



Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

June 30, 2010

Report Number: A-04-09-03526

Ms. Virginia Trotter Betts
Commissioner
Tennessee Department of Mental Health and Developmental Disabilities
425 Fifth Avenue North
3rd Floor, Cordell Hull Building
Nashville, TN 37243

Dear Ms. Trotter Betts:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Tennessee's Substance Abuse Prevention and Treatment Block Grants for Federal Fiscal Years 2003 Through 2008*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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If you have any questions or comments about this report, please do not hesitate to call me, or contact John Drake, Audit Manager, at (404) 562-7755 or through email at John.Drake@oig.hhs.gov. Please refer to report number A-04-09-03526 in all correspondence.

Sincerely,

/Peter J. Barbera/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Dan Spears, CPA
Financial Advisory Services Officer
Division of Grants Management
Substance Abuse and Mental Health Services Administration
1 Choke Cherry Road, Suite 7-1091
Rockville, MD 20857

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TENNESSEE'S SUBSTANCE
ABUSE PREVENTION AND TREATMENT
BLOCK GRANTS FOR FEDERAL FISCAL
YEARS 2003 THROUGH 2008**



Daniel R. Levinson
Inspector General

June 2010
A-04-09-03526

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Substance Abuse and Mental Health Services Administration (SAMHSA) block grants are federally awarded funds allocated to establish and implement comprehensive programs for individuals with substance abuse or mental health issues. Pursuant to P.L. No.102-321, these grants provide funding to States for planning, carrying out, and evaluating activities to prevent and treat substance abuse and other related activities. The grants are awarded subject to certain requirements and restrictions, including the requirement that States maintain a certain level of State expenditures (referred to as maintenance of effort or MOE), and that expenditures fall within allotted parameters (referred to as earmarks). The Children's Health Act of 2000 (P.L. No. 106-310) amended the Public Health Service Act to allow the Secretary of Health & Human Services to waive MOE requirements in some circumstances.

States administer the Substance Abuse Prevention and Treatment (Substance Abuse) block grants subject to the restrictions imposed in the Public Health Service Act (42 USC § 300x) and implementing regulations found at 45 CFR part 96.

In Tennessee (State), the Department of Mental Health and Developmental Disabilities (State agency) administers the Substance Abuse block grant. However, prior to February 23, 2007, the Tennessee Department of Health (DOH) administered the grant. From February to June 2007, grant administration, including programmatic, fiscal, monitoring, and Federal reporting responsibilities were transferred from DOH to the State agency.

From October 1, 2003, through September 30, 2008, the State agency and DOH received about \$149 million in SAMHSA substance abuse grant awards. SAMHSA requested this audit as part of its grants oversight role.

OBJECTIVE

Our objective was to determine whether the State agency had adequate controls over the expenditure of its Substance Abuse block grant funds.

SUMMARY OF FINDINGS

The State agency's controls over the expenditure of its Substance Abuse block grant funds were not always adequate. Specifically, we noted four weaknesses in State agency policies and procedures involving: (1) Federal reporting, (2) subrecipient monitoring, (3) subrecipient expenditure approval, and (4) MOE and earmarking.

These weaknesses occurred because the State's Substance Abuse block grant program experienced significant changes in fiscal, programmatic, and reporting practices, as well as significant turnover in personnel, during our audit period.

These weaknesses resulted in the State agency not reporting grant expenditures accurately and timely and not following up and resolving subrecipient monitoring findings timely. These weaknesses could also have precluded the State agency from ensuring that subrecipient invoices were adequately reviewed prior to approval and that MOE and earmarking requirements were met.

RECOMMENDATIONS

We recommend that the State agency:

- revise and resubmit its Federal Financial Status Report for the grant period ended September 30, 2008,
- develop and implement improved procedures for preparing its annual Federal Financial Status Report accurately and timely,
- designate someone as the focal point for ensuring that adequate followup is performed on subrecipient responses to monitoring findings and corrective action plans,
- develop and implement written policies and procedures that clearly define the roles and responsibilities of accounting personnel during the review and approval of subrecipient invoices for reimbursement, and
- develop and implement written procedures that establish an ongoing monitoring role for someone familiar with the grant requirements for MOE and earmarks.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations and described its actions to address the weaknesses that we identified. The State agency's comments are included in their entirety as the Appendix.

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STATE AGENCY COMMENTS

INTRODUCTION

BACKGROUND

Substance Abuse Prevention and Treatment Block Grants

Substance Abuse and Mental Health Services Administration (SAMHSA) block grants are federally awarded funds allocated to establish and implement comprehensive programs for individuals with substance abuse or mental health issues. Pursuant to P.L. No. 102-321, these grants provide funding to States for planning, carrying out, and evaluating activities to prevent and treat substance abuse and other related activities. The grants are awarded subject to certain requirements and restrictions, including the requirements that States maintain a certain level of State expenditures (referred to as maintenance of effort or MOE) and that expenditures fall within allotted parameters (referred to as earmarks). The Children's Health Act of 2000 (P.L. No. 106-310) amended the Public Health Service Act to allow the Secretary of Health & Human Services to waive MOE requirements in some circumstances.

Substance Abuse Prevention and Treatment block grant (Substance Abuse) funds are allocated to the States according to a formula legislated by Congress. States may distribute these funds to cities, counties, or service providers within their jurisdictions based on need. Of the Substance Abuse funds appropriated to each State annually, Congress specified that each State will expend not less than 20 percent on programs for individuals who do not require treatment for substance abuse. These programs should (1) educate and counsel individuals about substance abuse and (2) provide for activities to reduce the risk of substance abuse. Congress established Substance Abuse block grant statutory set asides or earmarks targeting special populations, such as services for women, especially pregnant and postpartum women, their children, and, in certain States, for HIV screening.

States administer the Substance Abuse block grants subject to the restrictions imposed in the Public Health Service Act (42 U.S.C. § 300x) and implementing regulations found at 45 CFR part 96.

SAMHSA requested this audit as part of its grants oversight role.

Substance Abuse Prevention and Treatment Block Grant Administration in Tennessee

In Tennessee (State), the Department of Mental Health and Developmental Disabilities (State agency) administers the Substance Abuse block grant. However, prior to February 23, 2007, the Tennessee Department of Health (DOH) administered the grant. From February to June 2007, DOH transferred grant administration, including programmatic, fiscal, monitoring, and Federal reporting responsibilities, to the State agency.

From October 1, 2003, through September 30, 2008, the State agency and DOH received about \$149 million in SAMHSA Substance Abuse grant awards. The State agency and DOH expended

\$6 million (about 4 percent) of these funds for grant administration. The remainder of the funds was expended through contracts with subrecipients throughout the State.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency had adequate controls over the expenditure of its Substance Abuse block grant funds.

Scope

We reviewed the State agency's fiscal administration of its Substance Abuse grant award funds related to: (1) Federal reporting, (2) subrecipient monitoring, (3) the expenditure approval process, and (4) MOE and earmarking. Our review focused on policies and procedures in place after the State agency assumed control of grant administration in July, 2007. However, in some cases we reviewed policies and procedures in place prior to this date to obtain an understanding of DOH's fiscal administration of the grant.

We performed fieldwork at the State agency, DOH, and the Tennessee State Auditors offices in Nashville, Tennessee, from January through July 2009.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and guidance related to the administration of SAMHSA-funded Substance Abuse block grants;
- interviewed officials at the State agency and DOH to identify policies and procedures they used in administering the block grant, including their controls over the expenditure of grant funds;
- reviewed the State's Federal expenditure reports for the audit period and traced the reported amounts to the State's accounting records, including expenditure reports and supporting records maintained by the State agency and DOH;
- tested billings from subrecipients to verify that they were for allowed activities, adequately documented, and recorded in the appropriate period;
- analyzed State agency expenditures to verify that it met its required expenditure levels (MOE) and adhered to grant limitations (earmarking requirements); and
- reviewed State agency subrecipient monitoring procedures and reviewed a judgmental sample of 69 subrecipient monitoring reports.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency's controls over the expenditure of its Substance Abuse block grant funds were not always adequate. Specifically, we noted four weaknesses in State agency policies and procedures involving: (1) Federal reporting, (2) subrecipient monitoring, (3) subrecipient expenditure approval, and (4) MOE and earmarking.

These weaknesses occurred because the State's Substance Abuse block grant program experienced significant changes in fiscal, programmatic, and reporting practices, as well as significant turnover in personnel, during our audit period.

These weaknesses resulted in the State agency not reporting grant expenditures accurately and timely and not following up and resolving subrecipient monitoring findings timely. These weaknesses could also have precluded the State agency from ensuring that subrecipient invoices were adequately reviewed prior to approval and that MOE and earmarking requirements were met.

FEDERAL REPORTING

Federal Requirements

Block grant recipients are required to submit complete financial data annually. Pursuant to 45 CFR § 96.134(d) the Secretary of Health & Human Services may make a block grant for a fiscal year only if:

...the State involved submits to the Secretary information sufficient for the Secretary to make the determination required in paragraph (a) of this section, which includes the dollar amount reflecting the aggregate State expenditures by the principal agency for authorized activities for the two State fiscal years preceding the fiscal year for which the State is applying for the grant. The base shall be calculated using Generally Accepted Accounting Principles and the composition of the base shall be applied consistently from year to year.

Pursuant to 45 CFR § 96.30(b)(4), grantees are required to submit grant financial information on Office of Management and Budget (OMB) Standard Form (SF) 269A, Financial Status Report. Grantees are to provide the requested information within 90 days of the close of the applicable statutory grant periods. Instructions for this form include the following:

- Line 10 – Transactions: The purpose of columns I, II, and III is to show the effect of this reporting period’s transactions on cumulative financial status. The amounts entered in column I will normally be the same as those in column III of the previous report in the same funding period. If this is the first or only report of the funding period, leave columns I and II blank. If you need to adjust amounts entered on previous reports, footnote the column I entry on this report and attach an explanation....
- Line 10a – Total outlays: Enter total program outlays less any rebates, refunds, or other credits. For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct costs for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received....
- Line 10b – Recipient share of outlays: “Self-explanatory.”

State Agency’s and Department of Health’s Federal Reporting

The Federal Financial Status Reports (SF 269s) that DOH prepared for four grant periods ending September 30, 2007, were consistent and adequately supported. However, the SF 269 that the State agency prepared for the grant period ending September 30, 2008, was not accurate or filed timely. Specifically:

- The State agency did not report total outlays on line 10a as required, but instead reported only Federal expenditures on that line. As a result, total outlays were understated by \$15,955,848.
- On line 10b, “Recipient share of outlays,” the State agency listed \$0, rather than listing the amount of State expenditures of \$15,955,848, as the SF 269 instructions required.
- The SF 269 was signed January 26, 2009, more than 26 days past due and one day before the OIG entrance conference for this audit.

These reporting deficiencies primarily resulted from the State agency being new to the administration of the grant and not having policies and procedure in place governing filing of the SF 269 for the block grant.

Inconsistent reporting of expenditures makes SAMHSA’s program monitoring difficult and raises questions regarding how the State agency compiled the underlying numbers.

State agency officials said that they were willing to modify the 2008 SF 269 to be consistent with the reporting methodology used in previous years and would ensure timely filing in the future.

SUBRECIPIENT MONITORING

Federal and State Requirements

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D, Section 400, states:

A pass-through entity shall ... [m]onitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The Tennessee Department of Finance and Administration oversees statewide compliance with the requirements of OMB Circular A-133, and has developed a manual detailing requirement of the subrecipient monitoring process. Tennessee's *Statewide Subrecipient Contract Monitoring Manual* states:

For the purposes of this plan, "monitoring" is defined as the review process used to determine a subrecipient's compliance with the requirements of a state and/or federal program, applicable laws and regulations, and stated results and outcomes.... Monitoring should result in the identification of areas of non-compliance with the expectation that corrective action will be taken to ensure compliance.

The Tennessee Department of Finance and Administration delegated responsibility for individual, program-specific monitoring, including subrecipient oversight, to the State agency.

State Agency Oversight of Subrecipients

The State agency had procedures in place to ensure that it routinely monitored subrecipients and it had a sufficient number of qualified personnel to conduct effective oversight of subrecipients. In addition, State agency personnel used a detailed monitoring guide in performing both program and fiscal reviews of subrecipients, which was sufficient to determine a subrecipient met grant requirements.

However, the State agency did not have clearly defined followup or resolution procedures for its subrecipient monitoring reports. For 60 of the 69 subrecipient monitoring reports reviewed for fiscal years 2007 and 2008, we found no deficiencies. However, for the remaining 9 reports, we found that:

- 4 reports contained findings for which we could find no evidence of any subrecipient response,

- 3 reports contained findings that the subrecipients responded to from 242 to 374 days after the reports were issued, and
- 2 reports contained findings that the State agency did not fully resolve because the subrecipients did not respond to the State agency's request for additional information.

The deficiency in following up on subrecipient monitoring reports occurred primarily because the State agency had not assigned to anyone the responsibility for following up on subrecipient corrective action plans.

SUBRECIPIENT EXPENDITURE APPROVAL

Federal Requirements

Strong fiscal controls and accounting procedures, including requirements for support documentation before expenditure approval, minimize the possibility that grant funds will be used for unallowable activities. Fiscal controls and accounting procedures are governed by 45 CFR § 96.30(a), which states in part, "Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant."

In addition, 45 CFR § 96.135, governing restrictions on expenditures of grant funds, states:

- (a) The State shall not expend the Block Grant on the following activities:
 - (1) To provide inpatient hospital services...;
 - (2) To make cash payments to intended recipients of health services;
 - (3) To purchase or improve land, purchase, construct, or permanently improve (other than minor remodeling) any building or other facility, or purchase major medical equipment;
 - (4) To satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds;
 - (5) To provide financial assistance to any entity other than a public or nonprofit private entity; or
 - (6) To provide individuals with hypodermic needles or syringes so that such individuals may use illegal drugs....

State Agency Procedures for Approving Subrecipient Expenditures

The State agency followed established uniform reporting requirements for all subrecipients as required in Tennessee's *Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies* - Policy Statement 03. This internal policy defines basic kinds of costs, acceptable costs, and the customary allocation methods to be used.

However, the State agency did not have current, written procedures that described the subrecipient expenditure review process or that delineated individual roles and responsibilities. As a result, State agency personnel responsible for processing subrecipient invoices for reimbursement did not always review the invoices and supporting documents for unallowable costs, and, in some cases, were not sure of the scope of their responsibilities.

Although we did not identify any unallowable expenses, the State agency could improve its procedures for reviewing subrecipient invoices by having current written policies and procedures for reviewing subrecipient invoices.

The State agency noted that this concern would be partially addressed when it implemented a new statewide accounting system and a new electronic payment system for vendors after our audit period. Staff were undergoing training, and new procedures were being drafted that would apply to the new systems.

MAINTENANCE OF EFFORT AND EARMARKING

Federal Requirements

Substance Abuse block grant MOE requirements are contained in 45 CFR part 96:

- States are required to maintain an aggregate level of expenditures at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant. The Block Grant shall not be used to supplant State funding of alcohol and other drug prevention and treatment programs (45 CFR § 96.134(a)).
- States are also required to maintain non-Federal expenditures for tuberculosis (TB) services at an amount that is not less than the average level of such expenditures maintained by the State for the 2-year period preceding the first fiscal year for which the State is applying for the grant. In making this determination States shall establish a reasonable funding base for fiscal year 1993 and consistently apply the base from year to year (45 CFR § 96.127(c)).
- States are also required to maintain non-Federal expenditures for HIV services at an amount that is not less than the average level of such expenditures maintained by the State for the 2-year period preceding the first fiscal year for which the State is applying for the grant. In making this determination States shall establish a reasonable funding

base for fiscal year 1993 and consistently apply the base from year to year (45 CFR § 96.128(f)).

- States are also required to maintain expenditures at not less than the calculated fiscal year 1994 base amount for substance abuse treatment services for pregnant women and women with dependent children (45 CFR § 96.124(c)(3)).

Substance Abuse block grant earmarking requirements are contained in 45 CFR § 96 and 42 U.S.C. § 300x:

- The State agency cannot expend less than 20 percent of the grant for primary prevention programs (45 CFR § 96.124(b)(1)).
- The State agency cannot expend more than 5 percent of the grant to pay the costs of administering the grant (45 CFR § 96.135(b)(1)).
- Designated States¹ shall expend not less than 2 percent and not more than 5 percent of their grants on HIV intervention services (42 U.S.C. § 300x-24(b)(4)(B)).

State Agency Procedures for Monitoring Maintenance of Effort and Earmarking Requirements

The State agency relied on its budgeting process to ensure that grant MOE and earmarking requirements were met. Subrecipient contracts were negotiated, and corresponding cost categories established, so that grant funds would be expended in the coming year in areas necessary to comply with grant MOE and earmarking requirements. This procedure provided for compliance with MOE and earmarking requirements on a prospective budgeted basis. In addition, the State agency generally met its aggregate MOE and earmarking requirements in fiscal years 2005 – 2008.²

However, the State agency did not have written procedures in place for ensuring that MOE and earmarking requirements were continuously evaluated throughout the year, in the event that grant amounts changed during the year or a particular subrecipient in a given earmarking category missed budgeted expectations. The State agency also had not assigned anyone the responsibility for ensuring that earmarking and MOE requirements were met.

State agency officials agreed that better written procedures were needed.

¹ Tennessee is a designated State.

² The State agency did not have documentation that would have enabled us to verify its 1994 base amount calculations for substance abuse treatment services for pregnant women, but, nevertheless, it met the MOE requirement based on the unaudited 1994 figures it provided. In addition, we were unable to determine whether the State agency met its MOE requirements for HIV because it had not established a base pursuant to 45 CFR § 96.128(f).

RECOMMENDATIONS

We recommend that the State agency:

- revise and resubmit its Federal Financial Status Report for the grant period ended September 30, 2008,
- develop and implement improved procedures for preparing its annual Federal Financial Status Report accurately and timely,
- designate someone as the focal point for ensuring that adequate followup is performed on subrecipient responses to monitoring findings and corrective action plans,
- develop and implement written policies and procedures that clearly define the roles and responsibilities of accounting personnel during the review and approval of subrecipient invoices for reimbursement, and
- develop and implement written procedures that establish an ongoing monitoring role for someone familiar with the grant requirements for MOE and earmarks.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations and described its actions to address the weaknesses that we identified. The State agency's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS



**STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES**
CORDELL HULL BUILDING, THIRD FLOOR
425 FIFTH AVENUE, NORTH
NASHVILLE, TENNESSEE 37243

PHIL BREDESEN
GOVERNOR

VIRGINIA TROTTER BETTS, MSN, JD, RN, FAAN
COMMISSIONER

June 09, 2010

Report Number: A-04-09-03526

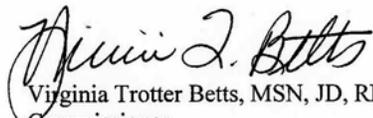
Mr. Peter J. Barbera
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3141
Atlanta, GA 30303

Dear Mr. Barbera:

Enclosed is the State of Tennessee, Department of Mental Health and Developmental Disabilities written comments in response to the draft report entitled *Review of Tennessee's Substance Abuse Prevention and Treatment Block Grants for Federal Fiscal Years 2003 Through 2008*. Attached are statements of concurrence and correction action plans for each of your five (5) recommendations.

You may contact Robert Martin, MHDD Fiscal Director, if additional information is needed at Robert.Martin@tn.gov.

Sincerely,


Virginia Trotter Betts, MSN, JD, RN, FAAN
Commissioner

Cc: Bob Grunow, Deputy Commissioner
Bruce Emery, Assistant Commissioner
Robert Martin, Director of Fiscal Services

Department of Mental Health and Developmental Disabilities
Report Number: A-04-09-03526

Summary of Findings:

The State agency's controls over the expenditure of its Substance Abuse block grant funds were not always adequate. Specifically, we noted four weaknesses in State agency policies and procedures involving: (1) Federal reporting, (2) Subrecipient Monitoring, (3) Subrecipient expenditure approval, and (4) MOE and earmarking.

Management's Comments:

Weakness #1. – Federal Reporting

Recommendation:

Revise and Resubmit the Federal Financial Status Report for the grant period ended September 30, 2008.

We concur. The Financial Status Report (SF-269) for the period ending September 30, 2008 will be revised and re-submitted.

Recommendation:

Develop and implement procedures for preparing its annual Federal Financial Status Report accurately and timely.

We concur. The MHDD Assistant Director of Fiscal Services and the Program Development Director will review all expenditures paid during the reporting period to ensure that both Federal and State expenditures are included on the Financial Status Report (SF-269). The review will be completed in a timely manner to allow sufficient time to prepare, review, and submit the SF-269 by the due date. Prior to submission of the SF-269, a final review will be performed to ensure the accuracy of the report.

Designated staff is attending a Grant Training session that will provide an in-depth knowledge of the use of our new computer software (Grant Module) that will allow us to run queries and other detailed expenditure reports. These reports will provide accurate data that will be used in preparing the Financial Status Report accurately and timely.

Additional staff will be cross-trained on preparing the Federal Financial Status Report. The MHDD Assistant Director of Fiscal Services and the Program Development Director will monitor preparation of the SF-269 to ensure its accuracy and timeliness of submission.

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Weakness #2 – Subrecipient Monitoring

Recommendation:

Designate someone as the focal point for ensuring that adequate follow-up is performed on subrecipient responses to monitoring findings and corrective action plans.

We concur. The MHDD Practice Improvement Director (Program) and the Accounting Manager (Fiscal Services) have been designated as focal points for ensuring that adequate follow-up is performed on subrecipient responses to monitoring findings and corrective action plans. When a subrecipient is monitored by Fiscal Services or Program Services, the agency can receive one of three monitoring results. No findings, no findings with recommendations, and findings that result in recommended corrective action(s). When a finding is issued, a written corrective action plan must be received in MHDD's office within thirty (30) days of the issuance of the report. This plan is then reviewed and after a thorough evaluation of the corrective action plan is completed, a decision is made by MHDD to either accept or deny the proposed plan. A letter is issued by the State agency to the Executive Director of the subrecipient notifying them of acceptance or denial of the plan. The implementation of the plan is then reviewed upon the next scheduled visit to the agency.

Weakness #3 – Subrecipient Expenditure Approval

Recommendation:

Develop and implement written procedures that clearly define the roles and responsibilities of accounting personnel during the review and approval of subrecipient invoices for reimbursement.

We concur. Written policies and procedures clearly defining the roles and responsibilities of accounting personnel during the review and approval of subrecipient invoices for reimbursement were not in place at the time of the field review.

Written policies and procedures have been completed and implemented that address the weakness as noted in the report. All invoices presented for payment from the Substance Abuse block grant will be reviewed by the Coordinator of Block Grant Services, Prevention Specialists, and the Program Development Director to ensure that all expenditures are for allowable costs and do not exceed budget authority. Upon completion of the review by the Program Staff, the invoices will be forwarded to the Fiscal Services section for further review by the Accounting Manager and the Accountant III prior to further processing of the payment.

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Weakness #4 – MOE and Earmarking

Recommendation:

Develop and implement written procedures that establish an ongoing monitoring role for someone familiar with the grant requirements for MOE and earmarking.

We concur. Written procedures have been established by the Program Development Director for the SAPT block grant that will ensure ongoing monitoring of the MOE and earmarking as defined in the grant requirements. A report is being created within the new software that divides out expenditures by program code. These reports will furnish the director with the data needed to monitor the MOE and earmarking on a monthly basis. This process will ensure that the State agency will meet the grant requirements by allowing them to make changes more timely in the event that grant amounts change during the year or if a particular subrecipient in a given earmarking category missed budgeted expectations