90 |
| 93.563 | Child Support Enforcement | | | 37,870,724.85 | - |
| 93.568 | Low-Income Home Energy Assistance | | | 71,564,451.21 | 70,581,966.94 |
| 93.569 | Community Services Block Grant | | | 18,573,992.25 | 17,995,419.37 |
| 93.569 | Community Services Block Grant (COVID Relief Funds) | | | 59,826.41 | - |
| 93.576 | Refugee and Entrant Assistance Discretionary Grants | Catholic Charities of Tennessee Inc | Unknown | 52,453.75 | - |
| 93.586 | State Court Improvement Program | | | 599,998.95 | - |
| 93.590 | Community-Based Child Abuse Prevention Grants | | | 523,836.69 | - |
| 93.597 | Grants to States for Access and Visitation Programs | | | 177,033.69 | - |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | | | 863,199.07 | - |
| 93.603 | Adoption and Legal Guardianship Incentive Payments | | | (23,659.31) | - |
| 93.624 | ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance | | | 8,119,119.57 | 1,193,823.66 |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | | | 1,436,545.03 | 284,697.34 |
| 93.632 | University Centers for Excellence in Developmental Disabilities Education, Research, and Service | | | 541,419.26 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.643 | Children's Justice Grants to States | | | | 377,649.25 | - |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | | | | 4,892,176.65 | - |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program (COVID Relief Funds) | | | | 128,174.91 | - |
| 93.648 | Child Welfare Research Training or Demonstration | University of Nebraska, Lincoln | 24-0520-0288-004 | $ 32,818.43 | | |
| | | University of Nebraska, Omaha | 24-0520-0261-004 | 12,153.60 | | |
| | | | | | 44,972.03 | - |
| 93.658 | Foster Care Title IV-E | | | | 54,653,777.95 | - |
| 93.659 | Adoption Assistance | | | | 65,693,226.76 | - |
| 93.665 | Emergency Grants to Address Mental and Substance Use Disorders During COVID-19 (COVID Relief Funds) | | | | 1,563.23 | 1,563.23 |
| 93.667 | Social Services Block Grant | | | | 36,126,085.66 | 4,251,210.04 |
| 93.669 | Child Abuse and Neglect State Grants | | | | 160,457.42 | - |
| 93.671 | Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | | | | 1,804,430.03 | 1,728,833.62 |
| 93.674 | John H. Chafee Foster Care Program for Successful Transition to Adulthood | | | | 1,276,058.82 | - |
| 93.687 | Maternal Opioid Misuse Model | | | | 225,699.84 | 183,524.54 |
| 93.735 | State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF) | | | | 496,363.31 | (11,410.14) |
| 93.747 | Elder Abuse Prevention Interventions Program | | | | 4,228.12 | - |
| 93.761 | Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF) | | | | 48,602.09 | 8,663.50 |
| 93.767 | Children's Health Insurance Program | | | | 113,768,220.20 | - |
| 93.767 | Children's Health Insurance Program (COVID Relief Funds) | | | | 2,875,284.43 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.788 | Opioid STR | | | | 20,123,144.55 | 14,292,979.03 |
| 93.791 | Money Follows the Person Rebalancing Demonstration | | | | 2,618,525.69 | - |
| 93.870 | Maternal, Infant and Early Childhood Home Visiting Grant | | | | 9,329,421.73 | 7,644,149.20 |
| 93.876 | Antimicrobial Resistance Surveillance in Retail Food Specimens | | | | 123,804.08 | - |
| 93.884 | Grants for Primary Care Training and Enhancement | | | $ 21,310.53 | | |
| | | Meharry Medical College | 190618MK206 | 14,052.55 | | |
| | | | | | 35,363.08 | - |
| 93.889 | National Bioterrorism Hospital Preparedness Program | | | | 3,632,750.60 | 2,907,194.23 |
| 93.898 | Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | | | | 3,806,125.54 | 364,031.12 |
| 93.912 | Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement | LeBonheur Community Health and Well-Being | Unknown | | 30,720.01 | - |
| 93.913 | Grants to States for Operation of State Offices of Rural Health | | | | 189,491.09 | 25,000.00 |
| 93.917 | HIV Care Formula Grants | | | | 33,143,078.27 | 16,094,222.44 |
| 93.940 | HIV Prevention Activities Health Department Based | | | | 6,045,999.09 | 3,632,774.06 |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | | | | 368,468.00 | 100,631.23 |
| 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | | | | 295,597.64 | - |
| 93.958 | Block Grants for Community Mental Health Services | | | | 14,624,373.24 | 14,491,486.85 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | | | | 33,370,518.02 | 33,217,310.29 |
| 93.977 | Sexually Transmitted Diseases (STD) Prevention and Control Grants | | | | 1,698,308.53 | 750,422.63 |

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 93.981 | Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools | | | 581,626.02 | 211,535.14 |
| 93.991 | Preventive Health and Health Services Block Grant | | | 2,803,826.15 | 1,876,750.96 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | | | 11,782,424.85 | 2,612,638.90 |
| 93.U01 | Nat'l Partnership (PETE) 10764 Webster | National Partnership for Environmental Technology Education | 10764 DOE AUTH Y9 | 3,340.58 | - |
| 93.U02 | Nat'l Partnership (PETE) 10793 Webster | National Partnership for Environmental Technology Education | 10793 | 115,505.28 | - |
| 93.U03 | Nat'l Partnership (PETE) 18-19 Webster | National Partnership for Environmental Technology Education | 10757 | 18,575.13 | - |
| 93.U04 | National Safe Place Hadjiharalambous Yr2 | National Safe Place | 90-CY6942-01-00 | 25,737.11 | - |
| **Subtotal Department of Health and Human Services** | | | | $ 918,916,131.09 | $ 230,193,813.78 |
| | **Corporation For National and Community Service** | | | | |
| 94.003 | State Commissions | | | $ 313,442.00 | $ 29,739.96 |
| 94.006 | AmeriCorps | | | 4,522,610.48 | 4,522,610.48 |
| 94.007 | Program Development and Innovation Grants | | | 14,565.96 | 17,969.25 |
| 94.008 | Commission Investment Fund | | | 135,338.31 | - |
| 94.021 | Volunteer Generation Fund | | | 285,506.63 | 249,801.30 |
| 94.U01 | Knoxville-Knox County (CAC) Daugherty | Knoxville-Knox County Community Action Committee | 19ESHTN00200001 | 726.54 | - |
| **Subtotal Corporation For National and Community Service** | | | | $ 5,272,189.92 | $ 4,820,120.99 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Executive Office of the President** | | | | | |
| 95.001 | High Intensity Drug Trafficking Areas Program | | | | $ 342,152.93 | $ - |
| 95.007 | Research and Data Analysis | University of Baltimore | 7 | | 165,464.27 | 51,069.07 |
| **Subtotal Executive Office of the President** | | | | | $ 507,617.20 | $ 51,069.07 |
| | **Department of Homeland Security** | | | | | |
| 97.008 | Non-Profit Security Program | | | | $ 62,953.78 | $ 62,953.78 |
| 97.012 | Boating Safety Financial Assistance | | | | 3,000,749.99 | - |
| 97.023 | Community Assistance Program State Support Services Element (CAP-SSSE) | | | | 136,028.17 | - |
| 97.029 | Flood Mitigation Assistance | | | | 4,077.38 | - |
| 97.034 | Disaster Unemployment Assistance | | | | 340,701.50 | - |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | $ 11,736,101.76 | | |
| | | State of Florida | 1271-REQA-6512-0-1 | 59,802.20 | | |
| | | State of Florida | 1271-REQA-6570-0-1 | (145,200.90) | | |
| | | State of Florida | 1271-REQA-6577-0-1 | (132,286.36) | | |
| | | State of Florida | 1519-RR-8350 | 58,123.45 | | |
| | | State of Florida | 1654-RR-8949 | 157,671.34 | | |
| | | State of Florida | 1654-RR-8971 | 30,336.84 | | |
| | | State of Florida | 1654-RR-8974 | 128,386.62 | | |
| | | State of Florida | 1654-RR-8994 | 30,072.66 | | |
| | | State of Florida | 1654-RR-8998 | 19,695.22 | | |
| | | State of Florida | 1654-RR-8999 | 35,005.38 | | |
| | | State of Kansas | 1612-MOA-8780 | (2,168.39) | | |
| | | State of Kansas | 1612-RR-8799 | 7,208.96 | | |
| | | State of Kansas | 1612-RR-8811 | 3,908.50 | | |
| | | State of North Carolina | 1657-RR-9068 | 162,286.38 | | |
| | | State of North Carolina | 1657-RR-9070 | 51,461.14 | | |
| | | State of South Carolina | 1501-RR-8054 | (26,426.89) | | |
| | | State of South Carolina | 1501-RR-8056 | (157,909.63) | | |
| | | State of South Carolina | 1501-RR-8058 | 47,735.30 | | |
| | | State of South Carolina | 1501-RR-8059 | (139,125.65) | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | State of South Carolina | 1501-RR-8085 | (5,983.31) | | |
| | | State of South Carolina | 1501-RR-8178 | (232,814.33) | | |
| | | State of South Carolina | 1501-RR-8283 | 6,020.31 | | |
| | | State of South Carolina | 1501-RR-8292 | 1,855.05 | | |
| | | State of South Carolina | 1502-RR-8095 | (28,495.56) | | |
| | | State of South Carolina | 1502-RR-8185 | (37,343.49) | | |
| | | State of South Carolina | 1502-RR-8192 | 1,008.98 | | |
| | | State of South Carolina | 1656-RR-9023 | 7,185.80 | | |
| | | State of South Carolina | 940-RR-4190 | 83,807.27 | | |
| | | Virgin Islands Territorial Emergency Management Agency | 1274-REQA-6672-0-1 | (620,609.02) | | |
| | | Virgin Islands Territorial Emergency Management Agency | 1274-REQA-6735-0-1 | (528,852.69) | | |
| | | Virgin Islands Territorial Emergency Management Agency | 1274-REQA-6740-0-1 | (190,781.97) | | |
| | | | | | 10,379,674.97 | 10,261,927.39 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (COVID Relief Funds) | | | | 69,807,364.62 | - |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash) | | | | 4,198,400.00 | - |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash COVID Relief) | | | | 71,905,862.93 | - |
| 97.039 | Hazard Mitigation Grant | | | | 254,814.14 | 247,856.00 |
| 97.041 | National Dam Safety Program | | | | 97,107.42 | - |
| 97.042 | Emergency Management Performance Grants | | | | 7,325,521.58 | 3,181,370.21 |
| 97.043 | State Fire Training Systems Grants | | | | 611.87 | - |
| 97.044 | Assistance to Firefighters Grant | | | | 315,988.30 | - |
| 97.045 | Cooperating Technical Partners | | | | 55,040.00 | - |
| 97.047 | Pre-Disaster Mitigation | | | | 1,387.85 | - |
| 97.067 | Homeland Security Grant Program | | | | 4,540,403.72 | 3,925,025.80 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 97.082 | Earthquake Consortium | | | (2,113.34) | - |
| **Subtotal Department of Homeland Security** | | | | $ 172,424,574.88 | $ 17,679,133.18 |
| | **Agency For International Development** | | | | |
| 98.U01 | Borlaug Higher Education for Agricultural Research & Development (BHEARD) | Michigan State University | RC102095 | $ 630.00 | $ - |
| **Subtotal Agency For International Development** | | | | $ 630.00 | $ - |
| | **State Justice Institute** | | | | |
| 99.U01 | Court Technical Assistance | | | $ 1,116.85 | $ - |
| **Subtotal State Justice Institute** | | | | $ 1,116.85 | $ - |
| **Total Unclustered Programs** | | | | $ 6,591,118,324.12 | $ 1,015,326,721.73 |
| | **Research and Development Cluster** | | | | |
| | **Department of Agriculture** | | | | |
| 10.156 | Federal-State Marketing Improvement Program | | | $ 165,622.58 | $ - |
| 10.167 | Transportation Services | | | 59,707.96 | 23,736.45 |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | | | 21,194.68 | - |
| **Subtotal Agricultural Marketing Service** | | | | $ 246,525.22 | $ 23,736.45 |
| | **Agricultural Research Service** | | | | |
| 10.001 | Agricultural Research Basic and Applied Research | | | $ 1,641,238.80 | $ - |
| **Subtotal Agricultural Research Service** | | | | $ 1,641,238.80 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Animal and Plant Health Inspection Service** | | | | | |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | | | | $ 354,476.21 | $ - |
| 10.028 | Wildlife Services | Colorado State University | G-40464-01 | | 6,216.00 | - |
| **Subtotal Animal and Plant Health Inspection Service** | | | | | $ 360,692.21 | $ - |
| | **Economic Research Service** | | | | | |
| 10.250 | Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations | | | $ 14,025.16 | | |
| | | Virginia Polytechnic Institute and State University | 422740-19D43 | 63.25 | | |
| | | | | | $ 14,088.41 | $ - |
| **Subtotal Economic Research Service** | | | | | $ 14,088.41 | $ - |
| | **Farm Service Agency** | | | | | |
| 10.069 | Conservation Reserve Program | | | | $ 31,829.86 | $ 25,777.69 |
| 10.999 | Long Term Standing Agreements For Storage, Transportation and Lease | | | | 106,150.56 | - |
| **Subtotal Farm Service Agency** | | | | | $ 137,980.42 | $ 25,777.69 |
| | **Foreign Agricultural Service** | | | | | |
| 10.777 | Norman E. Borlaug International Agricultural Science and Technology Fellowship | | | | $ 27,950.88 | $ - |
| 10.960 | Technical Agricultural Assistance | | | | 53,898.58 | - |
| 10.961 | Scientific Cooperation and Research | | | $ 19,633.62 | | |
| | | Biomed Diagnostics, Inc. | Unknown | 54,849.18 | | |
| | | | | | 74,482.80 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 10.962 | Cochran Fellowship Program-International Training-Foreign Participant | | | | 124,994.04 | - |
| **Subtotal Foreign Agricultural Service** | | | | | $ 281,326.30 | $ - |
| | **Forest Service** | | | | | |
| 10.652 | Forestry Research | | | | $ 29,114.00 | $ - |
| 10.664 | Cooperative Forestry Assistance | | | $ 244,207.42 | | |
| | | National Fish and Wildlife Foundation | 1904.16.052925 | (3.61) | | |
| | | | | | 244,203.81 | 14,500.00 |
| 10.675 | Urban and Community Forestry Program | | | | 87,607.16 | 15,949.64 |
| 10.680 | Forest Health Protection | | | | 150,252.77 | - |
| 10.699 | Partnership Agreements | | | | 423,003.98 | - |
| **Subtotal Forest Service** | | | | | $ 934,181.72 | $ 30,449.64 |
| | **National Institute of Food and Agriculture** | | | | | |
| 10.200 | Grants for Agricultural Research, Special Research Grants | University of Florida | 2015-34386-23708 | | $ 44,782.38 | $ - |
| 10.202 | Cooperative Forestry Research | | | | 102,011.38 | - |
| 10.203 | Payments to Agricultural Experiment Stations Under the Hatch Act | | | | (185.42) | - |
| 10.205 | Payments to 1890 Land-Grant Colleges and Tuskegee University | | | | 2,601,449.46 | - |
| 10.207 | Animal Health and Disease Research | | | | 12,637.78 | - |
| 10.210 | Higher Education - Graduate Fellowships Grant Program | | | $ 12,500.00 | | |
| | | Iowa State University | 017377A | 16,792.74 | | |
| | | | | | 29,292.74 | - |
| 10.215 | Sustainable Agriculture Research and Education | University of Georgia | RD309-125/4942986 | $ (299.99) | | |
| | | University of Georgia | RD309-144/S001650 | 14,126.31 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|---|
| | | University of Georgia | RD309-144/S001688 | | 114,103.47 | | |
| | | University of Georgia | RDF309-137-S001522 | | 8,852.60 | | |
| | | University of Kentucky Research Foundation | 780004607 | | 19,466.08 | | |
| | | Virginia Polytechnic Institute and State University | 460272-19D43 | | 544.69 | | |
| | | | | | | 156,793.16 | - |
| 10.216 | 1890 Institution Capacity Building Grants | | | $ | 813,106.31 | | |
| | | Alabama A&M University | 2017-38821-26426 | | 21,638.10 | | |
| | | Alcorn State University | 2019-38821-29056 | | 3,547.16 | | |
| | | Kentucky State University | Unknown | | 98.81 | | |
| | | | | | | 838,390.38 | 70,464.57 |
| 10.217 | Higher Education - Institution Challenge Grants Program | | | | | 28,624.79 | - |
| 10.219 | Biotechnology Risk Assessment Research | | | $ | 109,462.57 | | |
| | | Virginia Polytechnic Institute and State University | 422734-19D43 | | 33,517.82 | | |
| | | | | | | 142,980.39 | 83,978.20 |
| 10.220 | Higher Education - Multicultural Scholars Grant Program | | | | | 65,030.19 | - |
| 10.226 | Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants | | | | | 9,685.29 | - |
| 10.303 | Integrated Programs | | | $ | 182,731.67 | | |
| | | The Ohio State University Research Foundation | 60057824 | | 28,938.00 | | |
| | | | | | | 211,669.67 | - |
| 10.307 | Organic Agriculture Research and Extension Initiative | | | | | 460,205.82 | 101,467.11 |
| 10.309 | Specialty Crop Research Initiative | | | $ | 434,195.63 | | |
| | | Cornell University | 79598-10782 | | 46,302.77 | | |
| | | Texas A&M University | M1900023 | | 115,927.28 | | |
| | | Texas Agriculture Extension Services | 06-S150656 | | 4,408.78 | | |
| | | University of California | A18-0425S006P0671357 | | 90,198.76 | | |
| | | University of Central Florida | 63017009-01 | | 58,669.69 | | |
| | | | | | | 749,702.91 | 296,777.84 |
| 10.310 | Agriculture and Food Research Initiative (AFRI) | | | $ | 5,783,023.06 | | |
| | | Kansas State University | S18002 | | 47,926.49 | | |
| | | Mississippi State University | 010500.322585.01 | | 61,358.82 | | |
| | | Resources for the Future | Unknown | | 13,883.83 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|---|
| | | University of Connecticut & Health Center | 386341 | | 4,951.84 | | |
| | | University of Kentucky Research Foundation | 320000379-17-187 | | 38,363.71 | | |
| | | Washington State University | 126319 G003583 | | 90,773.11 | | |
| | | | | | | 6,040,280.86 | 1,460,847.60 |
| 10.311 | Beginning Farmer and Rancher Development Program | Appalachian Sustainable Development | 18-45 | | | 2,472.12 | - |
| 10.312 | Biomass Research and Development Initiative Competitive Grants Program (BRDI) | | | $ | 570,202.23 | | |
| | | University of California, Riverside | S-000844 | | 147,271.97 | | |
| | | | | | | 717,474.20 | 364,196.48 |
| 10.320 | Sun Grant Program | South Dakota State University | 3TF640 AMD 12 | $ | 380,729.67 | | |
| | | University of Georgia | SUB00001628 | | 0.24 | | |
| | | Virginia Polytechnic Institute and State University | 417962-1912 | | 213.39 | | |
| | | | | | | 380,943.30 | 261,502.72 |
| 10.326 | Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | | | $ | 199,775.25 | | |
| | | Sam Houston State University | 22138A | | 44,356.39 | | |
| | | | | | | 244,131.64 | 96,771.53 |
| 10.330 | Alfalfa and Forage Research Program | | | | | 68,677.25 | - |
| 10.331 | Food Insecurity Nutrition Incentive Grants Program | AARP Foundation | 2015-70018-23332 | | | 756.13 | - |
| 10.336 | Veterinary Services Grant Program | | | $ | 8,437.78 | | |
| | | State of North Carolina | Unknown | | 1,000.00 | | |
| | | | | | | 9,437.78 | - |
| 10.500 | Cooperative Extension Service | University of Kentucky Research Foundation | 7800004577 | | | 22,515.63 | - |
| **Subtotal National Institute of Food And Agriculture** | | | | | | $ 12,939,759.83 | $ 2,736,006.05 |

**Natural Resources Conservation Service**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 10.072 | Wetlands Reserve Program | | | | | $ 316,777.37 | $ 51,317.59 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 10.902 | Soil and Water Conservation | | | | 285,531.36 | - |
| 10.903 | Soil Survey | | | | 27,111.85 | - |
| 10.912 | Environmental Quality Incentives Program | Auburn University | 17-AGR-361255-UTK | $ 27,934.03 | | |
| | | Pheasants Forever, Inc | WLFW2018-06 | 55,537.13 | | |
| | | Pheasants Forever, Inc | WLFW 2018-07 | 10,495.56 | | |
| | | Pheasants Forever, Inc | WLFW 2018-09 | 3,692.40 | | |
| | | The University of Iowa | S00379-01 | 10,413.70 | | |
| | | University of Georgia | SUB00001833 | 84,264.96 | | |
| | | University of Georgia | SUB00002025 | 64,622.07 | | |
| | | Virginia Polytechnic Institute and State University | Unknown | 8,467.77 | | |
| | | | | | 265,427.62 | 17,664.76 |
| **Subtotal Natural Resources Conservation Service** | | | | | $ 894,848.20 | $ 68,982.35 |
| | | **Rural Business Cooperative Service** | | | | |
| 10.351 | Rural Business Development Grant | | | | $ 21,199.99 | $ - |
| 10.868 | Rural Energy for America Program | | | | 0.52 | - |
| **Subtotal Rural Business Cooperative Service** | | | | | $ 21,200.51 | $ - |
| | | **USDA, Office of the Chief Economist** | | | | |
| 10.290 | Agricultural Market and Economic Research | | | | $ 38,248.27 | $ - |
| **Subtotal USDA, Office of the Chief Economist** | | | | | $ 38,248.27 | $ - |
| | | **Other Programs** | | | | |
| 10.RD | USDA 16-JV-11221636-104 Sims | | | | $ (693.51) | $ - |
| 10.RD | USDA Forest Services Land Between the Lakes Botany Survey | | | | 25,450.50 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 10.RD | USDA FS 17-CR-11330145-057 Nagle | | | | 22,758.91 | - |
| 10.RD | West VA Univ.-Sub 16-425-UT Wilson | West Virginia University | PO# MM000195249 | | 82,029.77 | - |
| **Subtotal Other Programs** | | | | | $ 129,545.67 | $ - |
| **Subtotal Department of Agriculture** | | | | | $ 17,639,635.56 | $ 2,884,952.18 |
| | **Department of Commerce** | | | | | |
| | **Economic Development Administration** | | | | | |
| 11.020 | Cluster Grants | | | | $ 64,222.71 | $ 32,450.76 |
| 11.030 | Science and Research Park Development Grants | | | | (173,027.76) | - |
| **Subtotal Economic Development Administration** | | | | | $ (108,805.05) | $ 32,450.76 |
| | **National Institute of Standards and Technology** | | | | | |
| 11.609 | Measurement and Engineering Research and Standards | | | $ 24,635.91 | | |
| | | City of Memphis | 70NANB18H247 | 93,096.89 | | |
| | | Michigan Technological University | PO # P0099710 | 5,950.91 | | |
| | | | | | $ 123,683.71 | $ - |
| **Subtotal National Institute of Standards and Technology** | | | | | $ 123,683.71 | $ - |
| | **National Oceanic and Atmospheric Administration** | | | | | |
| 11.459 | Weather and Air Quality Research | | | | $ 3,994.39 | $ - |
| 11.478 | Center for Sponsored Coastal Ocean Research Coastal Ocean Program | Northeastern University | 505161-78050 | | 101,449.89 | - |
| **Subtotal National Oceanic and Atmospheric Administration** | | | | | $ 105,444.28 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| **U.S. Census Bureau** | | | | | | |
| 11.003 | Census Geography | | | | $ 16,800.95 | $ - |
| **Subtotal U.S. Census Bureau** | | | | | $ 16,800.95 | $ - |
| **Other Programs** | | | | | | |
| 11.RD | LSU PO-0000041309 Engel | Louisiana State University | PO - 0000041309 | | $ 101,486.49 | $ - |
| **Subtotal Other Programs** | | | | | $ 101,486.49 | $ - |
| **Subtotal Department of Commerce** | | | | | $ 238,610.38 | $ 32,450.76 |
| **Department of Defense** | | | | | | |
| **Advanced Research Projects Agency** | | | | | | |
| 12.910 | Research and Technology Development | | | | $ 3,116,622.81 | $ 696,953.23 |
| **Subtotal Advanced Research Projects Agency** | | | | | $ 3,116,622.81 | $ 696,953.23 |
| **Defense Threat Reduction Agency (DTRA)** | | | | | | |
| 12.351 | Scientific Research - Combating Weapons of Mass Destruction | | | $ 395,321.40 | | |
| | | Vanderbilt University | UNIV 59030 | 61,405.24 | | |
| | | | | | $ 456,726.64 | $ 127,358.62 |
| **Subtotal Defense Threat Reduction Agency (DTRA)** | | | | | $ 456,726.64 | $ 127,358.62 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| **Dept of the Air Force** | | | | | | |
| 12.800 | Air Force Defense Research Sciences Program | | | $ 1,805,918.73 | | |
| | | The Henry M Jackson Foundation of Military Medicine | 4493 | 2,541.42 | | |
| | | University of Maryland, College Park | 43324-Z8192001 | 48,211.81 | | |
| | | | | | $ 1,856,671.96 | $ 283,142.35 |
| **Subtotal Dept of the Air Force** | | | | | $ 1,856,671.96 | $ 283,142.35 |
| **Dept of the Army** | | | | | | |
| 12.420 | Military Medical Research and Development | | | $ 2,590,659.26 | | |
| | | Cedar-Sinai Medical Center | 1513772 | 56,014.85 | | |
| | | Children's Research Institute | 17SERN | 64,652.48 | | |
| | | Children's Research Institute | 17SFRN33630027 | 187,567.09 | | |
| | | University of Arkansas, Little Rock | 253248-20UTK | 14,890.50 | | |
| | | University of Arkansas, Little Rock | 253279 | 154,191.91 | | |
| | | University of Arkansas, Little Rock | 253283-20UTK | 345,161.45 | | |
| | | University of Colorado | 2-5M6535/2-5-M6536 | 24,497.12 | | |
| | | University of Colorado | 2-5-M7323 | 34,641.60 | | |
| | | University of Texas at San Antonio | 159413/155536 | 51,968.53 | | |
| | | University of Utah | 10050259 | 63,931.11 | | |
| | | | | | $ 3,588,175.90 | $ 328,229.19 |
| 12.431 | Basic Scientific Research | | | | 1,012,595.18 | 13,862.33 |
| **Subtotal Dept of the Army** | | | | | $ 4,600,771.08 | $ 342,091.52 |
| **Dept of the Navy** | | | | | | |
| 12.300 | Basic and Applied Scientific Research | | | $ 2,999,547.65 | | |
| | | Research Foundation for the State University of New York | 18-05 | 12,890.12 | | |
| | | | | | $ 3,012,437.77 | $ 1,239,094.30 |
| **Subtotal Dept of the Navy** | | | | | $ 3,012,437.77 | $ 1,239,094.30 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| **National Security Agency (NSA)** | | | | | | |
| 12.901 | Mathematical Sciences Grants | | | | $ 43,195.71 | $ - |
| 12.902 | Information Security Grants | | | | 143,317.94 | - |
| **Subtotal National Security Agency (NSA)** | | | | | $ 186,513.65 | $ - |
| **Office of the Secretary of Defense** | | | | | | |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering | | | $ 490,945.53 | | |
| | | Battelle Memorial Institute | PO US001-0000504972 CO 19 MOD 16 | 127,120.74 | | |
| | | | | | $ 618,066.27 | $ - |
| **Subtotal Office of the Secretary of Defense** | | | | | $ 618,066.27 | $ - |
| **Uniformed Services University of the Health Sciences (USUHS)** | | | | | | |
| 12.750 | Uniformed Services University Medical Research | The Geneva Foundation | 11052-N19-B01 | $ 27,493.27 | | |
| | | The Henry M Jackson Foundation of Military Medicine | 3733/PO 896142 | 78,216.16 | | |
| | | | | | $ 105,709.43 | $ - |
| **Subtotal Uniformed Services University of the Health Sciences (USUHS)** | | | | | $ 105,709.43 | $ - |
| **Other Programs** | | | | | | |
| 12.RD | ADL PAL Learning Science Community | | | | $ (22,448.11) | $ - |
| 12.RD | AF AEDC/FMF FA9101-19-F-0012 Vakili | | | | 34,674.12 | - |
| 12.RD | AF AEDC FA9101-19-F-0015 Glasby | | | | 743,008.53 | - |
| 12.RD | AF AFTC FA9101-15-D-0002/17-F-0035 Kreth | | | | 41,857.81 | - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 12.RD | AF AFTC FA9101-15-D-0002/18-F-0017 Kreth | | | 6,826.59 | - |
| 12.RD | AF-FA9101-19-F-0013-Moeller | | | 27,518.77 | - |
| 12.RD | AF-FA9101-19-F-0110-Moeller | | | 47,605.09 | - |
| 12.RD | AF-FA9101-20-F-0005 Moeller | | | 3,400.21 | - |
| 12.RD | DLA SP4701-18-C-0025 Sawhney | | | 55,339.34 | 17,029.39 |
| 12.RD | DOD - Install Species Bat- Wilkerson | | | 25,545.06 | - |
| 12.RD | DOD SOCOM H92222-17-C-0006 Steadman | | | 105,090.21 | 60,592.46 |
| 12.RD | DTRA-HDTRA117C0044-Hall | | | 245,771.24 | - |
| 12.RD | IPA Assignment - Jacobs | | | 25,971.09 | - |
| 12.RD | MOSAIC mPerf | | | (44.84) | (44.84) |
| 12.RD | Navy N40192-19-2-8005 Leppanen | | | 39,980.48 | - |
| 12.RD | ONR SP010302D0014 Applesauce-Zivanovic | | | 427.34 | - |
| 12.RD | Partitioning Signal and Noise | | | 66,254.91 | - |
| 12.RD | Sandia Natl Lab PO1864859 Andrew Yu | | | 10,736.41 | - |
| 12.RD | Sandia Natl Lab PO2099073 Andrew Yu | | | 23,400.15 | - |
| 12.RD | TSNRP Grant HU0001-17-1-TS05 | | | 140,858.80 | 55,433.29 |
| 12.RD | United States Army Wetland Planning Survey | | | 51,534.62 | - |
| 12.RD | USACE W912DW-17-P-0043 Loeffler | | | (279.47) | - |
| 12.RD | Waldron - IPA | | | 2,291.28 | - |
| 12.RD | Adaptive and Reconfigurable Sensor Elements and Networks for Monitoring Critical Infrastructure and Maneuver Corridors | Mississippi State University | SUBAWARD 060803.361377.02 | 531,929.46 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 12.RD | ALMMII Joining R2-4 0004D-9 Feng | American Lightweight Materials Manufacturing Innovation Institute (ALMMII) | 0004D-9 JOINING R2-4 | (12,717.33) | - |
| 12.RD | ISTEP-T&E IT Manager Training | University of Southern California | 89865992 | 64,832.97 | - |
| 12.RD | NCSU-2019-1746-01 Stefanski | North Carolina State University | 2019-1746-01 | 49,380.06 | - |
| 12.RD | Penn State Univ VLRCOE Task 6.2 Desmidt | The Pennsylvania State University | 5583-UT-ACC-0003 | 182,482.40 | - |
| 12.RD | Research Services | MIT Lincoln Laboratory | PO 7000293007 CHANGE ORDER 10 | 179,313.54 | - |
| 12.RD | Riverside ResDRC.1265.000.17-00077 Abedi | Riverside Research Institute | DRC.1265.00077.17 | 44,552.01 | - |
| 12.RD | Southern Methodist Univ-GA00177 Williams | Southern Methodist University | GA00177-7510 | 29,923.26 | - |
| 12.RD | UCLA 0205 G XA214 Sarles | University of California, Los Angeles | 0205 G XA214 | 126,279.21 | - |
| 12.RD | Univ of Dayton Res RSC17067 Coder | University of Dayton Research Institute | RSC17067 | 1,619,643.71 | - |
| 12.RD | Univ of Dayton Res RSC18026 Compton | University of Dayton Research Institute | RCS18026 | 60,529.64 | - |
| 12.RD | Univ of Dayton Res RSC19027 Coder | University of Dayton Research Institute | RSC19027 | 500,726.45 | - |
| 12.RD | Univ of Dayton Res RSC20008 TerMaath 412 | University of Dayton Research Institute | RCS20008 | 216,760.11 | - |
| **Subtotal Other Programs** | | | | $ 5,268,955.12 | $ 133,010.30 |
| **Subtotal Department of Defense** | | | | $ 19,222,474.73 | $ 2,821,650.32 |

**Department of Housing and Urban Development**

**Office of Lead Hazard Control and Healthy Homes**

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 14.906 | Healthy Homes Technical Studies Grants | Columbia University | 2(GG010683-01) | $ 2,704.44 | $ - |
| **Subtotal Office of Lead Hazard Control and Healthy Homes** | | | | $ 2,704.44 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 2,704.44 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| **Department of the Interior** | | | | | | |
| **National Park Service** | | | | | | |
| 15.926 | American Battlefield Protection | | | | $ 11,622.87 | $ - |
| 15.945 | Cooperative Research and Training Programs - Resources of the National Park System | | | | 520,406.98 | - |
| **Subtotal National Park Service** | | | | | $ 532,029.85 | $ - |
| **U.S. Fish and Wildlife Service** | | | | | | |
| 15.608 | Fish and Wildlife Management Assistance | State of Louisiana | PO 2000310113 | $ 74,273.92 | | |
| | | State of Louisiana | PO 2000459201 | 46,692.24 | | |
| | | | | | $ 120,966.16 | $ - |
| 15.615 | Cooperative Endangered Species Conservation Fund | Commonwealth of Virginia | EP2932791 | $ 3,029.27 | | |
| | | Nature Conservancy Tennessee Field Office | 1041 UT 09062018 | 39,619.25 | | |
| | | | | | 42,648.52 | - |
| 15.628 | Multistate Conservation Grant | North Carolina State University | 2019-2037-08 | | 4,853.35 | - |
| 15.634 | State Wildlife Grants | Oklahoma State University | 2-561310-UTK | $ 17,008.70 | | |
| | | Southeastern Association of Fish and Wildlife Agencies | 2017-2020-UT | 8,555.43 | | |
| | | Southeastern Association of Fish and Wildlife Agencies | SEAFWA 2017-2020-MTSU | 2,101.89 | | |
| | | Southeastern Association of Fish and Wildlife Agencies | SEAFWA 2017-2020-TSU | 24,381.66 | | |
| | | University of Florida | SUB00001748 | 9,398.68 | | |
| | | | | | 61,446.36 | - |
| 15.657 | Endangered Species Recovery Implementation | | | $ 79,805.25 | | |
| | | Kentucky Waterways Alliance | F12AC01555&F16AC01101 | 10,149.50 | | |
| | | | | | 89,954.75 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 15.664 | Fish and Wildlife Coordination and Assistance | Wildlife Management Institute, incorporated | NALCC | | (481.71) | - |
| 15.678 | Cooperative Ecosystem Studies Units | | | | 93,787.77 | - |
| **Subtotal U.S. Fish and Wildlife Service** | | | | | $ 413,175.20 | $ - |
| | **U.S. Geological Survey** | | | | | |
| 15.805 | Assistance to State Water Resources Research Institutes | | | | $ 102,911.75 | $ 10,014.23 |
| 15.807 | Earthquake Hazards Program Assistance | | | | 750,690.14 | - |
| 15.808 | U.S. Geological Survey Research and Data Collection | | | $ 616,091.75 | | |
| | | University of California, Riverside | S-001226 | 4,714.92 | | |
| | | | | | 620,806.67 | - |
| 15.810 | National Cooperative Geologic Mapping | | | | 4,804.62 | - |
| 15.812 | Cooperative Research Units | | | | 25,963.01 | - |
| **Subtotal U.S. Geological Survey** | | | | | $ 1,505,176.19 | $ 10,014.23 |
| | **Other Programs** | | | | | |
| 15.RD | USDI-USGS G17AC00039 Thomson | | | | $ 22,635.58 | $ - |
| 15.RD | Advanced Wake Loss Modeling for Large Wind Farms with Variable Wind Speed and Direction | University of Delaware | SUBAWARD 55792 | | 9,571.83 | - |
| 15.RD | Duskytail Darter Genetic Study | Kentucky Waterways Alliance | F15AC00372 | | 20,900.97 | - |
| 15.RD | Kentucky Natural Lands Trust Dinkins | Kentucky Natural Lands Trust | MOU -190501 | | 12,804.29 | - |
| 15.RD | NC State Univ 2017-1878-03 Yr2 Armsworth | North Carolina State University | 2017-1878-07 | | 25,275.85 | - |
| **Subtotal Other Programs** | | | | | $ 91,188.52 | $ - |
| **Subtotal Department of the Interior** | | | | | $ 2,541,569.76 | $ 10,014.23 |

| 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** | | | | | |
| 16.123 | Community-Based Violence Prevention Program | | | | $ 47,761.77 | $ - |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | | | $ 706,036.72 | | |
| | | Arizona State University | ASUB00000227 | 38,914.85 | | |
| | | Lincoln Memorial University | 2018010101 | 37,209.58 | | |
| | | | | | 782,161.15 | 44,337.17 |
| 16.562 | Criminal Justice Research and Development Graduate Research Fellowships | | | | 55,605.94 | - |
| 16.582 | Crime Victim Assistance/Discretionary Grants | International Association of Chiefs of Police | 2018-V3-GX-K066 | | 12,383.30 | - |
| 16.606 | State Criminal Alien Assistance Program | | | | 300,341.00 | - |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | City of Memphis | 2018-DG-BX-0004 | | 22,787.29 | - |
| 16.831 | Children of Incarcerated Parents | Rutherford County | 0007-MTSU | | 27,024.36 | - |
| 16.833 | National Sexual Assault Kit Initiative | City of Memphis | 2018-AK-BX-0028 | $ 78,124.32 | | |
| | | City of Memphis | 33271 | 15,203.09 | | |
| | | | | | 93,327.41 | - |
| 16.838 | Comprehensive Opioid, Stimulant, and Substance Abuse Program | Shelby County Government | CA1921746-2 | | 6,334.87 | - |
| **Subtotal Office of Justice Programs** | | | | | $ 1,347,727.09 | $ 44,337.17 |
| | **Other Programs** | | | | | |
| 16.RD | U.S. Marshals Service Joint Law Enforcement Operation Taskforce | | | | $ 108,228.36 | $ - |
| 16.RD | Ambassadors for Christ Proj REACH Nobles | Ambassadors for Christ | PROJECT REACH 001 | | 3,500.34 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 16.RD | Southwest Research M99020RR Icove | Southwest Research Institute | M99020RR | 116,272.07 | - |
| 16.RD | West VA Univ Sub 09-097GGG-UT Steadman | West Virginia University | 09-097GGG-UT | 2,442.23 | - |
| 16.RD | West VA Univ Sub 09-097PPP-UT Steadman | West Virginia University | 09-097PPP-UT | 172,336.84 | - |
| **Subtotal Other Programs** | | | | $ 402,779.84 | $ - |
| **Subtotal Department of Justice** | | | | $ 1,750,506.93 | $ 44,337.17 |
| **Department of Labor** | | | | | |
| **Employment and Training Administration** | | | | | |
| 17.268 | H-1B Job Training Grants | Memphis Bioworks Foundation | HG-26665-15-60-A-47 | $ 1,791.00 | $ - |
| **Subtotal Employment and Training Administration** | | | | $ 1,791.00 | $ - |
| **Subtotal Department of Labor** | | | | $ 1,791.00 | $ - |
| **Department of State** | | | | | |
| **Bureau of Educational and Cultural Affairs** | | | | | |
| 19.009 | Academic Exchange Programs - Undergraduate Programs | World Learning | CBSA18-UTAG01 | $ 20,920.54 | $ - |
| **Subtotal Bureau of Educational and Cultural Affairs** | | | | $ 20,920.54 | $ - |
| **Bureau of International Security and Nonproliferation** | | | | | |
| 19.033 | Global Threat Reduction | | | $ 976,002.07 | $ - |
| **Subtotal Bureau of International Security and Nonproliferation** | | | | $ 976,002.07 | $ - |
| **Subtotal Department of State** | | | | $ 996,922.61 | $ - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| **Department of Transportation** | | | | | | |
| **Federal Aviation Administration** | | | | | | |
| 20.109 | Air Transportation Centers of Excellence | | | | $ 206,690.55 | $ - |
| **Subtotal Federal Aviation Administration** | | | | | $ 206,690.55 | $ - |
| **Federal Highway Administration** | | | | | | |
| 20.200 | Highway Research and Development Program | | | | $ 101,572.59 | $ - |
| **Subtotal Federal Highway Administration** | | | | | $ 101,572.59 | $ - |
| **Federal Railroad Administration** | | | | | | |
| 20.313 | Railroad Research and Development | Virginia Polytechnic Institute and State University | SUBAWARD 451538-19C95 | | $ 17,339.72 | $ - |
| **Subtotal Federal Railroad Administration** | | | | | $ 17,339.72 | $ - |
| **Office of the Secretary** | | | | | | |
| 20.701 | University Transportation Centers Program | Florida Atlantic University | UR-K69 | $ 147,004.29 | | |
| | | University of Florida | SUBAWARD UFDSP00011677 AMEND 8 | 21,679.68 | | |
| | | | | | $ 168,683.97 | $ - |
| **Subtotal Office of the Secretary** | | | | | $ 168,683.97 | $ - |
| **Other Programs** | | | | | | |
| 20.RD | Iowa Dept of Transport - Wilson | Iowa Transportation | 16635 | | $ 21,812.35 | $ - |
| 20.RD | Natl Acad Science SUB0001288 Brakewood | The National Academies of Sciences | SUB0001288/J-07(SA-4 | | 22,128.76 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 20.RD | UNC-Chapel 5106576 Tech Khattak | The University of North Carolina at Chapel Hill | 5106576 | | 354,304.34 | - |
| **Subtotal Other Programs** | | | | | $ 398,245.45 | $ - |
| **Subtotal Department of Transportation** | | | | | $ 892,532.28 | $ - |
| | **Department of the Treasury** | | | | | |
| | **Other Programs** | | | | | |
| 21.RD | Intergovernment Personnel Act-Jain | | | | $ 77,714.48 | $ - |
| **Subtotal Other Programs** | | | | | $ 77,714.48 | $ - |
| **Subtotal Department of The Treasury** | | | | | $ 77,714.48 | $ - |
| | **Appalachian Regional Commission** | | | | | |
| | **Other Programs** | | | | | |
| 23.002 | Appalachian Area Development | West Virginia University | SUBAWARD 20-009-UT | | $ 49,089.47 | $ - |
| 23.011 | Appalachian Research, Technical Assistance, and Demonstration Projects | | | | 14,800.35 | - |
| **Subtotal Other Programs** | | | | | $ 63,889.82 | $ - |
| **Subtotal Appalachian Regional Commission** | | | | | $ 63,889.82 | $ - |
| | **National Aeronautics and Space Administration** | | | | | |
| | **Other Programs** | | | | | |
| 43.001 | Science | | | $ 1,224,842.40 | | |
| | | Arizona State University | 01-082 AMEND # 36 | 14,966.95 | | |
| | | Arizona State University | 10-254 MOD 21 | 52,034.07 | | |
| | | Brown University | 1184 | 49,425.52 | | |
| | | Johns Hopkins University | 124810 | 11,883.42 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Planetary Science Institute | 1639-UTK | 2,925.93 | | |
| | | SETI Institute | SC3132 | 43,256.02 | | |
| | | Smithsonian Astrophysical Observatory | AR6-17009X | 13,015.94 | | |
| | | Smithsonian Astrophysical Observatory | AR8-19001A | 7,613.64 | | |
| | | Smithsonian Astrophysical Observatory | G06-17017X | 5,469.66 | | |
| | | Smithsonian Astrophysical Observatory | G08-19011F | 166.71 | | |
| | | Universities Space Research Association | 02282-01 | 64,601.18 | | |
| | | The University of North Carolina at Chapel Hill | SUBAWARD 5111899 AMEND 1 | 64,215.62 | | |
| | | University of Washington | UWSC9720 | 60,973.57 | | |
| | | Vanderbilt University | SUB# 3801-019687 | 34,640.11 | | |
| | | | | | $ 1,650,030.74 | $ 270,980.52 |
| 43.002 | Aeronautics | | | $ 2,216,466.96 | | |
| | | University of Wyoming | 1002956A-TENN | 16,849.06 | | |
| | | | | | 2,233,316.02 | 1,660,170.24 |
| 43.007 | Space Operations | | | | 13,385.79 | - |
| 43.008 | Office of Stem Engagement (OSTEM) | Vanderbilt University | 3795-019687 | $ 22,692.48 | | |
| | | Vanderbilt University | 3800-019687 | 123,217.83 | | |
| | | Vanderbilt University | 3855-019687 | 11,943.85 | | |
| | | Vanderbilt University | UNIV59412 AMEND 5 | 34,582.77 | | |
| | | Vanderbilt University | UNIV59415-3798-019687 | 40,548.89 | | |
| | | Vanderbilt University | UNIV59434-FORMERLY 3808-019687 | 4,325.75 | | |
| | | Vanderbilt University | UNIV59438-FORMERLY 3806-019687 | 7,758.72 | | |
| | | | | | 245,070.29 | - |
| 43.009 | Cross Agency Support | | | | 34,049.49 | - |
| 43.RD | JPL-NASA PO#1624285 Balas | | | | 8,366.39 | - |
| 43.RD | NASA 80NSSC17K0508 Moersch | | | | 537.97 | - |
| 43.RD | NASA 80NSSC18K0615 Zinkle | | | | 25,833.35 | - |
| 43.RD | NASA 80NSSC19M0101 Heilbronn | | | | 114,412.18 | - |
| 43.RD | Brown Univ 00001426 McCanta | Brown University | 1426 | | 12,973.60 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 43.RD | Panchromatic Comparative Exoplanetary Treasury Program 2017-20 | Space Telescope Science Institute | NAS5-26555 | 120,445.55 | - |
| 43.RD | The Johns Hopkins (JHUAPL)153797 Thomson | Johns Hopkins University | 153797 | 32,432.41 | - |
| 43.RD | Univ of Arizona PO 30948 Phase E Emery | University of Arizona | PO# 30948, PHASE E | 44,606.01 | - |
| 43.RD | Univ of New Hampshire 11-107-10 Townsend | University of New Hampshire | 11-107 AMENDMENT# 12 | 156,841.58 | - |
| 43.RD | Univ of Washington UWSC11485 Mikucki | University of Washington | UWSC11485 BPO#43724 | 31,664.88 | - |
| **Subtotal Other Programs** | | | | $ 4,723,966.25 | $ 1,931,150.76 |
| **Subtotal National Aeronautics and Space Administration** | | | | $ 4,723,966.25 | $ 1,931,150.76 |
| | **National Endowment For the Humanities** | | | | |
| | **Other Programs** | | | | |
| 45.161 | Promotion of the Humanities Research | | | $ 30,424.27 | $ - |
| 45.RD | NEH AIA Mitrou" Van de Moortel" | | | 9,760.00 | - |
| **Subtotal Other Programs** | | | | $ 40,184.27 | $ - |
| **Subtotal National Endowment for the Humanities** | | | | $ 40,184.27 | $ - |
| | **Institute of Museum and Library Services** | | | | |
| | **Other Programs** | | | | |
| 45.313 | Laura Bush 21st Century Librarian Program | | | $ 2,778.40 | $ - |
| **Subtotal Other Programs** | | | | $ 2,778.40 | $ - |
| **Subtotal Institute of Museum and Library Services** | | | | $ 2,778.40 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| **National Science Foundation** | | | | | | |
| **Other Programs** | | | | | | |
| 47.041 | Engineering | | | $ 7,310,634.28 | | |
| | | Rowan University | SUBAWARD 50972-2 | 8,562.62 | | |
| | | Syracuse University | 28250-04301-S10 | 1,197.18 | | |
| | | University of Missouri | SUBAWARD 00064867-01 | 24,744.00 | | |
| | | Vanderbilt University | SUB UNIV61170 | 56,190.99 | | |
| | | | | | $ 7,401,329.07 | $ 1,154,556.40 |
| 47.049 | Mathematical and Physical Sciences | | | $ 5,412,352.17 | | |
| | | Cornell University | 78877-11219 | 6,984.99 | | |
| | | The Ohio State University Research Foundation | SUBAWARD 60046595 | 89,938.25 | | |
| | | University of Delaware | SUBAWARD 47797 | 18,085.26 | | |
| | | University of Louisville | ULRF-15-0672-02 | 5,370.06 | | |
| | | University of Notre Dame | Unknown | 2,754.22 | | |
| | | University of Washington | SUB UWSC11194 | 15,768.83 | | |
| | | | | | 5,551,253.78 | 62,756.54 |
| 47.050 | Geosciences | | | $ 752,504.04 | | |
| | | Bowling Green State University | 10010192-UNT07 | 17,528.36 | | |
| | | Savannah State University | 1802124 | 27,016.18 | | |
| | | State University of New York | R1041551 | 154,079.41 | | |
| | | University of Illinois | 072212-14705 | 31,368.85 | | |
| | | University of Southern California | 104888833 | 42,802.78 | | |
| | | University of Southern California | 118062982 | 25,944.95 | | |
| | | | | | 1,051,244.57 | 61,909.74 |
| 47.070 | Computer and Information Science and Engineering | | | $ 7,632,843.86 | | |
| | | Carnegie Mellon University | 1122183-333033 | 112,393.61 | | |
| | | University of Illinois | 083842-16054 | 1,980,888.93 | | |
| | | University of Michigan | 3004628719 | 171,165.91 | | |
| | | University of New Mexico | 063045-87H2 | 400,820.44 | | |
| | | Wayne State University | SUB WSU18078-A1 | 107,749.19 | | |
| | | | | | 10,405,861.94 | 1,100,135.89 |
| 47.074 | Biological Sciences | | | $ 4,862,766.01 | | |
| | | BioQUEST Curriculum Consortium | 1919613-2 | 4,653.18 | | |
| | | Dartmouth College | SUBAWARD NO. R823 | 7,356.28 | | |
| | | Rutgers, the State University of New Jersey | 1293 | 33,914.31 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Tufts University | NSF026 PO#EP0107440 | 3,397.50 | | |
| | | University of Georgia | SUB00001303 | 72,104.03 | | |
| | | University of Maryland, College Park | 58600-Z4808002 | 94,542.49 | | |
| | | University of Maryland, College Park | 58714-Z4447002 | 25,412.33 | | |
| | | Wake Forest University | SUBAWARD NO.18-001 | 48,546.71 | | |
| | | Washington State University | 123664-G003629 | 119,712.35 | | |
| | | | | | 5,272,405.19 | 312,101.86 |
| 47.075 | Social, Behavioral, and Economic Sciences | | | $ 401,762.38 | | |
| | | The Pennsylvania State University | 5634-UT-NSF-0274 | 43,745.68 | | |
| | | | | | 445,508.06 | 29,051.98 |
| 47.076 | Education and Human Resources | | | $ 8,648,362.36 | | |
| | | American Association for the Advancement of Science | DUE-1043998 | 1,961.51 | | |
| | | Auburn University | 17-COSAM-200591-MTSU | 1,425.00 | | |
| | | Auburn University | 17-VP-200591-UTK | 659.28 | | |
| | | California State University San Marcos Corporation | SUBAWARD 92240/85026-TTU AMEND 3 | 80,524.21 | | |
| | | Fisk University | 2035 | 10,765.05 | | |
| | | Indiana University-Purdue University Indianapolis | 8091/1936096 | 6,910.01 | | |
| | | Indian River State College | 1600558 | 76,251.09 | | |
| | | Kentucky Community and Technical College System | 1601183 | 11,392.80 | | |
| | | Lorain County Community College | 1801010 | 10,179.74 | | |
| | | Northern Arizona University | 1003773-01 | 39,102.46 | | |
| | | Prairie View A&M University | S180501-M1800172 | 19,572.95 | | |
| | | Purdue University | SUBAWARD 4101-79545 | 20,620.81 | | |
| | | Radford University | F21023 | 4,367.95 | | |
| | | Rochester Institute of Technology | 31587-01 | (97.55) | | |
| | | Somerset Community College | SUBAWARD UNDER DUE-1902437 | 7,046.25 | | |
| | | Tuskegee University | HRD-1820981 | 35,367.54 | | |
| | | University of Illinois | SUB 097040-17608 | 15,695.41 | | |
| | | University of Illinois Urbana-Champaign | 097040-17615 | 61,185.03 | | |
| | | University of Pittsburgh | 0052307 (011908-01) | 18,467.69 | | |
| | | University of the District of Columbia | 1912205 | 39,728.77 | | |
| | | University of the District of Columbia | 2017DC001 | (1,973.68) | | |
| | | | | | 9,107,514.68 | 1,507,148.60 |
| 47.078 | Polar Programs | | | | 29,654.84 | 751.43 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 47.079 | Office of International Science and Engineering | | | $ 2,481.55 | | |
| | | University of South Dakota | SUBAWARD UP1700296-TTU1 AMEND 03 | 14,693.68 | | |
| | | | | | 17,175.23 | - |
| 47.RD | NSF 1738262 Faber | | | | 22,665.58 | - |
| 47.RD | Dartmouth College Mikucki | Dartmouth College | R1182 | | 24,791.98 | - |
| 47.RD | Georgia Tech RH188-G2 Reger | Georgia Institute of Technology | RH188-G2 | | 110,130.09 | 60,076.73 |
| 47.RD | Tuskegee Univ Sub 342242021176190 Kreth | Tuskegee University | SUB 342242021176190 | | 9,582.90 | - |
| 47.RD | Twin Cities Public TV Inc 21395 Chapman | Twin Cities Public Television, Inc. | 21395-3025 | | 16,798.93 | - |
| 47.RD | Univ of Ill 097156-17633 Taufer | University of Illinois | 097156-17633 | | 68,104.73 | - |
| 47.RD | Univ of MN A008256501 McFarlane Year 1 | University of Minnesota, Twin Cities | A008256501 | | 40,316.95 | - |
| **Subtotal Other Programs** | | | | | $ 39,574,338.52 | $ 4,288,489.17 |
| **Subtotal National Science Foundation** | | | | | $ 39,574,338.52 | $ 4,288,489.17 |

**Tennessee Valley Authority**

**Other Programs**

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 62.RD | Ocoee Trust Fund | | | | $ 154,169.15 | $ - |
| 62.RD | TVA P.O. 6273560 Colllett | | | | 2,503.36 | - |
| 62.RD | TVA PO#3110516 (99998950) Murray | | | | 61,732.19 | - |
| 62.RD | TVA PO #3796730 (99998950) Shefner | | | | 4,556.16 | - |
| 62.RD | TVA PO #4424298 (9392) Lofaro | | | | 2,503.51 | - |
| 62.RD | TVA PO # 6038342 Keck | | | | 4,437.37 | - |
| 62.RD | TVA PO 4424160(Contract99998950) Nagle | | | | 49,679.24 | - |
| 62.RD | TVA Summer Tri-Colored Bats 2020-Willcox | | | | 7,163.56 | - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 62.RD | TVA Summer Tri-Colored Bats - Willcox | | | 18,249.23 | - |
| 62.RD | TVA Tree Improvement FY 17-Schlarbaum | | | 10,066.84 | - |
| **Subtotal Other Programs** | | | | $ 315,060.61 | $ - |
| **Subtotal Tennessee Valley Authority** | | | | $ 315,060.61 | $ - |
| | **Department of Veterans Affairs** | | | | |
| | **VA Health Administration Center** | | | | |
| 64.054 | Research and Development | | | $ 223,448.82 | $ - |
| **Subtotal VA Health Administration Center** | | | | $ 223,448.82 | $ - |
| | **Other Programs** | | | | |
| 64.034 | VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces | | | $ 889.94 | $ - |
| 64.RD | Agreement btwn UTHSC & the VA Theus JIT | | | 13,974.76 | - |
| 64.RD | Intest Mucosal Protect by Epid Growth F | | | 163,382.85 | - |
| 64.RD | VA Medical Center IPA Agreements | | | 46,148.66 | - |
| **Subtotal Other Programs** | | | | $ 224,396.21 | $ - |
| **Subtotal Department of Veterans Affairs** | | | | $ 447,845.03 | $ - |
| | **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 | CA1620060 | $ 53,683.95 | $ - |

| 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 | | | | 32,361.60 | - |
| 66.509 | Science To Achieve Results (STAR) Research Program | East Carolina University | A17-0322-S001 | $ 10,740.46 | | |
| | | Emory University | T602415 | 8.15 | | |
| | | Johns Hopkins University | 2003148196 | 41,443.62 | | |
| | | Kansas State University | S18012.01 | 11,057.01 | | |
| | | Meharry Medical College | 170207PJ027-02 | 48,285.77 | | |
| | | | | | 111,535.01 | - |
| 66.516 | P3 Award: National Student Design Competition for Sustainability | | | | 9,757.28 | - |
| 66.814 | Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements | Kansas State University | SA17197.01 | | 68,449.44 | - |
| 66.RD | Alaska -DEC (Clnup Calc) Task 7 Dolislag | Alaska Environmental Conservation | Unknown | | 26,760.42 | - |
| **Subtotal Other Programs** | | | | | $ 302,547.70 | $ - |
| **Subtotal Environmental Protection Agency** | | | | | $ 302,547.70 | $ - |
| | | **Nuclear Regulatory Commission** | | | | |
| | | **Other Programs** | | | | |
| 77.008 | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | | | | $ 225,318.18 | $ - |
| **Subtotal Other Programs** | | | | | $ 225,318.18 | $ - |
| **Subtotal Nuclear Regulatory Commission** | | | | | $ 225,318.18 | $ - |
| | | **Department of Energy** | | | | |
| | | **Energy** | | | | |
| 81.049 | Office of Science Financial Assistance Program | | | $ 8,377,539.91 | | |
| | | Case Western Reserve University | RES512388 | 48,559.94 | | |
| | | Case Western Reserve University | RES5813718 | 123,709.05 | | |
| | | Collaborative Composite Solutions Corporation | Unknown | 22,326.28 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Duke University | 323-0298 | 37,629.32 | | |
| | | Louisiana State University | 44159 2016-2018 | 56,173.94 | | |
| | | Purdue University | 4105-65002 | (568.55) | | |
| | | The University of North Carolina at Chapel Hill | 5107500 | 68,509.80 | | |
| | | University of California, Davis | A18-0253-S001 | 302,932.25 | | |
| | | University of California, Santa Cruz | A16-0594-S001 P0724249 | 17,583.01 | | |
| | | University of Chicago | FP069705 | 17,026.94 | | |
| | | University of Notre Dame | 203132UTK | 19,603.26 | | |
| | | University of South Carolina | 19-3797PO#2000043179 | 28,632.71 | | |
| | | University of Washington | UWSC10816 BPO#35555 | 42,956.30 | | |
| | | | | | $ 9,162,614.16 | $ 1,013,014.75 |
| 81.086 | Conservation Research and Development | | | $ 447,301.83 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-5.1-01 | 7,729,230.29 | | |
| | | Institute for Advanced Composites Manufacturing Innovation | PA16-0349-6.1-IIP | 2,568,438.87 | | |
| | | North Carolina State University | 2014-0654-72 | 279,617.46 | | |
| | | North Carolina State University | 2014-0654-83 | 56,917.49 | | |
| | | The University of Alabama | A19-0455-5001 | 68,309.11 | | |
| | | | | | 11,149,815.05 | 7,758,945.94 |
| 81.087 | Renewable Energy Research and Development | | | $ 1,108,026.97 | | |
| | | Texas A&M University | #M1900170 | 34,261.75 | | |
| | | Texas A&M University | 06-S170617 | 128,415.78 | | |
| | | | | | 1,270,704.50 | 478,572.96 |
| 81.089 | Fossil Energy Research and Development | | | | 276,760.22 | 45,247.93 |
| 81.112 | Stewardship Science Grant Program | | | | 266,985.89 | 2,130.00 |
| 81.113 | Defense Nuclear Nonproliferation Research | North Carolina State University | 2014-0501-10F1 | $ 62,462.83 | | |
| | | University of California | 9335 | 786,627.10 | | |
| | | University of Michigan | PO 3005795617 | 41,469.74 | | |
| | | | | | 890,559.67 | - |
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | | | | 350,775.14 | 82,588.61 |
| 81.121 | Nuclear Energy Research, Development and | | | $ 1,719,268.01 | | |
| | | University of California, Los Angeles | SUB 0121 G XA099 | 17,613.32 | | |
| | | University of Illinois | SUB 097183-17666 | 13,456.77 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | University of New Mexico | 327074-87H2 | 52,667.75 | | |
| | | | | | 1,803,005.85 | 213,926.66 |
| 81.122 | Electricity Research, Development and Analysis | University of Illinois | DE-OE0000780 | | 24,879.09 | - |
| 81.123 | National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program | | | $ 358,190.19 | | |
| | | North Carolina Agricultural and Technical State University | DE-NA0003867 | 159,179.18 | | |
| | | | | | 517,369.37 | - |
| 81.135 | Advanced Research Projects Agency - Energy | | | $ 1,045,940.41 | | |
| | | University of Minnesota, Twin Cities | A005223301 | 9,251.85 | | |
| | | | | | 1,055,192.26 | 58,304.17 |
| **Subtotal Energy** | | | | | $ 26,768,661.20 | $ 9,652,731.02 |
| | | | **Other Programs** | | | |
| 81.RD | Alliance Sustainable XAT-9-92055-01 Liu | | | | $ 64,797.58 | $ - |
| 81.RD | Alliance Sustainable XEU-6-62566 Greene | | | | 19,159.44 | - |
| 81.RD | Ames Laboratory SC-19-47 Jagode | | | | 92,274.12 | - |
| 81.RD | Argonne Natl Lab 0F-60055 Jin | | | | 40,131.05 | - |
| 81.RD | Argonne Natl Lab 4F-30621 Greene | | | | (4.86) | - |
| 81.RD | Battelle Energy Alliance 214297 Brown | | | | 119,261.16 | - |
| 81.RD | Battelle Energy Alliance 219596 Coble | | | | 4,786.97 | - |
| 81.RD | BWXT Advanced Tech LLC Rawn | | | | 6,104.40 | - |
| 81.RD | CNS, LLC4300101264 Blache | | | | 4,932.69 | - |
| 81.RD | CNS, LLC 4300151362 Choo | | | | 88,659.67 | - |
| 81.RD | CNS, LLC 4300152172 Blache | | | | 14,104.06 | - |
| 81.RD | CNS, LLC 4300153669 Cragwall | | | | 10,656.34 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 81.RD | CNS, LLC 4300153751 Cathey | | | 39,972.10 | - |
| 81.RD | CNS, LLC 4300154554 Jin | | | 12,361.68 | - |
| 81.RD | CNS, LLC 4300154555 Noon | | | 29,842.02 | - |
| 81.RD | CNS, LLC 4300155076 Noon | | | 80,467.02 | - |
| 81.RD | CNS, LLC 4300157307 Noon | | | 18,732.58 | - |
| 81.RD | CNS, LLC 4300158893 Yu | | | 122,769.75 | - |
| 81.RD | CNS, LLC 4300159875 Day | | | 65,837.94 | - |
| 81.RD | CNS LLC 4300154515 Kuney | | | 5,371.30 | - |
| 81.RD | CNS LLC 4300155098 Li | | | 134,916.06 | - |
| 81.RD | CNS LLC 4300157596 Mihalczo | | | 4,500.38 | - |
| 81.RD | CNS LLC 4300159593 Rack | | | 37,976.88 | - |
| 81.RD | CNS LLC 4300159635 Sawhney | | | 103,149.08 | - |
| 81.RD | CNS LLC 4300159857 Jin | | | 90,235.82 | - |
| 81.RD | CNS LLC 4300159919 Cathey | | | 78,499.90 | - |
| 81.RD | CNS LLC 4300159936 Kuney | | | 4,394.70 | - |
| 81.RD | CNS LLC 4300159997 Schmitz | | | 74,242.58 | - |
| 81.RD | CNS LLC 4300160044 Cragwall | | | 80,085.37 | - |
| 81.RD | CNS LLC 4300160375 Sawhney | | | 91,606.75 | - |
| 81.RD | CNS LLC 4300160578 Kallstrom | | | 14,477.80 | - |
| 81.RD | CNS LLC 4300161118 Jin | | | 39,570.41 | - |
| 81.RD | CNS LLC 4300161270 Sickafus | | | 31,669.83 | - |
| 81.RD | CNS LLC 4300161381 Neutron Radiography | | | 130,083.33 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 81.RD | CNS LLC 4300161548 Rack | | | 74,618.57 | - |
| 81.RD | CNS LLC 4300162060 McFarlane | | | 42,174.32 | - |
| 81.RD | CNS LLC 4300162093 Allard | | | 50,207.21 | - |
| 81.RD | CNS LLC 4300162257 Day | | | 9,380.80 | - |
| 81.RD | CNS LLC 4300162698 Hall | | | 23,511.57 | - |
| 81.RD | CNS LLC 4300162886 Cook | | | 5,464.42 | - |
| 81.RD | CNS LLC 4300163177 Nuc Analytic CNS Hall | | | 8,159.29 | - |
| 81.RD | CNS LLC MATI Li | | | 215,735.21 | - |
| 81.RD | CNS UT NA Y12-7Z0411A1 Hall | | | 112,093.23 | - |
| 81.RD | FERMI Research Alliance 626582 Spanier | | | 3,645.11 | - |
| 81.RD | FERMI Research Alliance 656578 Spanier | | | 41,913.12 | - |
| 81.RD | Honeywell FM&T LLC N000293287 Dadmun | | | 12,603.07 | - |
| 81.RD | Honeywell FM&T LLC N000293731 Compton | | | 51,145.14 | - |
| 81.RD | Honeywell FM&T LLC N000295075 Kilbey | | | 40,630.87 | - |
| 81.RD | Honeywell FM&T LLC N000334158 Kilbey | | | 46,841.08 | - |
| 81.RD | Honeywell FM&T LLC N000334991 Compton | | | 79,434.48 | - |
| 81.RD | Honeywell FM&T N000351415 Dadmun | | | 15,969.93 | - |
| 81.RD | Lawrence Berkeley NatLab7229788(51)Hazen | | | 375,002.52 | - |
| 81.RD | LLNL B621559 Dongarra | | | (598.48) | - |
| 81.RD | LLNL B627883 MPI Applicat Skjellum 18-19 | | | 5,631.57 | - |
| 81.RD | LLNL B628830 Taufer | | | 103,608.77 | - |
| 81.RD | LLNL B633039 Hall | | | 71,561.80 | - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 81.RD | LLNL B633068 Taufer | | | 39,860.65 | - |
| 81.RD | LLNL B635004 Fu | | | 91,454.51 | - |
| 81.RD | LLNL B636411 Schmitz | | | 66,809.30 | - |
| 81.RD | LLNL B637164 MPI Research Skjellum 19-20 | | | 46,722.57 | - |
| 81.RD | LLNL B639759 SLATE DongarraR | | | 77,330.85 | - |
| 81.RD | LLNL BB633155 Dongarra | | | 266,978.43 | - |
| 81.RD | Los Alamos Natl Lab 425211 Wirth | | | 138,580.95 | - |
| 81.RD | Los Alamos Natl Lab 545877 Hauck | | | 17,058.35 | - |
| 81.RD | Los Alamos Natl Lab 549134 Batista | | | 70,463.27 | - |
| 81.RD | Los Alamos Natl Lab 578735 Taufer | | | 17,728.19 | - |
| 81.RD | Los Alamos Natl Lab 584197 Hauck | | | 7,712.64 | - |
| 81.RD | NREL XFC-7-70061-01 Zhang | | | (807.55) | - |
| 81.RD | ORNL 4000173240 Data Sim Sartipi 19-20 | | | 23,199.13 | - |
| 81.RD | Sandia Labs 1955959 Skjellum 19-20 | | | 90,751.70 | - |
| 81.RD | Sandia Labs 2117189 Skjellum 19-20 | | | 18,454.09 | - |
| 81.RD | Sandia National Lab PO 1790519 Dongara | | | (108.01) | - |
| 81.RD | Sandia National Lab PO 1947695 Dongarra | | | 70,124.58 | - |
| 81.RD | Sandia National Lab PO 1947696 Dongarra | | | 194,812.59 | - |
| 81.RD | Sandia National Lab PO 2022783 Liu | | | 89,500.77 | - |
| 81.RD | Sandia National Lab PO 2149053 Dongarra | | | 24,371.26 | - |
| 81.RD | UCOR MR-20-077044 Murray | | | 20,015.17 | - |
| 81.RD | UCOR SC-16-024688, Rev.0 - Dolislager | | | 55,290.26 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 81.RD | UCOR Transfer Tank Stanfill | | | 10,276.04 | - |
| 81.RD | UT-Battelle | | | 27,511,654.17 | - |
| 81.RD | Attack Prevention and In-situ Detection of Advanced Attacks or Controller Area Networks | UT-Battelle, LLC | SUBCONTRACT 4000169233 MOD 2 | 42,188.52 | - |
| 81.RD | Black Box: Highly Secure Environment for Health Data Computation | UT-Battelle, LLC | SUBCONTRACT 4000167556 | 45,883.59 | - |
| 81.RD | Detection and Analysis of Malware in Critical Infrastructure | UT-Battelle, LLC | SUBCONTRACT 4000158354 MOD 7 | 34,538.32 | - |
| 81.RD | Development and Improvement of High-Resolution Flood2D-GPU Modeling for Titan HPC Environment | UT-Battelle, LLC | SUBCONTRACT 4000164401 MOD 4 | 102,010.44 | - |
| 81.RD | EPRI Grid Resiliency/Arch Approaches Li | Electric Power Research Institute | 10011579 | 51,349.69 | - |
| 81.RD | George Washington Univ 18-S18 Lang | The George Washington University | 18-S18 | 72,558.38 | - |
| 81.RD | Investigating Early Transition Metal Dopant Effects in Cobalt Free Lithium Ion Batteries | UT-Battelle, LLC | SUBCONTRACT 4000174326 | 31,537.40 | - |
| 81.RD | Microbial Enzyme Decomposition | UT-Battelle, LLC | DE-AC05-00OR22725 | 26,850.00 | - |
| 81.RD | MIMIR/MEASUR: A Live Dashboard Project for Industrial Devices | UT-Battelle, LLC | SUBCONTRACT 4000168063 MOD 1 | 2,337.52 | - |
| 81.RD | NC State Univ. - 2016-2122-01 Weber | North Carolina State University | 2016-2122-01 | 16,719.77 | - |
| 81.RD | Nuclear Hybrid Energy Systems: Desalination and Wastewater Reclamation Process Modeling | UT-Battelle, LLC | SUBCONTRACT 4000153274 MOD 3 | 36,101.74 | - |
| 81.RD | Penn State 6088-UTK-USDOE-8717 Brown | The Pennsylvania State University | 6088-UTK-USDOE-8717 | 113,337.40 | - |
| 81.RD | Penn State Univ. 5722-UT-DOE-8717 Wirth | The Pennsylvania State University | 5722-UT-DOE-8717 | 28,841.82 | - |
| 81.RD | Research of Machine-Learning Based Cybersecurity Tools | UT-Battelle, LLC | SUBCONTRACT 4000179242 | 3,016.07 | - |
| 81.RD | Simulation of HF Inverter Circuits for High-Power Wireless Charging | UT-Battelle, LLC | SUBCONTRACT 4000174874 MOD 3 | 29,691.39 | - |

**State of Tennesse**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2020**

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 81.RD | SUNY 84119/2/1152663 (51%) Brown | Research Foundation for the State University of New York | 84119/2/1152663 | | 126,691.68 | - |
| 81.RD | UF6 Enrichment Levels | Argonne National Laboratory | 9F-60171-M0001 | | 121,560.55 | - |
| 81.RD | Univ of Michigan SUBK00008627 Wirth | University of Michigan | SUBK00008627 | | 283,636.93 | - |
| **Subtotal Other Programs** | | | | | $ 33,261,444.62 | $ - |
| **Subtotal Department Of Energy** | | | | | $ 60,030,105.82 | $ 9,652,731.02 |
| | | **Department of Education** | | | | |
| | | **Education** | | | | |
| 84.425 | Education Stabilization Fund (COVID Relief Funds) | | | | $ 154.95 | $ - |
| **Subtotal Education** | | | | | $ 154.95 | $ - |
| | | **Institute of Education Sciences** | | | | |
| 84.305 | Education Research, Development and Dissemination | | | $ 746,574.97 | | |
| | | Educational Testing Services | UoM-ED-305A SOW 01/R305A190242 | 33,728.30 | | |
| | | Georgia State University | SP00010952-03/R305C120001 | 22,897.48 | | |
| | | Georgia State University | SP00013440-03/R305A180299 | 17,512.80 | | |
| | | University of Delaware | 51192 | 72,645.23 | | |
| | | University of Michigan | R305H140028 | 59,092.04 | | |
| | | | | | $ 952,450.82 | $ 456,439.94 |
| 84.324 | Research in Special Education | | | | 696,309.68 | 204,645.30 |
| **Subtotal Institute of Education Sciences** | | | | | $ 1,648,760.50 | $ 661,085.24 |
| | | **Office of Career, Technical, and Adult Education** | | | | |
| 84.051 | Career and Technical Education -- National Programs | | | | $ 134,389.74 | $ - |
| **Subtotal Office of Career, Technical, and Adult Education** | | | | | $ 134,389.74 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Office of Elementary and Secondary Education** | | | | | |
| 84.287 | Twenty-First Century Community Learning Centers | Commonwealth of Virginia | 00780-DOE86788-S287C170047 CREP | $ 21,014.18 | | |
| | | Commonwealth of Virginia | 00780-DOE86788-S287C180047 CREP | 67,975.25 | | |
| | | | | | $ 88,989.43 | $ - |
| 84.365 | English Language Acquisition State Grants | | | | 312,099.93 | 148,996.07 |
| **Subtotal Office of Elementary and Secondary Education** | | | | | $ 401,089.36 | $ 148,996.07 |
| | **Office of Postsecondary Education** | | | | | |
| 84.031 | Higher Education Institutional Aid | | | | $ 137,863.23 | $ - |
| 84.116 | Fund for the Improvement of Postsecondary Education | University of Minnesota | A00497004 | | 21,690.23 | - |
| 84.407 | Transition Programs for Students with Intellectual Disabilities into Higher Education | Appalachian State University | 15-0273_UTK1 | | 7,319.29 | - |
| **Subtotal Office of Postsecondary Education** | | | | | $ 166,872.75 | $ - |
| | **Office of Special Education and Rehabilitative Services** | | | | | |
| 84.129 | Rehabilitation Long-Term Training | | | | $ 59,362.83 | $ - |
| 84.263 | Innovative Rehabilitation Training | | | | 174,379.96 | - |
| **Subtotal Office of Special Education and Rehabilitative Services** | | | | | $ 233,742.79 | $ - |
| | **OII - Office of Innovation and Improvement** | | | | | |
| 84.411 | Education Innovation and Research (formerly Investing in Innovation (i3) Fund) | National Writing Project | 05-TN03-2019I3C3WP | $ 113,813.54 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Smithsonian Institution | 20-PO-620-0000436090 | 57,478.84 | $ 171,292.38 | $ - |
| **Subtotal OII - Office of Innovation and Improvement** | | | | | $ 171,292.38 | $ - |
| **Subtotal Department Of Education** | | | | | $ 2,756,302.47 | $ 810,081.31 |
| | **National Archives and Records Administration** | | | | | |
| | **Other Programs** | | | | | |
| 89.003 | National Historical Publications and Records Grants | | | | $ 40,257.33 | $ - |
| **Subtotal Other Programs** | | | | | $ 40,257.33 | $ - |
| **Subtotal National Archives and Records Administration** | | | | | $ 40,257.33 | $ - |
| | **Department of Health and Human Services** | | | | | |
| | **Administration For Children and Families** | | | | | |
| 93.060 | Sexual Risk Avoidance Education | Ambassadors for Christ | ACCESS #41091 | | $ 18,404.59 | $ - |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | Ambassadors for Christ | ACCESS #41091 | $ 71,952.94 | | |
| | | Ambassadors for Christ | Unknown | 1,871.70 | 73,824.64 | - |
| 93.557 | Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth | Ambassadors for Christ | Unknown | | 35,111.50 | - |
| 93.670 | Child Abuse and Neglect Discretionary Activities | Community Alliance for the Homeless | 90CA1792 | | 26,456.13 | - |
| 93.999 | Test for Suppression Effects of Advanced Energy | University of Notre Dame | 208115UTK | | 6,253.62 | - |
| **Subtotal Administration for Children and Families** | | | | | $ 160,050.48 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Administration For Community Living (ACL)** | | | | | |
| 93.433 | ACL National Institute on Disability, Independent Living, and Rehabilitation Research | University of Oregon | 239750A | | $ 13,833.81 | $ - |
| **Subtotal Administration for Community Living (ACL)** | | | | | $ 13,833.81 | $ - |
| | **Agency For Healthcare Research and Quality** | | | | | |
| 93.226 | Research on Healthcare Costs, Quality and Outcomes | University of Missouri | C00058197-1 | | $ 4,379.06 | $ - |
| **Subtotal Agency for Healthcare Research and Quality** | | | | | $ 4,379.06 | $ - |
| | **Centers For Disease Control and Prevention** | | | | | |
| 93.080 | Blood Disorder Program: Prevention, Surveillance, and Research | The University of North Carolina at Chapel Hill | 5108669 | $ 52,816.98 | | |
| | | The University of North Carolina at Chapel Hill | 5112780 | 21,513.69 | | |
| | | The University of North Carolina at Chapel Hill | 5115930 | 18,916.39 | | |
| | | The University of North Carolina at Chapel Hill | 512218 | 4,350.08 | | |
| | | | | | $ 97,597.14 | $ - |
| 93.262 | Occupational Safety and Health Program | | | $ 16,482.99 | | |
| | | Colorado State University | G-51108-1 | 32,379.55 | | |
| | | University of Kentucky Research Foundation | 3210001070-19-131 | 14,556.10 | | |
| | | | | | 63,418.64 | - |
| 93.268 | Immunization Cooperative Agreements | | | | 128,330.63 | - |
| 93.315 | Rare Disorders: Research, Surveillance, Health Promotion, and Education | University of South Carolina | 19-3746 | | 990.69 | - |
| **Subtotal Centers for Disease Control and Prevention** | | | | | $ 290,337.10 | $ - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Food and Drug Administration** | | | | | |
| 93.103 | Food and Drug Administration Research | | | | $ 278,550.21 | $ 175,428.50 |
| **Subtotal Food and Drug Administration** | | | | | $ 278,550.21 | $ 175,428.50 |
| | **Health Resources and Services Administration** | | | | | |
| 93.110 | Maternal and Child Health Federal Consolidated | Hemophilia of Georgia, Inc. | 5 H30 MC24046-02 | $ 562.20 | | |
| | | Hemophilia of Georgia, Inc. | 5 H30MC24046-07-00 | 0.17 | | |
| | | Hemophilia of Georgia, Inc. | 5 H30MC24046-08-00 | 7,497.69 | | |
| | | University of North Carolina | 5109840 | 454.22 | | |
| | | The University of North Carolina at Chapel Hill | 5109840 | 16,957.15 | | |
| | | | | | $ 25,471.43 | $ - |
| 93.191 | Graduate Psychology Education | | | | 155,958.01 | 4,287.00 |
| 93.247 | Advanced Nursing Education Workforce Grant Program | | | | 305,162.20 | - |
| 93.501 | Grants for School-Based Health Center Capital Expenditures | | | | 1,903.01 | - |
| 93.732 | Mental and Behavioral Health Education and Training Grants | | | | 617,474.94 | - |
| 93.884 | Grants for Primary Care Training and Enhancement | | | | 324,801.08 | - |
| 93.912 | Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement | | | | 11,431.93 | - |
| **Subtotal Health Resources and Services Administration** | | | | | $ 1,442,202.60 | $ 4,287.00 |
| | **National Institutes of Health** | | | | | |
| 93.077 | Family Smoking Prevention and Tobacco Control Act Regulatory Research | | | $ 46,052.34 | | |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|---|
| | | RTI International | 1-340-0216446-65333L | | 27,229.29 | | |
| | | | | | | $ 73,281.63 | $ - |
| 93.113 | Environmental Health | | | $ | 442,872.63 | | |
| | | Bowling Green State University | 1000973-UNT07 | | 9,340.53 | | |
| | | University of California, San Francisco | 10847SC | | (974.81) | | |
| | | | | | | 451,238.35 | - |
| 93.121 | Oral Diseases and Disorders Research | | | $ | 363,512.95 | | |
| | | International Agency for Research on Cancer | DE 25712 | | 35,385.35 | | |
| | | International Agency for Research on Cancer | DE25712-04 | | 31,204.51 | | |
| | | University of California | 1350 G TB091 | | 99,132.09 | | |
| | | | | | | 529,234.90 | 24,756.09 |
| 93.142 | NIEHS Hazardous Waste Worker Health and Safety Training | University of Cincinnati | 2U45ES006184-24 | | | 21,390.14 | - |
| 93.143 | NIEHS Superfund Hazardous Substances_Basic Research and Education | | | | | 495.68 | - |
| 93.172 | Human Genome Research | European Molecular Biology Laboratory | TENN-3125-01 | $ | 29,385.17 | | |
| | | New York University | F1228-04 | | 18,924.53 | | |
| | | University of Utah College of Nursing | 10039124-01 | | 9,361.32 | | |
| | | | | | | 57,671.02 | - |
| 93.173 | Research Related to Deafness and Communication Disorders | | | $ | 1,446,285.20 | | |
| | | Boys Town | 96-433-I | | 357.20 | | |
| | | University of Colorado Denver | FY19.211.005 | | 22,353.41 | | |
| | | | | | | 1,468,995.81 | 102,254.93 |
| 93.213 | Research and Training in Complementary and Integrative Health | | | $ | 209,180.76 | | |
| | | Louisiana State University | AI 138136 01 | | 24,275.45 | | |
| | | Louisiana State University | R01AT010279-1894-UTK | | 33,442.86 | | |
| | | Pennington Biomedical Research Center | R21AI138136-17169-UT | | 9,282.51 | | |
| | | | | | | 276,181.58 | 3,389.44 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|---|
| 93.242 | Mental Health Research Grants | | | $ | 1,343,275.23 | | |
| | | Memorial Sloan-Kettering Institute for Cancer Research | BD525235 | | 14,859.72 | | |
| | | Memorial Sloan-Kettering Institute for Cancer Research | BD525235A | | 9,590.17 | | |
| | | Yale University | GK000701 (CON80000644) | | 12,351.42 | | |
| | | | | | | 1,380,076.54 | 33,740.26 |
| 93.273 | Alcohol Research Programs | | | $ | 1,738,443.48 | | |
| | | Jackson Laboratory | 207434 | | 38,692.95 | | |
| | | McMaster University | 1R01AA02027255-01A1 | | 10,695.57 | | |
| | | Research Foundation for the State University of New York | 79050-1141746-UTENN | | 56,254.48 | | |
| | | | | | | 1,844,086.48 | 297,665.44 |
| 93.279 | Drug Abuse and Addiction Research Programs | | | $ | 2,887,725.81 | | |
| | | Oregon Social Learning Center | R01DA040416 | | 13,545.00 | | |
| | | University of California, San Diego | 122779013 | | 215,494.65 | | |
| | | University of California, San Diego | 122779013(S9002412) | | 56,526.32 | | |
| | | University of California, San Diego | 127276513 | | 24,950.36 | | |
| | | University of California, San Diego | DA 037844 06 | | (12,500.49) | | |
| | | University of Virginia | GB10546.158753 | | 4,038.87 | | |
| | | University of Virginia | GB10546.PIO#2126905 | | 8,478.77 | | |
| | | Virginia Commonwealth University | FP00003517 SA003 | | 11,839.44 | | |
| | | | | | | 3,210,098.73 | 619,009.50 |
| 93.286 | Discovery and Applied Research for Technological Innovations to Improve Human Health | | | $ | 1,334,541.71 | | |
| | | University of California, San Francisco | 10555sc | | 27,493.07 | | |
| | | | | | | 1,362,034.78 | 752,633.07 |
| 93.307 | Minority Health and Health Disparities Research | | | $ | 26,172.98 | | |
| | | Johns Hopkins University | 2002898159 | | 74,793.29 | | |
| | | Moffitt Cancer Center | 11-19002-99-01-G1 | | 19,712.08 | | |
| | | Morehouse School of Medicine | TCCPP023 | | 3,737.14 | | |
| | | University of Pittsburgh | CNVA0056157-130212-1 | | 91,189.00 | | |
| | | University of Utah | 10044779-03 | | 137,964.19 | | |
| | | | | | | 353,568.68 | 6,052.36 |
| 93.310 | Trans-NIH Research Support | | | $ | (6,299.04) | | |
| | | University of Washington | OD-023271-04 | | 710,336.58 | | |
| | | University of Washington | UWSC9515 | | 183,467.28 | | |
| | | | | | | 887,504.82 | - |

**State of Tennesse**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2020**

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.361 | Nursing Research | | | $ 1,132,815.97 | | |
| | | University of Rochester | NR 014451 416553G-05 | (75.32) | | |
| | | | | | 1,132,740.65 | 232,540.10 |
| 93.393 | Cancer Cause and Prevention Research | | | $ 306,863.43 | | |
| | | Emory University | A24297 | 3,180.95 | | |
| | | Emory University | A52007 | 28,506.99 | | |
| | | University of Connecticut & Health Center | UCHC7-105937291-A1 | 80,673.00 | | |
| | | University of Pennsylvania | 1-R56-ES-030218-01 | 22,240.23 | | |
| | | University of Utah | 10044693-01 | 117,035.62 | | |
| | | University of Utah | 10045740-02 | 113,458.21 | | |
| | | University of Virginia | CA-193245-05 | 171,794.75 | | |
| | | Vanderbilt University | 1R01CA240093-01 | 12,519.76 | | |
| | | Washington University in St. Louis | CA-211939-02 | 3,222.44 | | |
| | | Washington University in St. Louis | WU-18-83-MOD-2 | 135,583.50 | | |
| | | | | | 995,078.88 | 23,577.29 |
| 93.394 | Cancer Detection and Diagnosis Research | | | $ (37,820.08) | | |
| | | Beckman Research Institute of the City of Hope | 52422.2001475.669302 | 108,829.56 | | |
| | | Beckman Research Institute of the City of Hope | CA-189283 03 | (8,164.50) | | |
| | | Fred Hutchinson Cancer Research Center | 989354 | 21,205.85 | | |
| | | Research Foundation for the State University of New York | 82178/1148547/2 | 30,520.43 | | |
| | | Rutgers, the State University of New Jersey | SUBAWARD 0370 | 224.77 | | |
| | | The University of North Carolina at Chapel Hill | 5111245 | 5,524.69 | | |
| | | The University of North Carolina at Chapel Hill | 5115169 | 104,457.14 | | |
| | | | | | 224,777.86 | - |
| 93.395 | Cancer Treatment Research | | | $ 1,687,460.90 | | |
| | | NRG Oncology Foundation, Inc | NRG-HAYES-GY6 | 1,026.00 | | |
| | | Southwest Oncology Group | U10CA037429 | 20,700.00 | | |
| | | St. Jude Children's Research Hospital | 110068201-7815256 | 34,172.81 | | |
| | | St. Jude Children's Research Hospital | PBTC-51 | 3,977.87 | | |
| | | Tufts Medical Center | 5015650-SERV | 17,874.57 | | |
| | | University of Michigan | SUBK00008228 | 59,093.26 | | |
| | | University of North Carolina | 5112218 | 11,542.81 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|---|
| | | The University of North Carolina at Chapel Hill | 5111245 | | 15,272.09 | | |
| | | The University of North Carolina at Chapel Hill | 5113654 | | 157,250.20 | | |
| | | The University of North Carolina at Chapel Hill | 5117097 | | 57,780.17 | | |
| | | | | | | 2,066,150.68 | 173,466.46 |
| 93.396 | Cancer Biology Research | | | $ | 228,611.83 | | |
| | | University of Minnesota, Twin Cities | P0044798801 | | 24,321.67 | | |
| | | University of Minnesota, Twin Cities | PO04798801 | | 1,753.84 | | |
| | | University of North Carolina | 5108968 | | 21,616.02 | | |
| | | | | | | 276,303.36 | - |
| 93.397 | Cancer Centers Support Grants | | | | | 716,493.33 | - |
| 93.398 | Cancer Research Manpower | Meharry Medical College | R25CA214220 | | | 5,664.40 | - |
| 93.837 | Cardiovascular Diseases Research | | | $ | 5,283,124.05 | | |
| | | Temple University | 260339-UTK AMEND 2 | | 33,562.18 | | |
| | | The University of Alabama at Birmingham | HL-120338 | | 7,925.13 | | |
| | | University of California, San Diego | 127959899 | | 4,144.45 | | |
| | | University of California, San Francisco | 9322SC | | 35,840.06 | | |
| | | University of Pittsburgh | 41597 | | 13,752.76 | | |
| | | University of Virginia | DA 037273-03 | | 2,515.65 | | |
| | | University of Virginia | GB10481.PO#2218570 | | 171,059.81 | | |
| | | Vanderbilt University Medical Center | HL-132338-04 | | 106,975.03 | | |
| | | Vanderbilt University Medical Center | R01 HL-132338.03 | | 174,703.50 | | |
| | | Vanderbilt University Medical Center | VUMC 62247 | | (6,743.98) | | |
| | | Yale University | R01 HL 125918 | | 192.02 | | |
| | | | | | | 5,827,050.66 | 137,808.81 |
| 93.838 | Lung Diseases Research | | | $ | 867,788.44 | | |
| | | La Jolla Institute for Allergy and Immunology | 26607-08-153-404 | | 9,407.32 | | |
| | | Seattle Children's Hospital | 1U01 HL 114623-01 | | (41,937.16) | | |
| | | | | | | 835,258.60 | 432,779.61 |
| 93.839 | Blood Diseases and Resources Research | | | $ | 288,321.37 | | |
| | | St. Jude Children's Research Hospital | 112246030-7829530 | | 0.01 | | |
| | | St. Jude Children's Research Hospital | 112246040-7891416 | | 149,894.76 | | |
| | | Washington University in St Louis | WU-16-272-MOD-21 | | 3,799.20 | | |
| | | | | | | 442,015.34 | 149,742.99 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.846 | Arthritis, Musculoskeletal and Skin Diseases Research | | | $ 2,706,305.74 | | |
| | | University of Vermont | AR-065826-03 | 10,064.22 | | |
| | | Wayne State University | HHSN275201300006C | 20,895.95 | | |
| | | | | | 2,737,265.91 | 202,281.60 |
| 93.847 | Diabetes, Digestive, and Kidney Diseases Extramural Research | | | $ 6,472,636.40 | | |
| | | Case Western Reserve University | RES513283 | (35,900.06) | | |
| | | Case Western Reserve University | RES514450 | 170,396.08 | | |
| | | Children's Hospital Research Foundation | 138511 | 11,924.08 | | |
| | | Icahn School of Medicine at Mount Sinai | 0255-3301-4609 | 69,255.70 | | |
| | | Icahn School of Medicine at Mount Sinai | 0255-A671-4609 | 0.01 | | |
| | | Jackson Laboratory | 210260-0519-03 | 33,972.71 | | |
| | | Johns Hopkins University | 2004091297 | 20,660.18 | | |
| | | Rutgers, the State University of New Jersey | 278 | 115,863.95 | | |
| | | Texas A&M University | M2000377 | 24,333.98 | | |
| | | The University of Alabama at Birmingham | 000504038-001 | 1,947.90 | | |
| | | The University of Alabama at Birmingham | 000518524-001 | 14,108.35 | | |
| | | The University of Alabama at Birmingham | 000518524-002 | 124,114.95 | | |
| | | The University of Alabama at Birmingham | 102425 | 60.01 | | |
| | | The University of Texas at Austin | UTA19-000909 | 19,990.60 | | |
| | | University of Miami | SPC-000964 | 8,078.96 | | |
| | | University of Miami | SPC-001119 | 49,029.14 | | |
| | | University of Pennsylvania | 570169 | 3,776.71 | | |
| | | University of Pennsylvania | FD 574470-RES 36186 | 77.82 | | |
| | | University of South Carolina | 16-2994 | 5,014.73 | | |
| | | University of South Florida | HHSN267200800019C | 325.45 | | |
| | | | | | 7,109,667.65 | 1,069,352.48 |
| 93.853 | Extramural Research Programs in the Neurosciences and Neurological Disorders | | | $ 3,677,758.27 | | |
| | | Childrens Hospital Medical Systems | 137754 | 2,648.86 | | |
| | | Emory University | A244765 | 4,522.00 | | |
| | | Emory University | A289301 | 68,554.00 | | |
| | | Emory University | NS065701 | 747.70 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|---|
| | | The Feinstein Institutes of Medical Research | 500818-UTK | | 19,274.75 | | |
| | | | | | | 3,773,505.58 | 212,099.23 |
| 93.855 | Allergy and Infectious Diseases Research | | | $ | 11,967,315.88 | | |
| | | Colorado State University | G-45858-1 | | 114,828.54 | | |
| | | La Jolla Institute for Allergy and Immunology | 21448-04-153-404 | | 18,468.33 | | |
| | | Louisiana State University | PO-0000071752 | | 22,873.24 | | |
| | | Louisiana State University Health Science Center | SOD-16-136-006 | | (7,235.81) | | |
| | | Miriam Hospital | 7147108RLD | | 65,052.93 | | |
| | | New York University | F8802-13 S | | (4,668.26) | | |
| | | St. Jude Children's Research Hospital | 111663080-7923068 | | 22,529.97 | | |
| | | St. Jude Children's Research Hospital | 112021050-7828744 | | (0.02) | | |
| | | Tulane University | TUL-HSC-557438-19/20 | | 62,161.04 | | |
| | | University of California, San Diego | 97922508 | | 18,372.11 | | |
| | | University of California, San Diego | 97922508(S9001916) | | 26,732.12 | | |
| | | University of California, San Francisco | 10494SC | | 1,978.95 | | |
| | | University of Louisville | ULRF 15-0382-01 | | 96,177.61 | | |
| | | University of New Mexico | 3RX98 | | 6,996.32 | | |
| | | The University of North Carolina at Chapel Hill | 5111677 | | 74,324.08 | | |
| | | University of Oklahoma | SUBCONTRACT# 2015-13 | | 9,105.18 | | |
| | | Vanderbilt University | VUMC75983 | | 17,028.61 | | |
| | | | | | | 12,512,040.82 | 2,932,622.16 |
| 93.856 | Microbiology and Infectious Diseases Research | The University of Iowa | S00943-01 | $ | 270,360.16 | | |
| | | University of Mississippi | EY022020 | | (1,488.53) | | |
| | | | | | | 268,871.63 | - |
| 93.859 | Biomedical Research and Research Training | | | $ | 4,912,625.78 | | |
| | | California Institute of Technology | S400678 | | 172,909.01 | | |
| | | Jackson Laboratory | GM 07683-12 | | (14,478.83) | | |
| | | Memorial Sloan-Kettering Institute for Cancer Research | SUBAWARD BD521943B | | 62,671.25 | | |
| | | North Carolina State University | 2015-2097-02 AMEND 5 | | 2,079.20 | | |
| | | Oregon Health & Science University | 1014217_TN | | 23,477.73 | | |
| | | University of Nebraska Medical Center | 34-5301-2081 | | 26,054.21 | | |
| | | University of Nebraska Medical Center | 34-5301-2081-001 | | 13,431.24 | | |
| | | University of Pittsburgh | 0040632 (124394-2) | | 8,532.45 | | |
| | | Yale University | GR105886CON-80001759 | | 16,583.56 | | |
| | | | | | | 5,223,885.60 | 351,818.08 |

| 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 | | | $ | 1,517,224.10 | | |
| | | Illinois State University | A17-0146-S001 | | 25,857.61 | | |
| | | Kent State University | 403049-UMEM | | 9,980.39 | | |
| | | Northwestern University | 60047828 TENN | | 110,053.30 | | |
| | | University of Notre Dame | 203700UM | | 90,096.83 | | |
| | | Vanderbilt University Medical Center | VUMC 53269 | | 10,148.50 | | |
| | | Vanderbilt University Medical Center | VUMC64370 | | 63,185.38 | | |
| | | Vanderbilt University Medical Center | W81XWH-15-1-0259-02 | | 42,261.80 | | |
| | | Virginia Commonwealth University | FP00008136 SA001 | | 17,979.91 | | |
| | | Virginia Commonwealth University | FP00008924 SA001 | | 33,986.96 | | |
| | | | | | | 1,920,774.78 | 223,880.17 |
| 93.866 | Aging Research | | | $ | 3,981,754.71 | | |
| | | Hebrew Rehabilitation Center | 90083 | | 304,960.20 | | |
| | | Hennepin Healthcare Research Institute | 15156-22-01FFS | | 16,893.55 | | |
| | | Jackson Laboratory | 210262 | | (8.67) | | |
| | | Jackson Laboratory | 210262-0421-02 | | 18,184.23 | | |
| | | Minneapolis Medical Research Foundation | AG029824 | | 1,416.33 | | |
| | | University of Michigan | 3003764327 | | 15,146.45 | | |
| | | University of Michigan | AG-047178-04 | | (22.65) | | |
| | | University of Southern California | AG-054424-03 | | 69,148.21 | | |
| | | University of Southern California | RSGI-17-234-01 | | 8,006.32 | | |
| | | Wake Forest University | 100710-552702 | | 75,799.75 | | |
| | | Wake Forest University | 159-100710-552702 | | 18,791.81 | | |
| | | Wake Forest University | WFUHS 552702 | | (11,501.78) | | |
| | | | | | | 4,498,568.46 | 340,665.80 |
| 93.867 | Vision Research | | | $ | 3,021,647.73 | | |
| | | State University of New York | 77779/1138736 | | 37,271.66 | | |
| | | Texas A&M University Health Science Center | M2000375 | | 70,891.90 | | |
| | | | | | | 3,129,811.29 | 121,983.73 |
| 93.879 | Medical Library Assistance | University of Louisville | AI 118814-04 | $ | (6,361.42) | | |
| | | University of Maryland | 1600679 | | 5,775.00 | | |
| | | University of Maryland, College Park | 1600679 | | 14,871.52 | | |
| | | University of Maryland, College Park | Unknown | | 463.58 | | |
| | | | | | | 14,748.68 | - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 93.989 | International Research and Research Training | Florida International University | 800007920/000066 | 41,980.06 | - |
| **Subtotal National Institutes of Health** | | | | $ 65,668,513.36 | $ 8,444,119.60 |
| **Substance Abuse and Mental Health Services Administration** | | | | | |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance | | | $ 7,378.58 | $ - |
| **Subtotal Substance Abuse and Mental Health Services Administration** | | | | $ 7,378.58 | $ - |
| **Other Programs** | | | | | |
| 93.RD | Substance Abuse and Mental Health Services Administration Communities Talk Program | | | $ 750.00 | $ - |
| 93.RD | NC DHHS Eval Lyme Northwest NC-Hickling | State of North Carolina | 38072 | 2,863.72 | - |
| 93.RD | NHBS MSM Cycle 2020 | Shelby County Government | CA 2020892 | 17,775.67 | - |
| 93.RD | Univ of Wsconsin, Milw 193405410 Stuart | University of Wisconsin, Milwaukee | 193405410 | 142,119.60 | - |
| 93.RD | Univ of Wsconsin, Milwaukee Stuart | University of Wisconsin, Milwaukee | 203405426 | 175,659.22 | - |
| 93.RD | VOC Monitoring in Karnes | Northeastern University | VOC Monitoring in Karnes | 1,137.68 | - |
| **Subtotal Other Programs** | | | | $ 340,305.89 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 68,205,551.09 | $ 8,623,835.10 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | | **Executive Office of the President** | | | |
| | | | **Other Programs** | | | |
| 95.007 | Research and Data Analysis | University of Baltimore | 8 | | $ 192,496.21 | $ 101,299.60 |
| **Subtotal Other Programs** | | | | | $ 192,496.21 | $ 101,299.60 |
| **Subtotal Executive Office of the President** | | | | | $ 192,496.21 | $ 101,299.60 |
| | | | **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 | | | | $ 1,437,143.17 | $ 1,216.94 |
| **Subtotal Domestic Nuclear Detection Office** | | | | | $ 1,437,143.17 | $ 1,216.94 |
| | | | **Federal Emergency Management Agency** | | | |
| 97.005 | State and Local Homeland Security National Training Program | | | $ 25,170.70 | | |
| | | Norwich University Applied Research Institutes | 2018-010 | 109,333.64 | | |
| | | The Center for Rural Development | EMW-2017-CA-0052-S01 | 85,562.82 | | |
| | | The Center for Rural Development | EMW-2018-CA-0075-S01 | 35,496.92 | | |
| | | University of Arkansas at Little Rock | 18002-3 | 94,594.33 | | |
| | | University of Texas at San Antonio | 1000001516 | 144,872.19 | | |
| | | | | | $ 495,030.60 | $ - |
| 97.044 | Assistance to Firefighters Grant | | | | 32,555.91 | - |
| **Subtotal Federal Emergency Management Agency** | | | | | $ 527,586.51 | $ - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **Science and Technology** | | | | | |
| 97.061 | Centers for Homeland Security | University of Illinois | 077083-17345 | | $ 69,538.29 | $ - |
| 97.062 | Scientific Leadership Awards | | | | 103,873.11 | - |
| 97.104 | Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program | | | | 6,010.03 | - |
| **Subtotal Science and Technology** | | | | | $ 179,421.43 | $ - |
| **Subtotal Department of Homeland Security** | | | | | $ 2,144,151.11 | $ 1,216.94 |
| | **Agency For International Development** | | | | | |
| | **Other Programs** | | | | | |
| 98.001 | USAID Foreign Assistance for Programs Overseas | | | $ 245,130.97 | | |
| | | Michigan State University | TO RC102095BHEARD | 25,360.86 | | |
| | | The Pennsylvania State University | 5587-UT-KSU-6056 | 26,941.28 | | |
| | | University of Florida | AID-OAA-L-15-00003 | 19,658.78 | | |
| | | | | | $ 317,091.89 | $ 122,613.23 |
| 98.004 | Non-Governmental Organization Strengthening (NGO) | Partner of the Americas | SG-2019-3 | | 14,773.19 | - |
| 98.RD | Gene Profile Sorghum/Biofuel | National Academy of Sciences | ESP-A-00-05-00001-00 | | 547.53 | - |
| **Subtotal Other Programs** | | | | | $ 332,412.61 | $ 122,613.23 |
| **Subtotal Agency For International Development** | | | | | $ 332,412.61 | $ 122,613.23 |
| **Total Research and Development Cluster** | | | | | $ 222,761,667.59 | $ 31,324,821.79 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| 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 | | | $ 9,213,853.41 | $ - |
| 84.033 | Federal Work-Study Program | | | 7,373,551.20 | - |
| 84.038 | Federal Perkins Loan Program_Federal Capital Contributions | | | 14,252,036.00 | - |
| 84.063 | Federal Pell Grant Program | | | 376,184,847.57 | - |
| 84.268 | Federal Direct Student Loans | | | 713,304,130.00 | - |
| 84.379 | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | | | 417,257.50 | - |
| 84.408 | Postsecondary Education Scholarships for Veteran's Dependents | | | 17,430.91 | - |
| **Subtotal Department of Education** | | | | $ 1,120,763,106.59 | $ - |
| **Department of Health and Human Services** | | | | | |
| 93.264 | Nurse Faculty Loan Program | | | $ 1,168,788.77 | $ - |
| 93.342 | Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | | | 690,630.91 | - |
| 93.364 | Nursing Student Loans | | | 34,239.49 | - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 1,893,659.17 | $ - |
| **Total Student Financial Assistance Cluster** | | | | $ 1,122,656,765.76 | $ - |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| 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 | | | $ 1,255,184,558.69 | $ - |
| 10.551 | Supplemental Nutrition Assistance Program (COVID Relief Funds) | | | 177,589,926.07 | - |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | | | 85,685,039.38 | 2,115,847.07 |
| **Subtotal Department of Agriculture** | | | | $ 1,518,459,524.14 | $ 2,115,847.07 |
| **Total SNAP Cluster** | | | | $ 1,518,459,524.14 | $ 2,115,847.07 |
| | **Child Nutrition Cluster** | | | | |
| | **Department of Agriculture** | | | | |
| 10.553 | School Breakfast Program | | | $ 87,930,739.70 | $ 87,930,739.70 |
| 10.553 | School Breakfast Program (COVID Relief Funds) | | | 20,872,583.72 | 20,872,583.72 |
| 10.555 | National School Lunch Program | | | 216,233,789.14 | 216,233,789.14 |
| 10.555 | National School Lunch Program (Noncash) | | | 34,949,438.49 | 34,949,438.49 |
| 10.555 | National School Lunch Program (COVID Relief Funds) | | | 35,975,183.61 | 35,975,183.61 |
| 10.556 | Special Milk Program for Children | | | 5,369.72 | 5,369.72 |
| 10.559 | Summer Food Service Program for Children | | | 4,644,299.92 | 4,438,970.88 |
| 10.559 | Summer Food Service Program for Children (COVID Relief Funds) | | | 10,519,511.32 | 10,519,511.32 |
| **Subtotal Department of Agriculture** | | | | $ 411,130,915.62 | $ 410,925,586.58 |
| **Total Child Nutrition Cluster** | | | | $ 411,130,915.62 | $ 410,925,586.58 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| | **Food Distribution Cluster** | | | | |
| | **Department of Agriculture** | | | | |
| 10.565 | Commodity Supplemental Food Program | | | $ 843,798.14 | $ 824,207.23 |
| 10.565 | Commodity Supplemental Food Program (Noncash) | | | 2,553,131.29 | - |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | | | 1,124,466.74 | 1,054,992.43 |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) (COVID Relief Funds) | | | 5,041,443.52 | 5,041,443.52 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) (Noncash) | | | 12,908,993.10 | 12,908,993.10 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) (Noncash COVID Relief Funds) | | | 795,030.28 | 795,030.28 |
| **Subtotal Department of Agriculture** | | | | $ 23,266,863.07 | $ 20,624,666.56 |
| **Total Food Distribution Cluster** | | | | $ 23,266,863.07 | $ 20,624,666.56 |
| | **Forest Service Schools and Roads Cluster** | | | | |
| | **Department of Agriculture** | | | | |
| 10.665 | Schools and Roads - Grants to States | | | $ 924,355.15 | $ 924,355.15 |
| **Subtotal Department of Agriculture** | | | | $ 924,355.15 | $ 924,355.15 |
| **Total Forest Service Schools and Roads Cluster** | | | | $ 924,355.15 | $ 924,355.15 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| **Section 8 Project-Based Cluster** | | | | | |
| **Department of Housing and Urban Development** | | | | | |
| 14.195 | Section 8 Housing Assistance Payments Program | | | $ 203,336,408.13 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 203,336,408.13 | $ - |
| **Total Section 8 Project-Based Cluster** | | | | $ 203,336,408.13 | $ - |
| **CDBG - Entitlement Grants Cluster** | | | | | |
| **Department of Housing and Urban Development** | | | | | |
| 14.218 | Community Development Block Grants/Entitlement Grants | City of Knoxville Community Development Division | CDBG 2019-2020 | $ 9,939.21 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | $ 9,939.21 | $ - |
| **Total CDBG - Entitlement Grants Cluster** | | | | $ 9,939.21 | $ - |
| **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) | | | $ 114,595.89 | $ 114,595.89 |
| 14.272 | National Disaster Resilience Competition | | | 5,964,991.60 | 5,693,604.65 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 6,079,587.49 | $ 5,808,200.54 |
| **Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster** | | | | $ 6,079,587.49 | $ 5,808,200.54 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | **HOPE VI Cluster** | | | | | |
| | **Department of Housing and Urban Development** | | | | | |
| 14.889 | Choice Neighborhoods Implementation Grants | Memphis Housing Authority | South City Neighborhood Transformation Plan | | $ 5,177.76 | $ - |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 5,177.76 | $ - |
| **Total HOPE VI Cluster** | | | | | $ 5,177.76 | $ - |
| | **Housing Voucher Cluster** | | | | | |
| | **Department of Housing and Urban Development** | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | $ 45,721,409.95 | | |
| | | Other PHAs | TN903 | 513,443.68 | | |
| | | | | | $ 46,234,853.63 | $ - |
| 14.871 | Section 8 Housing Choice Vouchers (COVID Relief Funds) | | | | 167,584.79 | - |
| 14.879 | Mainstream Vouchers | | | | 350,095.00 | - |
| 14.879 | Mainstream Vouchers (COVID Relief Funds) | | | | 809.14 | - |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 46,753,342.56 | $ - |
| **Total Housing Voucher Cluster** | | | | | $ 46,753,342.56 | $ - |
| | **Fish and Wildlife Cluster** | | | | | |
| | **Department of the Interior** | | | | | |
| 15.605 | Sport Fish Restoration | | | | $ 7,593,072.53 | $ 7,593,072.53 |
| 15.611 | Wildlife Restoration and Basic Hunter Education | | | $ 23,154,828.13 | | |
| | | Arkansas Game and Fish Commission | Unknown | 37,499.46 | | |
| | | Commonwealth of Virginia | 2014-14942 | 0.68 | | |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| | | Georgia Natural Resources | Unknown | 162,565.80 | | |
| | | Nebraska Game and Parks Commission | W-117-T-1 | 45,000.03 | | |
| | | New Jersey Public Broadcasting Authority | 8510579 | (0.01) | | |
| | | Oklahoma Wildlife | F17AF01293 W-176-C-2 | 22,713.79 | | |
| | | South Carolina Natural Resources | Unknown | 51,999.48 | | |
| | | State of Kansas | Unknown | 65,811.27 | | |
| | | State of North Carolina | CA WM-0328 | 149,273.20 | | |
| | | State of North Carolina | WM-0322 | 68,413.21 | | |
| | | Texas Parks and Wildlife | 463245 | 75,000.00 | | |
| | | The Nature Conservancy | TNBU 09012019 A103153 | 35,000.00 | | |
| | | The State of Delaware | PO 0000415020 | 4,999.29 | | |
| | | | | | 23,873,104.33 | 21,935,958.02 |
| 15.626 | Enhanced Hunter Education and Safety | | | | 205,794.24 | 205,794.24 |
| **Subtotal Department of the Interior** | | | | | $ 31,671,971.10 | $ 29,734,824.79 |
| **Total Fish and Wildlife Cluster** | | | | | $ 31,671,971.10 | $ 29,734,824.79 |

**Employment Service Cluster**

**Department of Labor**

| CFDA | Program Name | | |
|---|---|---|---|
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | $ 10,586,413.61 | $ (5,609.61) |
| 17.801 | Jobs for Veterans State Grants | 4,119,168.44 | - |
| **Subtotal Department of Labor** | | $ 14,705,582.05 | $ (5,609.61) |
| **Total Employment Service Cluster** | | $ 14,705,582.05 | $ (5,609.61) |

**WIOA Cluster**

**Department of Labor**

| CFDA | Program Name | | |
|---|---|---|---|
| 17.258 | WIOA Adult Program | $ 13,035,975.63 | $ 12,155,219.99 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 17.259 | WIOA Youth Activities | | | $ 15,537,918.89 | | |
| | | Alliance for Business and Training | 12032 | 5,475.76 | | |
| | | | | | 15,543,394.65 | 14,424,892.71 |
| 17.278 | WIOA Dislocated Worker Formula Grants | | | $ 21,489,644.07 | | |
| | | Upper Cumberland Human Resource Agency | WORKFORCE INVESTMENT ACT - LOCAL | 43,016.23 | | |
| | | | | | 21,532,660.30 | 16,664,760.12 |
| **Subtotal Department of Labor** | | | | | $ 50,112,030.58 | $ 43,244,872.82 |
| **Total WIOA Cluster** | | | | | $ 50,112,030.58 | $ 43,244,872.82 |

**Highway Planning and Construction Cluster**

**Department of Transportation**

| CFDA | Program Name | | |
|---|---|---|---|
| 20.205 | Highway Planning and Construction | $ 1,065,199,751.56 | $ 82,666,130.11 |
| 20.219 | Recreational Trails Program | 1,524,833.47 | (232,881.45) |
| **Subtotal Department of Transportation** | | $ 1,066,724,585.03 | $ 82,433,248.66 |
| **Total Highway Planning and Construction Cluster** | | $ 1,066,724,585.03 | $ 82,433,248.66 |

**Federal Motor Carrier Safety Assistance Cluster**

**Department of Transportation**

| CFDA | Program Name | | |
|---|---|---|---|
| 20.218 | Motor Carrier Safety Assistance | $ 6,521,742.39 | $ - |
| 20.237 | Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements | 576,240.68 | - |
| **Subtotal Department of Transportation** | | $ 7,097,983.07 | $ - |
| **Total Highway Planning and Construction Cluster** | | $ 7,097,983.07 | $ - |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| | **Federal Transit Cluster** | | | | |
| | **Department of Transportation** | | | | |
| 20.500 | Federal Transit Capital Investment Grants | | | $ 65,793.65 | $ 65,793.65 |
| 20.526 | Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | | | 2,158,547.18 | 2,158,547.18 |
| **Subtotal Department of Transportation** | | | | $ 2,224,340.83 | $ 2,224,340.83 |
| **Total Federal Transit Cluster** | | | | $ 2,224,340.83 | $ 2,224,340.83 |
| | **Transit Services Programs Cluster** | | | | |
| | **Department of Transportation** | | | | |
| 20.513 | Enhanced Mobility of Seniors and Individuals with Disabilities | | | $ 3,647,575.26 | $ 3,588,526.40 |
| 20.516 | Job Access and Reverse Commute Program | | | (25,459.96) | (25,459.96) |
| 20.521 | New Freedom Program | | | 236,371.71 | 231,555.02 |
| **Subtotal Department of Transportation** | | | | $ 3,858,487.01 | $ 3,794,621.46 |
| **Total Transit Services Programs Cluster** | | | | $ 3,858,487.01 | $ 3,794,621.46 |
| | **Highway Safety Cluster** | | | | |
| | **Department of Transportation** | | | | |
| 20.600 | State and Community Highway Safety | | | $ 6,026,595.78 | $ 2,618,450.44 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 20.616 | National Priority Safety Programs | | | 4,942,502.16 | 660,571.31 |
| **Subtotal Department of Transportation** | | | | $ 10,969,097.94 | $ 3,279,021.75 |
| **Total Highway Safety Cluster** | | | | $ 10,969,097.94 | $ 3,279,021.75 |
| | **Clean Water State Revolving Fund Cluster** | | | | |
| | **Environmental Protection Agency** | | | | |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | | | $ 4,805,181.71 | $ - |
| **Subtotal Environmental Protection Agency** | | | | $ 4,805,181.71 | $ - |
| **Total Clean Water State Revolving Fund Cluster** | | | | $ 4,805,181.71 | $ - |
| | **Drinking Water State Revolving Fund Cluster** | | | | |
| | **Environmental Protection Agency** | | | | |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | | | $ 11,009,758.41 | $ - |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | University of Wisconsin, Madison | 429 | 3,000.07 | - |
| **Subtotal Environmental Protection Agency** | | | | $ 11,012,758.48 | $ - |
| **Total Drinking Water State Revolving Fund Cluster** | | | | $ 11,012,758.48 | $ - |
| | **Special Education Cluster (IDEA)** | | | | |
| | **Department of Education** | | | | |
| 84.027 | Special Education Grants to States | | | $ 236,057,912.06 | $ 224,162,462.20 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|
| 84.173 | Special Education Preschool Grants | | | 6,854,093.41 | 6,855,475.63 |
| **Subtotal Department of Education** | | | | $ 242,912,005.47 | $ 231,017,937.83 |
| **Total Special Education Cluster (IDEA)** | | | | $ 242,912,005.47 | $ 231,017,937.83 |
| | **TRIO Cluster** | | | | |
| | **Department of Education** | | | | |
| 84.042 | TRIO Student Support Services | | | $ 3,235,935.51 | $ - |
| 84.042 | TRIO Student Support Services | | | 257,337.56 | - |
| 84.044 | TRIO Talent Search | | | 804,870.48 | - |
| 84.047 | TRIO Upward Bound | | | 5,062,067.30 | - |
| 84.066 | TRIO Educational Opportunity Centers | | | 1,376,134.81 | - |
| 84.217 | TRIO McNair Post-Baccalaureate Achievement | | | 371,418.90 | - |
| **Subtotal Department of Education** | | | | $ 11,107,764.56 | $ - |
| **Total TRIO Cluster** | | | | $ 11,107,764.56 | $ - |
| | **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 | | | $ 7,057,608.22 | $ 7,057,608.22 |
| 93.045 | Special Programs for the Aging, Title III, Part C, Nutrition Services | | | 13,596,866.99 | 12,320,994.00 |
| 93.045 | Special Programs for the Aging, Title III, Part C, Nutrition Services (COVID Relief Funds) | | | 2,967,029.00 | 2,967,029.00 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.053 | Nutrition Services Incentive Program | | | | 1,619,207.00 | 1,619,207.00 |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 25,240,711.21 | $ 23,964,838.22 |
| **Total Aging Cluster** | | | | | $ 25,240,711.21 | $ 23,964,838.22 |
| **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) | | | | $ 7,371,786.23 | $ 377,884.58 |
| 93.224 | Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (COVID Relief Funds) | | | | 155,303.91 | - |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 7,527,090.14 | $ 377,884.58 |
| **Total Health Center Program Cluster** | | | | | $ 7,527,090.14 | $ 377,884.58 |
| **CCDF Cluster** | | | | | | |
| **Department of Health and Human Services** | | | | | | |
| 93.575 | Child Care and Development Block Grant | | | $ 133,054,976.13 | | |
| | | Signal Centers, Inc | CC&R FY2019 | 180,821.08 | | |
| | | Signal Centers, Inc | CC&R FY2020 | 569,372.66 | | |
| | | | | | $ 133,805,169.87 | $ 373,327.07 |
| 93.575 | Child Care and Development Block Grant (COVID Relief Funds) | | | | 56,590,551.36 | 29,074,467.49 |

| CFDA | Program Name | Passed Through From | Other Identifying Number | | Total Expenditures/Issues | Expenditures/Issues Passed Through To Subrecipients |
|---|---|---|---|---|---|---|
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | | | | 37,704,256.85 | - |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 228,099,978.08 | $ 29,447,794.56 |
| **Total CCDF Cluster** | | | | | $ 228,099,978.08 | $ 29,447,794.56 |
| | **Head Start Cluster** | | | | | |
| | **Department of Health and Human Services** | | | | | |
| 93.600 | Head Start | | | $ 3,489,486.11 | | |
| | | Porter-Leath Childrens Center | Porter-Leath | 465,881.30 | | |
| | | Shelby County Government | CA084475 | (13.26) | | |
| | | | | | $ 3,955,354.15 | $ 524,929.67 |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 3,955,354.15 | $ 524,929.67 |
| **Total Head Start Cluster** | | | | | $ 3,955,354.15 | $ 524,929.67 |
| | **Medicaid Cluster** | | | | | |
| | **Department of Health and Human Services** | | | | | |
| 93.775 | State Medicaid Fraud Control Units | | | | $ 5,408,367.05 | $ - |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | | | | 11,393,547.33 | - |
| 93.778 | Medical Assistance Program | | | $ 7,667,910,614.47 | | |
| | | Jackson Family Medicine | A02-1063-038 | 143,792.08 | | |
| | | St. Francis Family Practice | A02-1063-038 | 187,755.58 | | |
| | | | | | 7,668,242,162.13 | 17,208,331.52 |
| 93.778 | Medical Assistance Program (COVID Relief Funds) | | | | 332,006,696.75 | 570,623.20 |
| **Subtotal Department of Housing and Urban Development** | | | | | $ 8,017,050,773.26 | $ 17,778,954.72 |
| **Total Medicaid Cluster** | | | | | $ 8,017,050,773.26 | $ 17,778,954.72 |

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

| 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 | | | $ 46,957,771.58 | $ - |
| **Subtotal Social Security Administration** | | | | $ 46,957,771.58 | $ - |
| **Total Disability Insurance/SSI Cluster** | | | | $ 46,957,771.58 | $ - |
| **Grand Total** | | | | $ 19,932,536,336.85 | $ 1,954,867,859.70 |

## NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2020, 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, noncash 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, 2020. 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 $538,144,567.22 and $3,136,995,197.96, 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 | $ 14,252,036.00 |
| Nurse Faculty Loan Program (NFLP) | 93.264 | $ 1,168,788.77 |
| Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | $ 690,630.91 |
| Nursing Student Loans | 93.364 | $ 34,239.49 |

### 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.

## NOTE 6. NONCASH ASSISTANCE

The Schedule contains values for several programs that includes noncash assistance such as donated food commodities, surplus property, and supplies. The Food Stamp program is presented at the dollar value of food stamp electronic benefit transfers authorized and used by recipients. The commodities and vaccines distributed by state programs are presented at the federally assigned value. The surplus property program is presented at the estimated fair value of the property distributed. The fair value was estimated to be 23.34% of the property's original federal acquisition value. All other donated supplies were valued at fair market value at the time of receipt.

The total value of federal financial noncash assistance is $ 241,473,032.08 for fiscal year ended June 30, 2020. The table below shows federal financial noncash assistance by CFDA and description.

| CFDA | Program Name | Description of Assistance | Expenditures |
|---|---|---|---|
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash) | Food Commodities | $ 24,955,604.58 |
| 39.003 | Donation of Federal Surplus Personal Property (Noncash) | Surplus Property | $ 371,477.77 |
| 93.268 | Immunization Cooperative Agreements (Noncash) | Immunizations | $ 88,835,093.64 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash) | Medications | $ 4,198,400.00 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash COVID Relief) | Materials and Labor | $ 64,737,691.05 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash COVID Relief) | Medical Equipment and Supplies | $ 7,168,171.88 |
| 10.555 | National School Lunch Program (Noncash) | Food Commodities | $ 34,949,438.49 |

| | | | |
|---|---|---|---|
| 10.565 | Commodity Supplemental Food Program (Noncash) | Food Commodities | $ 2,553,131.29 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) (Noncash) | Food Commodities | $ 13,704,023.38 |