Tennessee State Government

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021



Bill Lee, Governor

Tennessee Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021

BILL LEE, Governor



DEPARTMENT OF FINANCE AND ADMINISTRATION
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STATE OF TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal	2
Organization Chart	12
Certificate of Achievement for Excellence in Financial Reporting	13
FINANCIAL SECTION	
Auditor's Report	16
Management's Discussion and Analysis	19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	33
Statement of Activities	34
Fund Financial Statements:	
Balance Sheet - Governmental Funds	38
Statement of Revenues, Expenditures, and Changes in Fund Balances − Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
Statement of Net Position −Proprietary Funds	44
Statement of Revenues, Expenses, and Changes in Fund Net Position− Proprietary Funds	45
Statement of Cash Flows−Proprietary Funds	46
Statement of Fiduciary Net Position−Fiduciary Funds	50
Statement of Changes in Fiduciary Net Position−Fiduciary Funds	51
Index for the Notes	53
Required Supplementary Information:	
Infrastructure Assets Reported Using the Modified Approach	134
Other Postemployment Benefits Schedule of Changes in the Net/Total OPEB Liability and Related Ratios	135
Schedule of Contributions	138
Other Postemployment Benefits Schedule of the State's Proportionate Share of the Collective Total OPEB Liability	139
Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Closed State and Higher Education Employee Pension Plan of TCRS	140
Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios Based on Participation in the State and Higher Education Employee Retirement Plan of TCRS	141
Schedule of the State of Tennessee's Contributions Closed State and Higher Education Employee Pension Plan	142
Schedule of the State of Tennessee's Contributions State and Higher Education Employee Retirement Plan	142
Schedule of Changes in the Plan Net OPEB Liability and Related Ratios	144
Schedule of Employer Contributions to the State of Tennessee Postemployment Benefit Trust	145
Schedule of Investment Returns State of Tennessee Postemployment Benefits Trust	146

TABLE OF CONTENTS

	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balances−Budget and Actual–Major Governmental Funds	147
Note to RSI	149
Supplementary Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet−Nonmajor Governmental Funds−by Fund Type	154
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances−Nonmajor Governmental Funds−by Fund Type	155
Schedule of Revenues, Expenditures, and Changes in Fund Balances−Budget and Actual (Budgetary Basis)−Debt Service Fund	157
Nonmajor Special Revenue Funds:	
Combining Balance Sheet−Nonmajor Special Revenue Funds	160
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances−Nonmajor Special Revenue Funds	164
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis)−All Nonmajor Budgeted Special Revenue Funds	168
Permanent Funds:	
Combining Balance Sheet−Permanent Funds	182
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances−Permanent Funds	183
Nonmajor Enterprise Funds:	
Combining Statement of Net Position−Nonmajor Enterprise Funds	186
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position−Nonmajor Enterprise Funds	188
Combining Statement of Cash Flows−Nonmajor Enterprise Funds	190
Internal Service Funds:	
Combining Statement of Net Position−Internal Service Funds	194
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position−Internal Service Funds	196
Combining Statement of Cash Flows−Internal Service Funds	198
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position−Pension and Other Employee Benefit Trust Funds	202
Combining Statement of Changes in Fiduciary Net Position−Pension and Other Employee Benefit Trust Funds	204
Combining Statement of Fiduciary Net Position−Investment Trust Funds	206
Combining Statement of Changes in Fiduciary Net Position−Investment Trust Funds	207
Combining Statement of Fiduciary Net Position−Private-Purpose Trust Funds	208
Combining Statement of Changes in Fiduciary Net Position−Private-Purpose Trust Funds	209
Combining Statement of Fiduciary Net Position−Custodial Funds	210
Combining Statement of Changes in Fiduciary Net Position−Custodial Funds	212

STATE OF TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

		Page
Component Units:		
Combining Statement of Net Position−Component Units		216
Combining Statement of Activities−Component Units		218
Combining Statement of Revenues, Expenses, and Changes in Net Position−Proprietary Fund Type Component Units		220
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances−Governmental Fund Type Component Units		223
SUPPLEMENTARY SCHEDULES	**Schedule**	**Page**
Debt Service Requirements to Maturity−General Obligation Bonds	1	225
Schedule of Outstanding Debt−All Fund Types	2	226
Schedule of General Obligation Commercial Paper Outstanding-By Purpose−All Fund Types	3	226
Schedule of Outstanding Debt−Component Units	4	227
General Fund Supplementary Schedules:		
Comparative Schedules of Revenues by Source−General Fund	5	228
Comparative Schedules of Expenditures by Function and Department−General Fund	6	229
STATISTICAL SECTION		
Index to Statistical Section		231
Financial Trends−Changes in Net Position	1	232
Financial Trends−Net Position By Component	2	234
Financial Trends−Fund Balances of Governmental Funds	3	235
Financial Trends−Changes in Fund Balances of Governmental Funds	4	236
Revenue Capacity−Taxable Sales By Classification	5	237
Revenue Capacity−Sales and Use Tax Rates	6	237
Revenue Capacity−Sales and Use Tax Collections By Taxpayer Classification	7	238
Debt Capacity−Ratios of Outstanding Debt By Type	8	239
Debt Capacity−Legal Debt Service Margin Information	9	240
Demographic and Economic Information	10	241
Demographic and Employment Information−Employment By Industry	11	242
Operating Information−Full Time Employees By Function	12	242
Operating Information−Capital Asset Statistics By Function	13	243
Operating Information−Operating Indicators	14	244
Schedule of Fees/Charges, Legislative Appropriations and Debt Service	15	245
Student Fees and Charges For Institutions With Tennessee State School Bond Authority Debt	16	249
Principal Amount of Debt Outstanding By Institution	17	249
National Federation of Municipal Analysts Recommended Disclosures for State Debt		250
Acknowledgments		255

INTRODUCTORY SECTION

Department of Finance & Administration

December 27, 2021

To the Citizens, Governor, and Members of the Legislature of the State of Tennessee

As part of its responsibility under Tennessee Code Annotated 4-3-1007 to maintain a system of general accounts embracing all the financial transactions of state government, the Department of Finance and Administration is pleased to submit to you the Annual Comprehensive Financial Report (ACFR) for the State of Tennessee's fiscal year ended June 30, 2021. Prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), the objective of this report is to present a clear picture of our government as a single comprehensive reporting entity.

Responsibility for both the accuracy of the data and the completeness and fairness of this report, including all disclosures, rests with the management of state government and this department. The data and information presented is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the state's financial activities have been included.

The aforementioned belief is based on a comprehensive framework of internal control that has been established by state government management to provide a reasonable basis for asserting Tennessee's financial statements are free of material misstatement. The concept of reasonable assurance recognizes that the cost of a system of internal and operational control should not exceed the benefits derived and recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

The State of Tennessee Comptroller of the Treasury, Department of Audit, considered by federal and state government to be independent auditors, has examined the accompanying financial statements, and issued an unmodified opinion. Their report is located at the front of the financial section of this report. We acknowledge the Department of Audit's staff for their many contributions to the preparation of this ACFR.

The audit of the financial statements of Tennessee is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The Single Audit Report for the state will be issued under separate cover and at a later date.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report in the financial section of this ACFR. Introducing the basic financial statements, MD&A furnishes an objective and easily readable analysis of the state's financial activities. This letter of transmittal is intended to complement the MD&A, and we therefore encourage you to read it in conjunction with this letter.

Profile of the State of Tennessee



Known as the state of country music, Memphis-style barbeque, and all things of natural beauty, Tennessee brings in thousands of new residents every year. With a current population of around 6.9 million people, Tennessee is considered the 16th most populous state in the country. Situated in the upper southeastern United States, the State of Tennessee stretches from the Appalachian Mountains of North Carolina all the way to the borders of the Mississippi River and shares borders with a total of eight neighboring states.

Tennessee is geographically, culturally, economically, and legally divided into three Grand Divisions: East Tennessee, Middle Tennessee, and West Tennessee. The Grand Divisions are legally recognized in the state constitution and state law and are represented on the flag of Tennessee by the flag's three prominent stars, with the blue circle around the stars representing the unity of these three grand divisions.

Tennessee became known as the "Volunteer State" during the War of 1812 due to the key role played by volunteers from the Tennessee militia. Newspapers of the day touted the military spirit of the men of Tennessee. That reputation was solidified in the Mexican American War of 1848, when President James K. Polk of Tennessee issued a call for 2,600 volunteers and 30,000 Tennesseans answered.

State government powers in Tennessee are by state constitution divided into three distinct branches, the legislative, the executive and the judicial. The legislative branch of government consists of a bicameral General Assembly with a Senate and House of Representatives. Members of the General Assembly, or Legislature, are elected by popular vote from districts across the state. The Legislature enacts laws, provides a forum for debate, and secures financing for the operation of state government. In the case of the executive branch, the constitution places the "Supreme Executive Power" of the state with the governor. The governor and his executive branch agencies "execute" or administer laws, mandates and new programs created by the General Assembly by statute. The judicial branch serves as a check on the powers of both the legislative and executive branches.

For financial reporting purposes, the state's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable, and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. Additional information about the state's reporting entity can be found in Note 1 to the financial statements.

The state and its component units provide a wide range of services and funding to the citizens of Tennessee, including among others, education, health and social, law, justice and public safety, recreation and resource development, regulation of business and professions, transportation, and general government services. The financial activities associated with these services are reflected in both summary and detail throughout this report.

Tennessee's constitution requires the state to maintain a balanced budget, and state legislation grants the governor the authority and duty to develop and submit a recommended budget to the General Assembly.

Preparation of the governor's annual budget for the State of Tennessee is the responsibility of the Commissioner of Finance and Administration, who is the state budget director. Within the Department of Finance and Administration, the Division of Budget is responsible for budget development using the modified accrual basis of accounting.

At the time the budget document is presented to the General Assembly, the appropriation process is initiated. The general appropriations act reflects the General Assembly's approval of the annual budget, and once passed and signed, the budget, in the form of the appropriations act, becomes the state's financial plan for the coming year. This act appropriates funds at the program level. No expenditures may be made, and no allotments increased, except pursuant to appropriations made by law. Budgetary control is maintained at the program level by the individual departments, acting in conjunction with the Department of Finance and Administration. Additional information regarding the state's budgetary process (including the governmental funds with an annual appropriated budget) can be found in the Notes to Required Supplementary Information within this report.

Information Useful in Assessing Tennessee's Economic Condition

Local economy *(Prepared by The Boyd Center for Business and Economic Research at the University of Tennessee)*

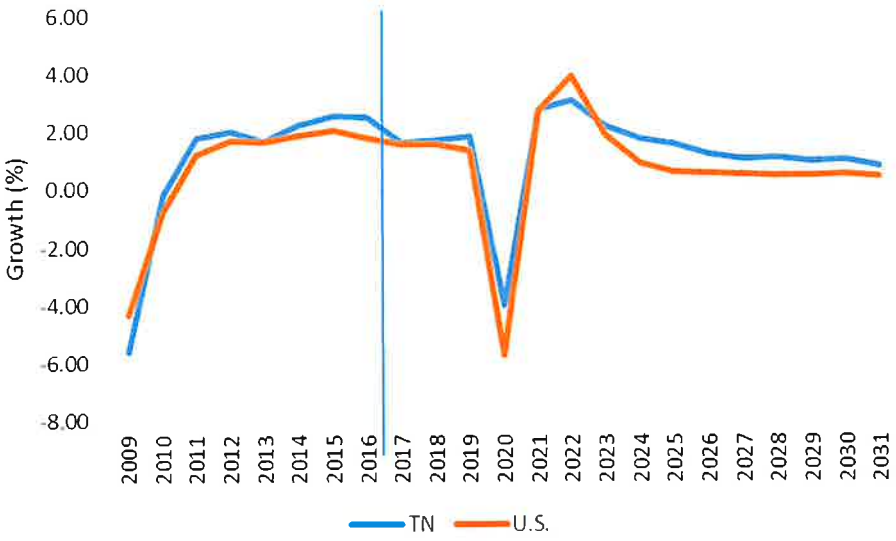
The economy continues to rebound from the pandemic-induced recession, however supply chain issues, higher prices, and the spread of the COVID-19 delta variant have softened the economic recovery. During the first half of 2021, the U.S. saw incredibly strong growth as effective vaccines were distributed, economies reopened, and consumers went back to in-person services and close-contact engagements. As a result, consumer demand skyrocketed in many sectors of the economy, and in some instances, the supply-side of the market was unable to keep pace with the surge in demand. Many businesses that shrunk during the pandemic have had trouble hiring enough workers as they reopened, while other businesses have had difficulty keeping enough product in stock. Issues such as these are likely temporary, but they have resulted in upward price pressures and are inhibiting economic growth to some degree. A more long-term inflationary concern is the low supply of homes for sale, which has led to a rapid increase in home prices. Ramping up the supply of homes takes time and therefore shelter costs could remain elevated for an extended period. Another worrying factor was the third quarter surge in new COVID-19 cases, which led to a new influx of hospitalizations and COVID-related deaths and forced some consumers back towards pandemic-related spending patterns.

Despite these headwinds, inflation-adjusted gross domestic product (real GDP) in 2021 is still projected to advance by an incredibly strong 5.5 percent in the U.S. and 5.6 percent in Tennessee. Much of this growth took place during the first half of the year, as state real GDP surpassed its pre-pandemic peak in the first quarter of 2021 and national GDP reached pre-pandemic levels in the second quarter. Somewhat slower growth is expected for the remainder of the year. By comparison, the labor market recovery has been more sluggish, as nonfarm employment levels are still well below those seen prior to the pandemic. There are several reasons for the slower labor market recovery, including frictions in the labor market such as the time it takes for a worker to find a good job and for a business to fill a job vacancy. The ongoing pandemic is also causing some workers to quit their public-facing jobs and some prospective workers to remain on the sidelines, be it for fear of getting sick, or due to the potential for school closures, which could leave working parents without childcare options. During the initial phase of the pandemic, Tennessee lost nearly 380 thousand jobs in a two-month period (March and April 2020). The state quickly added 244.6 thousand jobs back to payrolls

between May and October 2020. However, the state's labor market recovery has seen fits and starts ever since. As of October 2021, there are still 54,500 fewer jobs in Tennessee than there were prior to the pandemic. To be sure, state job growth is still trending in the right direction, and is projected to grow by 2.7 percent in 2021, representing an increase of 83,400 jobs as compared to the year prior. However, expectations are that the job levels in Tennessee will not fully recover until the second quarter of 2022, more than a year after state GDP made its full recovery. Tennessee job growth is will remain strong over the next two years, advancing by 3.1 percent in 2022 and 2.2 percent in 2023, before reverting to a slower and more stable trend of around 1.0-1.5 percent growth per year thereafter.

Unemployment rates in both Tennessee and the nation saw a large and rapid spike during the pandemic-recession but have recovered relatively quickly since the initial phase of the pandemic. More specifically, Tennessee's monthly unemployment rate, which shot up to 15.8 percent in April 2020, is already back to 4.2 percent as of October 2021. As a result, the annual (average) unemployment rate is projected to fall from 7.5 percent in 2020 to 4.7 percent in 2021. The state's unemployment rate is projected to continue falling, albeit more slowly, over the next few years, as more people re-enter the labor force.

Nonfarm Employment Growth Outlook



Sources: Boyd CBER UT, Bureau of Labor Statistics, and IHS Markit

Long-term financial planning and relevant financial policies

- To assist in managing growing public pension costs while recruiting and retaining a strong workforce, Tennessee adopted a hybrid retirement plan for state workers, higher education employees, and teachers hired after June 30, 2014. The hybrid plan (combining a smaller defined benefit plan with a defined contribution component) was designed to increase the predictability of retirement benefit costs, ensure retirement security for career workers, and provide flexible benefits for workers who do not stay in public service for their entire careers.

  The statute governing the hybrid plan also provides for a minimum employer contribution, and for employer contributions exceeding the actuarially determined contribution rate to be deposited into a stabilization reserve to help keep contribution rates stable.

  As a result of the good practices Tennessee has historically followed to protect its pension, such

as lowering investment return assumptions, adopting cost-sharing policies, and fully funding the actuarially determined contribution (since 1972), the Tennessee Consolidated Retirement System is considered one of the best-funded public pension plans in the nation.

- The state has the flexibility to adjust benefits and premium sharing provisions provided by insurance plans and to adjust the various other post-employment benefit (OPEB) plan options and operations on an annual basis.

  To help ensure the fiscal integrity and sustainability of employee health insurance benefits for current, former, and future employees, the state eliminated retiree insurance and the associated subsidies for state, higher education, local education, and local government employees first hired, and elected officials first elected, after July 1, 2015.

  In addition, the State of Tennessee Postemployment Benefits Trust was established in 2019 for the purpose of pre-funding OPEB accrued by employees of the state and certain component units. The annually calculated actuarially determined contribution (utilizing a closed amortization over a twenty-year period for its unfunded actuarial accrued liability) has been more than fully funded since that time.

- In 1996, legislation was enacted that determined the allocation goal for a reserve for revenue fluctuations to be 5 percent of the estimated state tax revenues to be allocated to the general fund and education trust fund. This goal was increased to 8 percent effective July 1, 2013. The revenue fluctuation reserve, or the "rainy day fund", allows services to be maintained when revenue growth is slower than estimated in the budget. Amounts in the revenue fluctuation reserve may be utilized to offset state tax revenue shortfalls which may occur and for which funds are not otherwise available. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of $100 million or one-half (1/2) of the amount available in the reserve, may be used to meet expenditure requirements in excess of budgeted appropriation levels.

  The revenue fluctuation reserve was $1.45 billion on June 30, 2021, the highest level in state history.

- The revenue estimating process in Tennessee generally starts twelve months before a fiscal year begins. Revenue collections are tracked monthly, and this information, along with specific long-run forecasts of individual sectors of the economy, is used to form the basis for the next fiscal year's estimated revenue collections. Tennessee's process incorporates the "Good Practices in Revenue Estimating" endorsed by the National Association of State Budget Officers and the Federation of Tax Administrators. This requires using national and state economic forecasts, developing an official revenue estimate, monitoring, and monthly reporting on revenue collections, and revising estimates when appropriate.

  More information about the methodology used in the making of the estimates, along with monthly reports comparing estimates to actuals, can be found at https://www.tn.gov/content/tn/finance/fa/fa-budget-information/fa-budget-rev.html.

- The State Funding Board (composed of the Governor, the Commissioner of Finance and Administration, the Comptroller, the State Treasurer, and the Secretary of State) is charged with the establishment of policy guidelines for the investment of state funds. The State Treasurer is responsible for the management of the State Pooled Investment Fund (SPIF), which includes the

state's cash, various dedicated reserves and trust funds of the state, and a local government investment pool, and, the Intermediate Term Investment Fund (ITIF), a longer-term investment option.

The primary investment objective for the SPIF is safety of principal, followed by liquidity and yield. The ITIF portfolio is intended to be a longer-term investment option to the SPIF and actively managed and designed to invest in longer-term instruments to benefit from the normal steepness of the yield curve.

- The state is authorized to issue general obligation tax revenue anticipation notes (TRANS) in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes maturing beyond the end of a fiscal year. Accordingly, any TRANS issued in a fiscal year must be repaid by the end of the same fiscal year. The state has not heretofore issued TRANS and has no current intent to do so.

- The state may issue general obligation bonds for one or more purposes authorized by the General Assembly of the state, however, the term of the bonds authorized and issued cannot exceed the expected life of the project being financed. Bond anticipation notes have been authorized to be issued for the purposes of all existing bond authorizations.

- The state's current practice is to annually budget for 5 percent of all authorized and unissued general obligation bonds to account for assumed principal redemption (based on an assumed 20-year, level-principal issue), plus an amount for assumed interest currently at a rate of 6 percent annually.

  Independent of the appropriation act process discussed earlier in this letter, pursuant to state law, there is a continuing appropriation of a sum sufficient for payment of debt service on outstanding bonds and other debt obligations from any funds held in the state treasury not otherwise legally restricted.

- Over the years, Tennessee has consistently maintained a relatively low debt burden. This has been accomplished using sound, prudent, and conservative debt management practices. Such practices include funding a portion of the state's capital program with surplus cash, cancellation of bond authorizations in lieu of issuing debt, creating, and maintaining a "rainy day fund" to offset unanticipated revenue shortfalls, and the adoption of state statutes designed to control the issuance of excessive debt. The state continues to maintain a relative low debt burden, and access to the capital markets remains strong.

- Tennessee does not borrow money to fund transportation projects. Transportation initiatives instead follow a "pay-as-you-go" philosophy that utilizes bond authorizations as a cash management tool to accelerate projects in anticipation of expected revenues over a project's horizon. The bonds are authorized but remain unissued. (No general obligation bonds have been issued for these purposes since 1977.) The authorization allows the Tennessee Department of Transportation (TDOT) to obligate projects and get them started. Project costs are then paid throughout the year using TDOT's current cash flow. TDOT manages the project costs and has developed a model to project the cumulative cash requirement of multiple projects at different stages of construction and maintenance. The model projects TDOT's cash balance and indicates when additional bonds can be authorized or, if expected revenue failed to meet targets, whether the bonds must be sold to cover expenses.

The state's practice of using cash flow to finance road projects in lieu of issuing debt has been one of the key factors in Tennessee's ability to secure and retain very high bond ratings.

- The Tennessee Governmental Accountability Act of 2013 requires that a system of strategic planning, program performance measures and performance audits be used to measure the effectiveness and efficiency of governmental services. The information generated by this system is intended to inform the public and assist the General Assembly in making meaningful decisions about the allocation of scarce resources in meeting vital needs.

- Monthly financial data on revenues and expenditures is provided to the governor and agency heads. Significant variations from budget are required to be researched and commented upon by agency heads. The governor may affect spending reductions to offset unforeseen revenue shortfalls or unanticipated expenditure requirements for particular programs. These spending reductions can take the form of deferred equipment purchases, hiring freezes, and similar cutbacks. The governor may also call special sessions of the General Assembly at any time to address financial or other emergencies.

- All state departments and institutions of higher education must, under Tennessee law, perform an annual management assessment of risk. Implementation guidance requires that this assessment utilize enterprise risk management practices that align with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) enterprise risk management (ERM) framework and incorporate the Standards for Internal Control in the Federal Government's (known as the Green Book) adaption of COSO's Internal Control – Integrated Framework (2013). The guidance emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing a state department or institution of higher education.

- The state utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information. As a result, the state may be the target of cyberattacks attempting to gain access to such information. A successful cyberattack may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt state operations and subject the state to legal action.

  To mitigate against such risks, the state and its departments, agencies, and divisions, have instituted various technical controls, policies, and procedures to protect their network infrastructure, including a cybersecurity training requirement for certain departments, as well as general cybersecurity training and awareness for all employees. The Strategic Technology Solutions Division of the state's Department of Finance and Administration works with various state departments, as necessary, to develop specific cybersecurity policies and procedures. The state also maintains third-party insurance against cybersecurity incidents.

Major (legislative/budget) initiatives

While many of the fiscal year 2021 budget priorities were put on hold as attention shifted toward addressing the health and economic effects of the pandemic, the fiscal year 2022 budget passed by the General Assembly returns to many pre-pandemic priorities, including education and health care, as well as economic and rural development.

There is no doubt that the past year challenged our state greater than any other in recent history. Through all that occurred, however, Tennessee has been able to maintain its financial stability

through the strategic application of fiscal prudence and successfully navigate one of the sharpest and unique periods of economic volatility our nation has faced.

The fiscal year 2022 budget consists of strong revenues from an economy favorable to families and businesses in Tennessee, efficiencies recognized from a review of current state operations and strategic investments that focus resources on new efforts to improve the lives of Tennesseans, as well as significant economic investments to aid in our state's continuing recovery.

The budget is balanced, assumes conservative growth rates, does not add new debt, and contains the highest reserves in history to prepare for uncertainty. The budget also includes investments in some of the state's most pressing issues and returns money to hardworking Tennesseans by including $50 million to provide a week-long sales tax holiday on groceries and prepared food.

Key budget highlights include:

- $100 million to provide high-speed broadband to every Tennessean
- $250 million investment in a Mental Health Trust Fund
- $79 million to increase capacity at the Tennessee Colleges of Applied Technology and address the current student waiting list
- $145 million for air and rail transportation infrastructure
- $71 million to fully fund the state share of the BEP for K-12 education
- Four percent raise for teacher salaries
- $100 million to invest in the Rainy-Day Fund
- $931 million for capital maintenance and improvements
- $100 million for local infrastructure grants

In addition to the budget, the General Assembly also reached consensus on changes to the state's unemployment benefit system that will take effect in December 2023. The new legislation ties the maximum payout period to the state's average unemployment rate and boosts the weekly benefits by as much as $50. Benefits will be extended as the rate rises (utilizing a range of between 12 and 20 weeks) and eventually capped at 20 weeks if the rate exceeds 9 percent. This legislation is estimated to save the state up to $24 million a year in payouts and assist in replenishing the state's unemployment fund.

Economic development incentives (grants, tax exemptions/credits and abatements)
(Prepared by Tennessee Departments of Revenue and Economic and Community Development)

Tennessee's incentives for companies expanding within the state or relocating to the state include a combination of tax credits, job training reimbursement grants and public infrastructure development around a project site. The amount and duration of the incentives depends on the type of company, number of jobs created, and the amount of capital invested. These incentive programs and tax credits are developed and administered by the Tennessee Department of Economic and Community Development (TNECD) and the Tennessee Department of Revenue (TDOR).

The vision (and the goal of Tennessee's governor) is to improve the economic success of all Tennesseans by assisting in the creation of job opportunities throughout the state, and Tennessee's job growth and economic development success speak to the effectiveness of state incentives in achieving this vision. Between 2016 and the third quarter of 2021, TNECD secured more than 123,200 new job commitments and $35.6 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 49,600 new job commitments in rural counties since the beginning of 2016.

One-way TNECD aims to support net new job creation and capital investment is through its FastTrack grant programs. FastTrack assists companies with relocation and training of new employees as well as helps communities develop public infrastructure to assist expanding or relocating companies. There are three FastTrack programs: FastTrack Job Training Assistance, FastTrack Infrastructure Development, and the FastTrack Economic Development Fund. During the first three quarters of 2021, TNECD located 91 projects that received a FastTrack grant commitment to expand or re-locate in Tennessee. The department forecasts that over the next ten years, these projects will increase Tennessee's gross domestic product by $71.1 billion, as well as generate 65,159 new job opportunities and $32.6 billion in new salaries across the state. These jobs include 24,642 directly created by the company expansion and recruitment activity as well as 40,517 indirect and induced jobs from across the supplier network and other industries because of expanded economic growth.

The state's investments in projects during the first three quarters of 2021 have a projected annual rate of return of 35.6 percent. The costs of incentives are projected to be returned to the state in three years because of additional revenues the projects will generate. (These return-on-investment figures take into consideration additional costs of providing state services as well as tax credits companies may be eligible for.)

The state is proactive in its analysis of its incentive packages and the economic benefits, and it operates in a fiscally responsible way when recruiting new business and supporting existing business growth. TNECD has developed a key performance indicator (KPI) transparency platform to provide current information measuring its strategic objectives. The platform features interactive dashboards for tracking economic data and strategic initiatives. Using a model built by an economic consulting firm, it forecasts the fiscal benefits each project will generate over a ten-year period and measures this return relative to the state's investment in the form of grants and tax credits.

OpenECD https://www.tn.gov/transparenttn/state-financial-overview/open-ecd.html is designed to be a user-friendly site where the public can review these KPIs and find public information and documents pertaining to TNECD grants and incentives.

In addition, state law requires Tennessee's annual budget document to include a schedule of exemptions from state taxes. To the extent practicable, all exemptions from state taxes are to be identified, along with an estimate of the amount of revenue that would have been collected by the state in the ensuing fiscal year, if the exemptions were not to exist. Because the state does not collect the data necessary to estimate the amount of revenue lost for each of the tax exemptions found in the Tennessee Code Annotated, only those that can be estimated with a reasonable degree of accuracy are presented in the budget document. In addition, the estimates of revenue loss do not consider the impact of a change in a tax provision on taxpayer behavior that may impact other taxes (i.e., secondary or feedback effects). State budget publications can be found at https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2021-2022-budget-publications.html.

Awards and Acknowledgements

Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the forty-first year that the state has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive

annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report requires the collective efforts of literally hundreds of financial personnel throughout state government, including the dedicated staff of the Department of Finance and Administration, Division of Accounts, and the department controllers, fiscal officers and staff at each state agency and component unit. These efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the state.

We express our sincere appreciation to these individuals; acknowledge the Governor and the members of the Legislature for their interest and support in planning and conducting the financial operations of the state in a responsible and progressive manner; and reaffirm our commitment to continue Tennessee's legacy of quality financial management and maintain the highest standards of accountability in financial reporting.

Respectfully submitted,

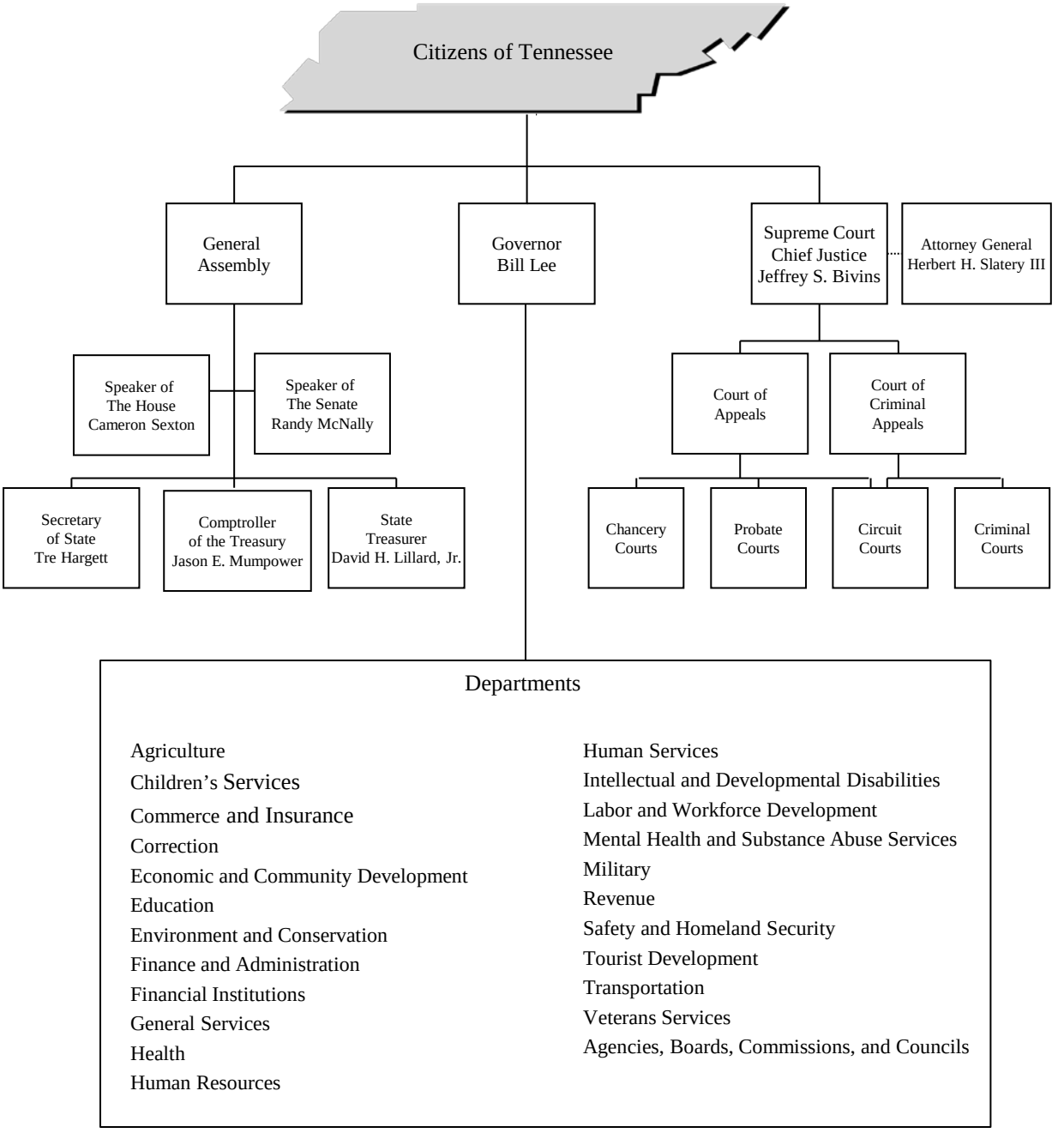


Howard H. Eley
Commissioner



Mikel J. Corricelli
Chief of Accounts

STATE OF TENNESSEE
ORGANIZATION CHART
As of June 30, 2021



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

Jason E. Mumpower
Comptroller

Independent Auditor's Report

Members of the General Assembly
The Honorable Bill Lee, Governor

Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Board of Claims, Chairs of Excellence, Local Education Insurance Committee, Local Government Insurance Committee, State Building Commission, State Funding Board, State Insurance Committee, Tennessee Consolidated Retirement System, Pension Stabilization Reserve Trust, Tennessee College Savings Trust, Tennessee Housing Development Agency, Tennessee Local Development Authority, Tennessee Student Assistance Corporation, and the Tennessee State School Bond Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the State of Tennessee.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position 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 June 30, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4, the state implemented Governmental Accounting Standards Board Statement (GASBS) 84, *Fiduciary Activities*, during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

As discussed in Note 5, the Tennessee Retiree Group Trust investment pool has investments valued at $15.8 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.2% of net position of the general fund, 20.3% of net position of pension and other employee benefit trust funds, 23.5% of net position of investment trust funds, and 0.1% of net position of component units. In addition, the financial statements of the University of Tennessee, a discretely presented component unit, include investments valued at $597.3 million (5.7% of total component unit net position), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

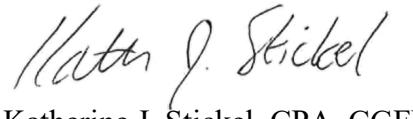
financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The supplementary information and supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are 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 basic 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and statistical section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 27, 2021, on our consideration of the State of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in the *Tennessee Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Tennessee's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 27, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our management discussion and analysis (MD&A) of the State of Tennessee's (the state's) financial performance provides an overview of the state's financial activities for the year ended June 30, 2021. Please read it as a narrative introduction to the financial statements that follow. The information included here should be considered along with the transmittal letter which can be found on pages 2-11 of this report. MD&A includes a description of the basic financial statements for government, condensed financial information along with analyses of balances and financial position, descriptions of significant asset and debt activity, discussions of budgetary matters and significant issues affecting financial position.

FINANCIAL HIGHLIGHTS

Government-wide
Net Position–The assets and deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at June 30, 2021, by $46 billion (net position). Of this amount, $10.7 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while $32.4 billion represents net investment in capital assets.

Changes in Net Position– The state's net position increased by $4.7 billion. The increase was the result of a significant increase in operating grants and contributions as well as an increase in capital assets.

Component units–Component units reported total net position of $10.5 billion, an increase of $1.2 billion.

Fund Level
At June 30, 2021, the state's governmental funds reported combined ending fund balances of $13.8 billion, an increase of $3.9 billion (see discussion on page 24) compared to the prior year. Of the combined fund balance, approximately $10.8 billion is spendable unrestricted (committed, assigned or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, $1.45 billion of this amount is set aside in a revenue fluctuation account (rainy day fund).

Long-Term Debt
The state's total general obligation bonds and commercial paper debt decreased by $91.6 million during the fiscal year to a total of $2 billion. This change is primarily due to debt service payments made during the year exceeding new debt expenditures made in the commercial paper program.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 33-35) provide information about the activities of the state as a whole (government-wide statements) and present a longer-term view of the state's finances. Fund financial statements start on page 38. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the state's operations in more detail than the government-wide statements by providing information about the state's most significant funds. The remaining statements provide financial information about activities for which the state acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the state as a whole begins on page 20. One of the most important questions asked about the state's finances is, "Is the state as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the state as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred outflows/inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report financial information about the entire government except fiduciary activities. The statements distinguish between the primary government and its component units, and also distinguish between governmental activities and business-type activities of the primary government. The statement of net position displays all the state's financial and capital resources in the format of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. The statement of activities reports the state's operations by function to arrive at net revenue (expense). The statement reports what type revenue (either program revenue or general revenue) funds the government operations. The state functions that are identified on this statement correspond to the functions used for budgetary purposes:

- Governmental activities–general government; education; health and social services; law, justice and public safety; recreation and resources development; regulation of business and professions; transportation; and interest on long-term debt.

- Business-type activities–employment security, insurance programs, loan programs and other.

- Component units–major discretely presented component units include the Tennessee Housing Development Agency, the Tennessee Education Lottery Corporation, the State University and Community College System, and the University of Tennessee. Although these and other smaller entities are legally separate, these "component units" are important because the state is financially accountable for them.

Reporting the State's Most Significant Funds

Fund financial statements

Our analysis of the state's major funds begins on page 24. The fund financial statements begin on page 38 and provide detailed information about the most significant funds–not the state as a whole. Some funds are required to be established by state law and by bond covenants. However, the state establishes many other funds to help it control and manage money for particular purposes (like capital projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The state's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

- **Proprietary Funds**. Proprietary funds report the government services that charge service fees to its customers. Proprietary funds include enterprise funds (serving citizens) and internal service funds (serving state agencies). The enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail; whereas, the internal service funds are included in the governmental activities.

- **Notes to the financial statements**. Notes to the financial statements are also included and provide essential information to understand the financial statements. They are an integral part of the financial statements and focus on the primary government and its activities. Some information is provided for significant component units. The notes to the financial statements can be found on pages 53-131.

The State as Trustee

Reporting the State's Fiduciary Responsibility

Fiduciary funds are used to report resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the state cannot use these assets to finance its operations. Instead, the state is responsible for using the fiduciary assets for the fiduciary fund's intended purposes.

THE STATE AS A WHOLE

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the state, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $46 billion as of June 30, 2021.

By far, the largest portion of the state's net position (70.4 percent) reflects its net investment in capital assets (e.g., land, infrastructure, structures and improvements, machinery and equipment, construction in progress and software in development), less any related debt and deferred outflows of resources used to acquire those assets that is still outstanding. The state uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the state's net position (6.2 percent) is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position ($10.7 billion) and may be used to meet the state's ongoing obligations to citizens and creditors not funded by resources that are restricted. Primarily as a result of a significant increase in operating grants and contributions, unrestricted net position increased by $3.2 billion (42.2 percent).

At the end of the current fiscal year, the state was able to report positive balances in all three categories of net position, for the government as a whole, and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

State of Tennessee
Net Position as of June 30
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2021	2020*	2021	2020*	2021	2020*
Current and other assets	$ 18,282,937	$15,036,557	$ 3,276,054	$ 3,619,395	$21,558,991	$18,655,952
Capital assets	32,942,674	31,952,586	-	-	32,942,674	31,952,586
Total assets	51,225,611	46,989,143	3,276,054	3,619,395	54,501,665	50,608,538
Deferred outflows of resources	889,778	840,618	-	-	889,778	840,618
Current and other liabilities	3,690,326	4,192,651	295,052	539,872	3,985,378	4,732,523
Noncurrent liabilities	5,060,507	4,953,438	7,871	11,420	5,068,378	4,964,858
Total liabilities	8,750,833	9,146,089	302,923	551,292	9,053,756	9,697,381
Deferred inflows of resources	347,631	475,502	-	-	347,631	475,502
Net position:						
Net investment in capital assets	32,396,815	31,425,755	-	-	32,396,815	31,425,755
Restricted	2,866,255	2,307,203	-	-	2,866,255	2,307,203
Unrestricted	7,753,855	4,475,212	2,973,131	3,068,103	10,726,986	7,543,315
Total net position	$ 43,016,925	$38,208,170	$ 2,973,131	$ 3,068,103	$45,990,056	$41,276,273

* The 2020 amounts presented here have not been restated for prior period adjustments. See Note 4 for details of these adjustments.

State of Tennessee
Changes in Net Position
For the Fiscal Year Ended June 30
(Expressed in Thousands)

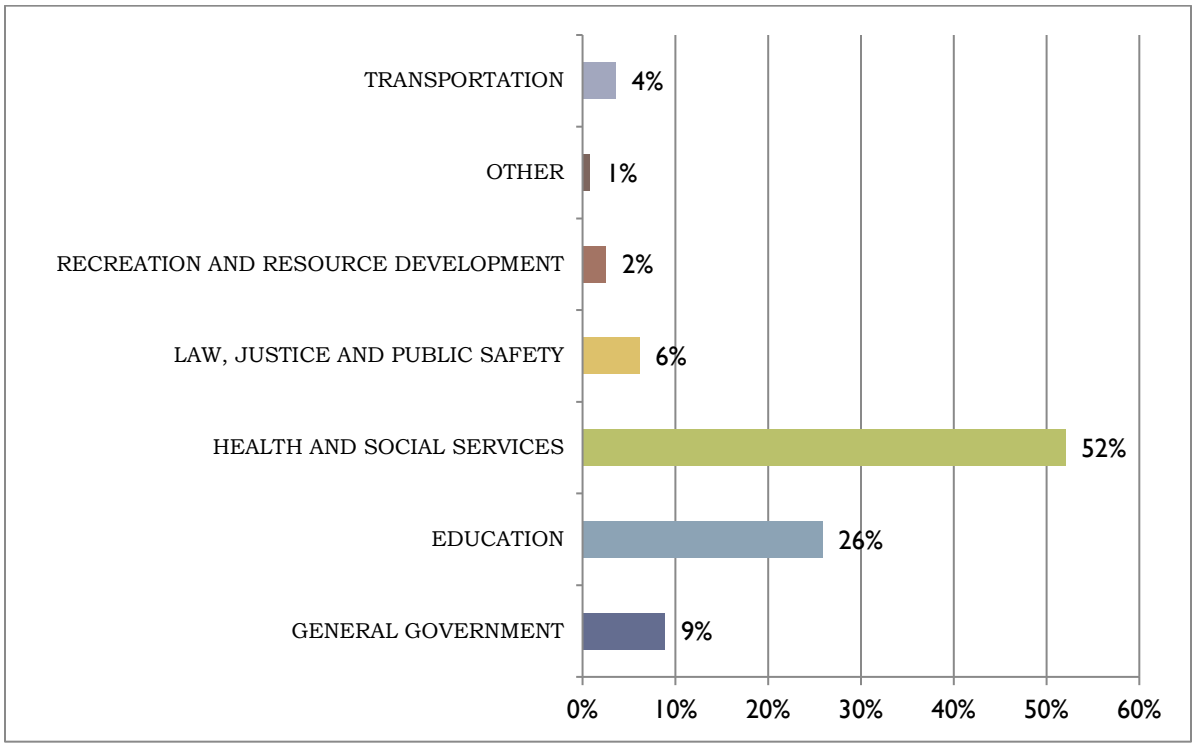
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020*	2021	2020*	2021	2020*
Revenues:						
Program revenues:						
Charges for services	$ 3,196,469	$ 2,981,333	$ 1,006,464	$ 1,018,666	$ 4,202,933	$ 3,999,999
Operating grants and contributions	17,898,087	13,456,925	3,599,778	3,696,938	21,497,865	17,153,863
Capital grants and contributions	844,303	948,533	-	-	844,303	948,533
General revenues:						
Sales Taxes	11,052,798	9,624,865	-	-	11,052,798	9,624,865
Other taxes	8,163,952	7,279,932	-	-	8,163,952	7,279,932
Other	292,096	348,218	-	-	292,096	348,218
Total revenues	41,447,705	34,639,806	4,606,242	4,715,604	46,053,947	39,355,410
Expenses:						
General government	3,267,910	1,143,546	-	-	3,267,910	1,143,546
Education	9,495,761	8,898,197	-	-	9,495,761	8,898,197
Health and social services	19,105,994	16,603,681	-	-	19,105,994	16,603,681
Law, justice and public safety	2,255,348	2,127,958	-	-	2,255,348	2,127,958
Recreation and resources development	935,195	786,375	-	-	935,195	786,375
Regulation of business and professions	252,866	211,446	-	-	252,866	211,446
Transportation	1,328,049	1,507,127	-	-	1,328,049	1,507,127
Intergovernmental revenue sharing	-	1,407,229	-	-	-	1,407,229
Interest on long-term debt	51,097	58,733	-	-	51,097	58,733
Employment security	-	-	3,931,631	3,969,607	3,931,631	3,969,607
Insurance programs	-	-	753,012	677,269	753,012	677,269
Loan programs	-	-	1,879	1,842	1,879	1,842
Other	-	-	695	83	695	83
Total expenses	36,692,220	32,744,292	4,687,217	4,648,801	41,379,437	37,393,093
Increase in net position before contributions and transfers	4,755,485	1,895,514	(80,975)	66,803	4,674,510	1,962,317
Transfers	(8,611)	(7,558)	8,611	7,558	-	-
Contributions to permanent funds	143	143	-	-	143	143
Increase (decrease) in net position	4,747,017	1,888,099	(72,364)	74,361	4,674,653	1,962,460
Net position, July 1	38,269,908	36,320,071	3,045,495	2,993,742	41,315,403	39,313,813
Net position, June 30	$ 43,016,925	$ 38,208,170	$ 2,973,131	$ 3,068,103	$ 45,990,056	$ 41,276,273

* The 2020 amounts presented here have not been restated for prior period adjustments. See Note 4 for details of these adjustments.

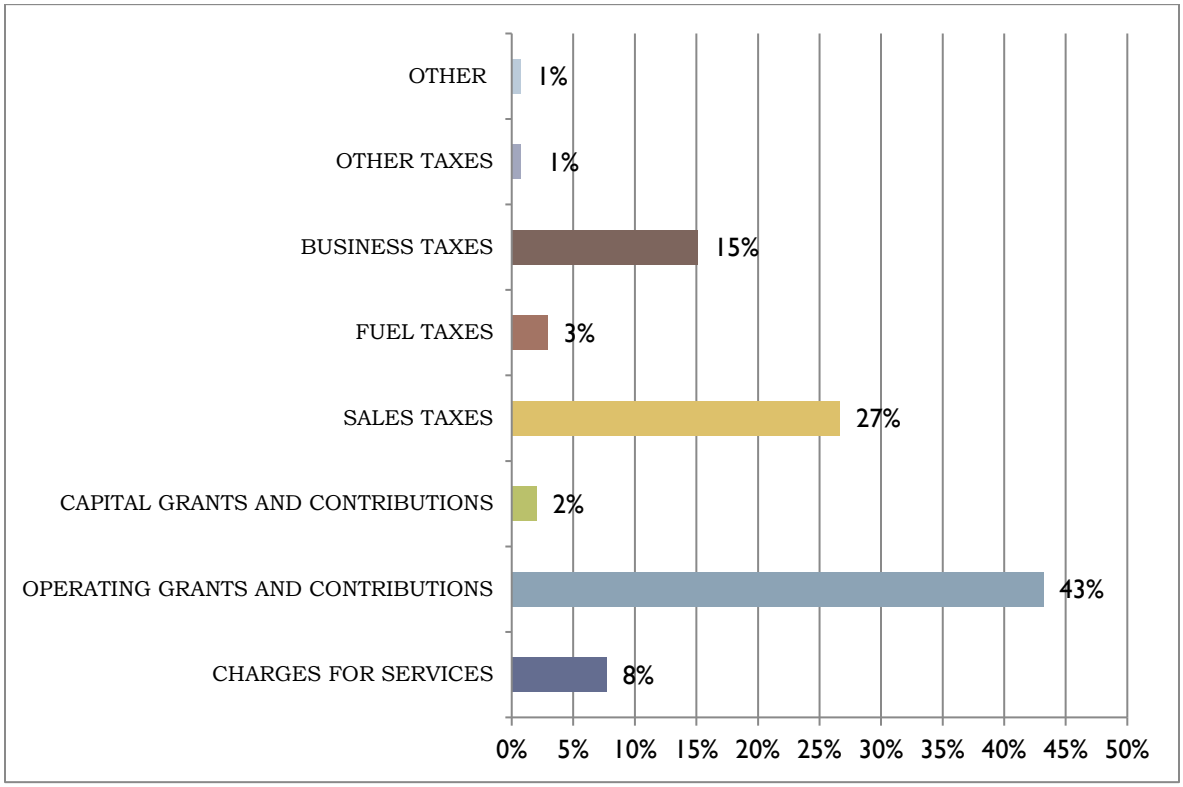
Governmental activities. Net position of the state's governmental activities increased by $4.7 billion (12.4 percent). This increase accounts for 102 percent of the total increase in net position of the primary government and is the result of an increase in operating grants and contributions ($4.4 billion) as well as the capitalization of $917 million in expenses related to roadways and bridges and not recording depreciation expense for these assets.

Business-type activities. Net position of the state's business-type activities decreased by $72.4 million (2.4 percent). This is primarily the result of the Employment Security fund's increase in expenses and a decrease in operating grants and contributions that was primarily due to a $161 million drop from FY 2020 in Coronavirus Relief Funds that were used to pay for jobless benefits for unemployed Tennesseans. The Teacher Group and Local Government Group Insurance funds had a combined decrease in net position of $24.3 million. This decrease in net position is primarily due to an increase in COVID related benefit payments when compared to the prior year. The Nonmajor Enterprise funds' activity resulted in a $15.4 million decrease in net position. Considering the decrease of the two insurance funds, the remaining funds combined activity resulted in a $8.9 million increase in net position.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



THE STATE'S FUNDS

At June 30, 2021, governmental funds reported an increase in total revenues and in total expenditures. Details are in the following paragraphs. The revenue fluctuation account (rainy day fund), reported as unassigned fund balance, has been increased to $1.45 billion or 6 percent of the general fund's expenditures.

The general fund reported a $3.7 billion increase in fund balance. Most of this increase in fund balance was attributable to the increase in revenues.

The education fund reported an overall increase for inflows of $831.7 million (9.6%) and an increase of outflows of $687.1 million (8.0%). Most of the increase in outflows were due to federally funded pandemic relief programs. Additional contributing factors include the increased funding for the state's Basic Education Program (K-12 funding), providing funding to local education agencies for the learning loss remediation program, a salary pool for higher education institutions, and correctional education investment.

The overall fund balance increased in the education fund by $235.8 million. The majority of fund balance is restricted for student financial assistance. Of the $1.2 billion fund balance in the education fund, $361.4 million is not available for future use because it is legally or contractually required to be maintained intact and $721.3 million is legally restricted or committed for specific purposes. Refer to Note 14, Governmental Fund Balances on page 97, for additional information regarding those specific purposes.

The highway fund inflows decreased by $483.3 million and outflows decreased $480 million. These decreases are primarily a result of changes made because of the implementation of a new accounting standard, Statement No. 84, *Fiduciary Activities* . As a result of the implementation of this standard, expenditures and revenues from intergovernmental sharing that is now reported in its own special revenue fund, caused an equal decrease of $406 million in revenues and expenditures.

The capital projects fund had a $268.8 million decrease in fund balance. Most of this decrease is due to a $334 million decrease in transfers from other funds to the capital projects fund. Overall inflows to the fund decreased by $465 million, when compared to the previous year, outflows also decreased by $359.3 million.

The decrease in expenditures is due to a decrease in capital outlay for current projects while the decrease in inflows is due to decreased bond proceeds as well as appropriation transfers. Expenditures for capital projects are subject to various conditions that affect construction progress. The restricted fund balance of $50.4 million does not significantly affect the availability of fund resources for future use.

The total plan net position of the pension trust funds and other postemployment benefits trust are $77.7 billion, an increase of approximately $14.8 billion from the prior year. The pension trust funds was responsible for $14.6 billion of this increase. The increase was primarily the result of improvements in the financial markets; the pension trust funds incurred a net investment gain of $16.2 billion.

The total plan net position of the OPEB trust fund is $446.7 million, an increase of approximately $164.5 million from the prior year. The increase was primarily the result of employers contributing funds in excess of the actuarially determined contribution rate for the fiscal year. The increase was also a result of improving market conditions for trust investments.

General Fund Budgetary Highlights

A significant variance occurred in the General fund between original and actual Business tax amounts due to the unexpected significant increase in business filings. The first quarter of calendar year 2021 saw the highest business filings in history. In addition, online businesses grew substantially during the pandemic, likely explaining Tennessee's sustained business growth through calendar year 2020.

Federal revenues were approximately 3% under collected due to a better-than-expected economic rebound from the downturn caused by the pandemic and the projected timing of spending federal stimulus funds. Social programs significantly funded with federal revenues such as the Temporary Assistance for Needy Families (TANF) programs at the Department of Human Services (DHS), the Community and Environmental Disease emergency services with the Department of Health and the utilization of the CoverKids program under TennCare all had slightly less than expected demand for services.

The original budget for federal revenues was increased by approximately $3 billion for a final budgeted estimate of $15.7 billion to provide spending appropriations for the CARES act fiscal relief funding.

Final budgeted expenditures were less than appropriated for the Department of Revenue primarily because of the lower than projected number of applicants that applied for the Small Business Relief Program, a small business relief program designed to reimburse eligible business owners for direct expenses or business interruption costs due to the COVID-19 pandemic.

Employee vacancy and staff turnover as well as lower occupancy rates in the prisons and the local jail population resulted in lower than anticipated expenditures in Corrections.

Actual expenditures in TennCare, Agriculture, Environment and Conservation, Finance and Administration, Human Services, Economic and Community Development, and Legislature programs were significantly less than what was projected in the final budget primarily due to unexpended reserved amounts and multi–year projects that were appropriated in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets at June 30, 2021, of $36 billion, net of $2.6 billion accumulated depreciation, consisted of the following:

Capital Assets-Primary Government

(Expressed in Thousands)

	Governmental Activities	
	2021	2020
Land	$ 2,681,333	$ 2,592,013
Infrastructure	26,169,338	25,252,859
Construction in progress	1,274,064	1,514,846
Structures and improvements	3,198,016	2,995,971
Machinery and equipment	2,064,986	1,833,995
Software in development	137,790	96,338
Subtotal	35,525,527	34,286,022
Accumulated depreciation	(2,582,853)	(2,333,436)
Total	$ 32,942,674	$ 31,952,586

More detail of the activity during the fiscal year is presented in Note 8A to the financial statements.

Capital assets, including those under construction, increased from fiscal year 2020 to 2021 by approximately 3.1 percent. The change was primarily due to increases of infrastructure (highways and bridges). Infrastructure increased in total by $916 million, the majority of which resulted from highway and bridge projects completed and capitalized. Construction in progress for highways and bridges increased by $746.3 million and decreased (projects completed and capitalized) by $926.9 million. Infrastructure right-of-way acreage increased the land classification by $84.5 million. The change in machinery and equipment of $231 million resulted largely from a $213 million increase that resulted from system projects that were placed in operation and are now classified as equipment.

In accordance with generally accepted accounting principles, the state is eligible for and has adopted an alternative approach to depreciating its roadways and bridges. Under the modified approach, governments are permitted to expense the cost of preserving roadways and bridges rather than to record a periodic charge for depreciation expense. Under the depreciation method, preservation expenses are capitalized. The state is responsible for approximately 15,000 miles of roadway and 8,401 bridges. Differences between the amount estimated to be necessary for maintaining and preserving infrastructure assets at targeted condition levels and the actual amounts of expense incurred for that purpose during the fiscal period are the results of timing differences. The budgeting process and the fact that projects are started at different times during the year and take more than 12 months to complete, results in spending in one-year amounts that were budgeted in a previous fiscal year(s).

The decision to use the modified approach was essentially made because the state has consistently maintained its infrastructure in what it considers to be a good condition. The most recent condition assessment, which is discussed in more detail in the Required Supplementary Information section (Page 134), indicated that bridges were rated at 10 points above the state's established condition level, on a 100 point scale using the MRI method, and roadways were 0.52 points above the state's benchmark level, on a 4.0 scale using the MQA method. Bridges are assessed biennially and roadways annually.

The state's capital outlay budget for the fiscal year 2020-2021 reflects a $7 million increase from the previous year. The capital outlay budget included funding for both capital outlay projects and capital maintenance projects. A significant portion of the budgeted amounts included $291 million for higher education projects, $35 million for correction facilities, $13 million for state parks, and various upgrades to state facilities.

Debt Administration

In accordance with the Constitution, the state has the authority to issue general obligation debt that is backed by the full faith and credit of the state. The Legislature authorizes a certain amount of debt each year and the State Funding Board has oversight responsibility to issue the debt for capital projects. Any improvement to real property, including the demolition of any building or structure located on real property in which the State of Tennessee or any of its departments, institutions, or agencies has an interest, other than Department of Transportation, highway and road improvements and demolition of structures in highway rights-of-way requires State Building Commission approval. The state issues commercial paper as a short-term financing mechanism for capital purposes and the commercial paper is typically redeemed with long-term bonds. The unissued balance by function (expressed in thousands) follows:

Purpose	Unissued 6/30/21
Highway	$ 912,000
Higher Education	133,568
Economic and Community Development	115,000
General Government	293,413
Total	$ 1,453,981

More detail of the activity during the fiscal year is presented in Note 12A to the financial statements.

The state's outstanding general obligation debt consists of the following (expressed in thousands):

	Governmental Activities	
	6/30/2021	6/30/2020
Bonds, net	$1,771,713	$1,949,715
Commercial Paper	207,343	120,996
Total	$1,979,056	$2,070,711

Nearly three-fourths of the outstanding debt has been issued either for capital projects of two of the state's major component units-University of Tennessee and State University and Community College System-or provided to local governments as capital grants; assets acquired with this debt belong to those entities. The state has not issued bonds to fund infrastructure since 1976; infrastructure has been funded on a pay-as-you-go basis. Additional information on long-term obligations is presented in Note 12A to the financial statements.

The state's bonds are rated AAA, Aaa, and AAA by Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, respectively. Under current state statutes, the general obligation debt issuances are subject to a maximum allowable debt service limitation based on a percentage of tax revenues allocated to the general fund, highway fund and debt service fund. As of June 30, 2021, the state's maximum allowable debt service of $1.4 billion was well above the maximum annual debt service of $221 million, with a legal debt service margin of $1.1 billion.

FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

Tennessee Resiliency Plan

Under the American Rescue Plan Act, the State of Tennessee will receive $3.725 billion in funds awarded via the US Treasury "Fiscal Recovery Fund" ("FRF"). The availability of one-time FRF funds presents a significant opportunity for Tennessee to: (i) Continue its response to

the COVID-19 pandemic and its secondary effects; (ii) Invest in initiatives that support a strong economic recovery; (iii) Strengthen state fiscal stability by reducing demand for state taxpayer dollars to fund existing initiatives or priorities.

To support the development of a comprehensive plan for Tennessee's Fiscal Recovery Fund, Governor Lee invited state agencies and stakeholders to submit proposals for consideration by the Financial Stimulus Accountability Group ("FSAG"), a bipartisan group created by the Governor to ensure proper fiscal management of stimulus funds received by the state, first through the CARES Act Coronavirus Relief Fund, then through the subsequent ARPA. The Tennessee Resiliency Plan document summarizes proposals that have been considered and recommended for expenditure by FSAG. As new expenditures are approved throughout the grant period, this document will be updated to reflect the state's plan.

All proposals were subject to a process of review by the state's Department of Finance & Administration and the Governor's Office for fiscal impact, eligibility, and alignment with state priorities. Proposals were then submitted for feedback and discussion with the FSAG. Recommended proposals are posted for public comment and community engagement prior to final approval.

Background on the ARPA State Fiscal Recovery Fund

On March 11, the American Rescue Plan Act of 2021 ("ARPA") was enacted into law, expending $1.9 trillion in federal spending to respond to the COVID-19 pandemic. Several components of the Act build on previous programs included in earlier federal relief packages.

The ARPA established a new US Treasury Program, the Coronavirus State and Local Fiscal Recovery Fund ("FRF"), with the intent of assisting states and local governments in mitigating the fiscal effects of the COVID-19 pandemic.

Tennessee has received $3.725 billion from the State Fiscal Recovery Fund. Tennessee counties, metros, and non-metro cities are estimated to receive a combined total of $2.28 billion in Local Fiscal Recovery Fund awards.

State and Local Fiscal Recovery Funds are statutorily limited to the following uses: (i) to respond to the COVID-19 pandemic and its negative economic impact, (ii) provide premium pay to essential workers, (iii) supply government services to the extent the government has experienced a revenue reduction relative to the previous fiscal year, and (iv) investments in water, sewer, and broadband infrastructure. On May 10, the U.S. Treasury's Interim Final Rule was adopted to provide further guidance on eligible uses within these overall categories. Under the Treasury's Interim Final Rule, FRF funding:

- May be used to support a broad range of public health needs as it can be demonstrated that such needs have been exacerbated by the pandemic,
- May, to alleviate economic hardship, be applied to provide relief to individuals, non-profits, and businesses directly impacted by the pandemic,
- Can support physical infrastructure investments without a specific nexus to COVID, but only if such investments fall within the statutorily prescribed "necessary sewer, water, and broadband" projects, and
- May be used by recipient governments who have experienced year-to-year revenue loss to replace lost revenue for the provision of government services (due to Tennessee's relatively strong economic recovery, the State does not qualify for revenue replacement).

Recipients may only use funds to cover costs incurred between March 3, 2021, and December 31, 2024. FRF funds not expended by December 31, 2026, must be returned.

The Act additionally created a new $10 billion Coronavirus Capital Projects Fund for the Treasury Department to make separate payments to states, territories, and tribal governments to carry out capital projects to support work, education, and public health. Tennessee is estimated to receive $216 million in this fund. State plans for the Coronavirus Capital Projects Fund must be submitted by December 31, 2022. No plan has been submitted on behalf of Tennessee at this time.

The State of Tennessee's Response to the Fiscal Recovery Fund

To prepare for the prudent expenditure and a planning for FRF dollars, the Financial Stimulus Accountability Group convened multiple times to develop a set of consensus goals and unified strategy for expenditure of funds. On March 29, 2021, the FSAG discussed the details of the ARPA and committed to the following goals:

- Plan one-time infrastructure improvements in water, sewer, and broadband or other eligible capital projects;
- Align allowable uses of ARP funds to state's strategic goals and review proposals for initiatives to improve health outcomes and support economic, and community development;
- Develop a single comprehensive approach for economic relief;

- Address the state's role in supporting prudent local government administration.

In June and August, the FSAG reviewed and confirmed state plans to invest in the following programs of work using FRF:

- After identifying a historic backlog of needs in sewer, water, and broadband infrastructure, the FSAG launched two comprehensive infrastructure programs that would leverage local ARP funds to rebuild necessary sewer, water, and broadband infrastructure.
- After discussing the unprecedented amount of funds to be administered by local entities, the FSAG recommended, and the administration has invested in a Local Government Technical Assistance program to train local governments on necessary grant management and compliance and provide annual review of local government plans.

In September and October, the FSAG convened multiple times to review state agency capital and program proposals, forming the next steps in launching the Tennessee Resiliency Plan. Each proposal included in the Tennessee Resiliency Plan has been the result of a collaborative effort between state agencies and the FSAG, and all proposals have been vetted for eligibility, effective project management, and long-term fiscal impact on the state of Tennessee.

This first tranche of spending priorities that reflect the most urgent needs and opportunities for Tennessee include:

- Sewer, Water, and Broadband Infrastructure initiatives;
- Capital investments to improve the resiliency of state and local public health systems;
- Continuation of the state's Hospital Staffing Assistance program;
- Immediate support to Tourism, Agriculture, and Arts and Culture Industries.

The plan also reserves specific funds for future planning purposes:

- $275 million is reserved for relief to affected industries, non-profits, and other organizations. Requests for new relief program will be administered via competitive grant application after review by FSAG.
- $300 million is reserved for additional state health capital planning.

Several agency proposals were also deferred for additional briefing by the FSAG. With these additions and reservations, a balance of approximately $494 million remains in the Fiscal Recovery Fund.

Amendments to Tennessee Resiliency Plan

Following the completion of the 30-day period of public comment on October 30, the FSAG will reconvene in the coming months to discuss potential amendments to the plan. Amendments under consideration are:

- Expansion of criteria in the Department of Health Hospital Staffing Assistance Program to expand eligibility to a broader set of hospitals. *Estimated cost increase: $10 million.*
- Reserving $30 million for increased contract costs of compliance and accounting for the Department of Finance and Administration, the agency overseeing administration of the State Fiscal Recovery Fund.
  Estimated cost increase: $30 million

The FSAG will continue to discuss allocation of $300 million currently reserved for state health capital planning and $275 million for additional external economic relief.

A complete copy of the Tennessee Resiliency Plan is available at https://www.tn.gov/finance/looking-for/stimulus-financial-accountability-group.html.

Tennessee Resiliency Plan–October 6 Recommendations

Category	Agency	Proposal	Total Amount
Infrastructure	Environment and Conservation	Enhancements to Water and Wastewater Infrastructure	$ 1,351,922,145
Infrastructure	Economic and Community Development	Broadband Infrastructure	$ 500,000,000
Public Health - Capital Investments	Health	State Public Health Laboratory	$ 200,000,000
Public Health - Capital Investments	Multiple Agencies	*Reserved for Further Planning for State Managed Health Capital Projects*	$ 300,000,000
Public Health - Capital Investments	Health	Local Health Department Capital Investments	$ 128,966,391
Public Health	Health	Hospital Staffing Assistance Program	$ 110,000,000
Public Health	Correction	Electronic Health Records project and supporting Infrastructure	$ 13,050,000
Negative Economic Impacts/Economic Relief	External Requests	*Reservation for Future External Relief Planning*	$ 275,000,000
Negative Economic Impacts/Economic Relief	Labor	Unemployment Insurance Tax & Benefits System	$ 61,000,000
Negative Economic Impacts/Economic Relief	Arts Commission	Support for TN Arts Organizations	$ 80,000,000
Negative Economic Impacts/Economic Relief	Tourism	Tennessee Tourism & Hospitality Recovery Fund (Pass through grant for Destination Marketing Organizations)	$ 55,000,000
Negative Economic Impacts/Economic Relief	Tourism	Tennessee Tourism ARP Marketing Fund Request	$ 45,000,000
Negative Economic Impacts/Economic Relief	Agriculture	Commercial Agriculture & Forestry Supply Chain Enhancements	$ 50,000,000
Negative Economic Impacts/Economic Relief	Transportation	Sevier County Tourism Support Project	$ 52,100,000
Negative Economic Impacts/Economic Relief	Transportation	Anderson County - Aspire Park Support Project	$ 6,000,000
Administrative (Evaluation and Data Analysis)	Finance and Administration - OEI	Accelerating Program Inventory	$ 2,000,000
Administrative (Evaluation and Data Analysis)	Finance and Administration - Internal Audit	To Provide Funding for Electronic Workpapers for Remote Workforce	$ 1,333,943
			$ 3,231,372,479

Memphis Regional Megasite Lands $5.6 Billion Investment from Ford Motor Company and SK Innovation

On September 27, 2021, it was announced that Ford Motor Company selected the Memphis Regional Megasite (a 4,100-acre certified industrial site in West Tennessee) for one of the largest battery and vehicle manufacturing campuses in the U.S.

Ford will be the fourth automotive original equipment manufacturer (OEM) with operations in Tennessee, joining Nissan, General Motors and Volkswagen.

Through a joint venture, Ford and SK Innovation will invest $5.6 billion to build a 3,600-acre mega campus called Blue Oval City on the Memphis Regional Megasite, where production of next generation all-electric F-Series trucks will begin in 2025. The project will result in the creation of 5,800 new jobs in West Tennessee.

Blue Oval City will be designed to be the largest, most advanced and most efficient automotive production campus in Ford's history. The campus will include the Ford assembly plant, a supplier park and a battery manufacturing plant operated by BlueOvalSK, Ford and SK Innovation's joint venture. The site will become a vertically integrated ecosystem with key suppliers and battery manufacturing on the same campus where Ford will assemble next generation all-electric F-Series trucks.

Economic analysis projects the Ford buildout of the Memphis Regional Megasite will result in significant job and gross state product gains. The Center for Economic Research in Tennessee, a division of the Tennessee Department of Economic and Community Development, has determined that the project is projected to generate the following economic and fiscal impacts. Annual projections reflect estimates for the first year during which the project becomes fully operational.

- The project is anticipated to generate more than 27,000 new jobs, both directly and indirectly, to support the site's operations. This will result in more than $1.02 billion in annual earnings.
- This project is anticipated to contribute $3.5 billion each year to Tennessee's gross state product.
- This project is also expected to generate temporary construction benefits including $5.6 billion spent on land, buildings, and other real property improvements. Additionally, more than 32,000 jobs are expected to support the construction period, with around $1.87 billion in salaries related to construction activity.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Tennessee's finances for all those with an interest in the state's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Department of Finance and Administration, Division of Accounts, 312 Rosa Parks Avenue, Suite 2100, Nashville, TN 37243.

BASIC FINANCIAL STATEMENTS

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STATE OF TENNESSEE
Statement of Net Position
June 30, 2021
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Total Component Units
ASSETS				
Cash and cash equivalents	$ 13,084,452	$ 840,300	$ 13,924,752	$ 3,095,092
Cash on deposit with fiscal agent	-	1,139,272	1,139,272	-
Investments	926,676	-	926,676	509,878
Receivables, net	3,488,675	343,097	3,831,772	350,229
Internal balances	6,986	(6,986)	-	-
Due from primary government	-	-	-	88,305
Due from component units	165,935	-	165,935	-
Inventories, at cost	90,477	-	90,477	10,924
Prepayments	11,530	-	11,530	25,902
Loans receivable, net	6,357	960,371	966,728	4,858,563
Net investment in capital leases	5,575	-	5,575	-
Fair value of derivatives	-	-	-	-
Other	-	-	-	36,303
Restricted assets:				
Cash and cash equivalents	50,954	-	50,954	667,757
Investments	421,174	-	421,174	2,776,031
Receivables, net	-	-	-	483,620
Net pension assets	24,146	-	24,146	19,636
Other	-	-	-	942
Capital assets:				
Land, at cost	2,681,333	-	2,681,333	280,114
Infrastructure	26,169,338	-	26,169,338	898,031
Structures and improvements, at cost	3,198,016	-	3,198,016	7,868,319
Machinery and equipment, at cost	2,064,986	-	2,064,986	1,279,144
Less-accumulated depreciation	(2,582,853)	-	(2,582,853)	(4,190,723)
Construction in progress	1,274,064	-	1,274,064	514,702
Software in development	137,790	-	137,790	-
Total assets	51,225,611	3,276,054	54,501,665	19,572,769
DEFERRED OUTFLOWS OF RESOURCES	889,778	-	889,778	370,925
LIABILITIES				
Accounts payable and other current liabilities	2,929,684	275,844	3,205,528	629,710
Due to primary government	-	-	-	165,935
Due to component units	87,809	-	87,809	-
Unearned revenue	672,283	19,208	691,491	161,412
Fair value of derivatives	-	-	-	-
Payable from restricted assets	54	-	54	-
Due to component units from restricted assets	496	-	496	-
Other	-	-	-	29,090
Noncurrent liabilities:				
Due within one year	381,483	-	381,483	324,965
Due in more than one year	4,679,024	7,871	4,686,895	7,934,674
Total liabilities	8,750,833	302,923	9,053,756	9,245,786
DEFERRED INFLOWS OF RESOURCES	347,631	-	347,631	228,265
NET POSITION				
Net investment in capital assets	32,396,815	-	32,396,815	4,741,640
Restricted for:				
Highway projects	887,904	-	887,904	-
Student financial assistance	234,913	-	234,913	-
Natural and wildlife resources	102,611	-	102,611	-
Capital projects	50,403	-	50,403	121,326
Single family bond programs	-	-	-	470,431
Regulatory activities	41,834	-	41,834	-
Pensions	24,146	-	24,146	19,636
Other	211,934	-	211,934	1,215,388
Permanent and endowment funds				
Expendable	753,715	-	753,715	285,390
Nonexpendable	558,795	-	558,795	1,562,672
Unrestricted	7,753,855	2,973,131	10,726,986	2,053,160
Total net position	$ 43,016,925	$ 2,973,131	$ 45,990,056	$ 10,469,643

The notes to the financial statements are an integral part of this statement

STATE OF TENNESSEE
Statement of Activities
For the Year Ended June 30, 2021
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 3,267,910	$ 1,188,460	$ 585,504	$ 636
Education	9,495,761	67,395	2,389,963	-
Health and social services	19,105,994	1,299,646	13,557,168	14
Law, justice and public safety	2,255,348	150,230	799,631	12,494
Recreation and resources development	935,195	195,412	347,710	500
Regulation of business and professions	252,866	234,485	2,978	-
Transportation	1,328,049	60,841	215,133	830,659
Interest	51,097	-	-	-
Total governmental activities	36,692,220	3,196,469	17,898,087	844,303
Business-type activities:				
Employment security	3,931,631	265,762	3,577,292	-
Insurance programs	753,012	728,280	223	-
Loan programs	1,879	12,135	22,262	-
Other	695	287	1	-
Total business-type activities	4,687,217	1,006,464	3,599,778	-
Total primary government	$ 41,379,437	$ 4,202,933	$ 21,497,865	$ 844,303
Component units:				
Higher education institutions	$ 5,268,307	$ 1,746,212	$ 2,475,739	$ 292,373
Loan programs	726,730	233,130	375,930	-
Lottery programs	1,945,963	1,945,939	28	-
Other	61,291	45,370	16,061	6,254
Total component units	$ 8,002,291	$ 3,970,651	$ 2,867,758	$ 298,627
General revenues:				
Taxes:				
Sales and use				
Fuel				
Business				
Other				
Payments from primary government				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Contributions to permanent funds				
Transfers				
Total general revenues, contributions, and transfers				
Change in net position				
Net position, July 1, restated				
Net position, June 30				

The notes to the financial statements are an integral part of this statement

STATE OF TENNESSEE
Statement of Activities
For the Year Ended June 30, 2021
(Expressed in Thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
$ (1,493,310)	$ -	$ (1,493,310)	$ -
(7,038,403)	-	(7,038,403)	-
(4,249,166)	-	(4,249,166)	-
(1,292,993)	-	(1,292,993)	-
(391,573)	-	(391,573)	-
(15,403)	-	(15,403)	-
(221,416)	-	(221,416)	-
(51,097)	-	(51,097)	-
(14,753,361)	-	(14,753,361)	-
-	(88,577)	(88,577)	-
-	(24,509)	(24,509)	-
-	32,518	32,518	-
-	(407)	(407)	-
-	(80,975)	(80,975)	-
(14,753,361)	(80,975)	(14,834,336)	-
-	-		
-	-		
-	-	-	(753,983)
-	-	-	(117,670)
-	-	-	4
-	-	-	6,394
-	-	-	(865,255)
11,052,798	-	11,052,798	-
1,216,037	-	1,216,037	-
6,275,672	-	6,275,672	-
672,243	-	672,243	-
-	-	-	1,691,747
-	-	-	92,759
9,376	-	9,376	192,618
282,720	-	282,720	4,413
143	-	143	122,899
(8,611)	8,611	-	-
19,500,378	8,611	19,508,989	2,104,436
4,747,017	(72,364)	4,674,653	1,239,181
38,269,908	3,045,495	41,315,403	9,230,462
$ 43,016,925	$ 2,973,131	$ 45,990,056	$ 10,469,643

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

General Fund—The general fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Education Fund—The education fund is maintained to account for revenues and expenditures associated with programs involving the Departments of Education and Higher Education including the activities of the Tennessee Promise Scholarship Endowment Fund. Funding for these programs is accomplished primarily from the dedicated sales and services taxes, federal monies received from the U. S. Department of Education, and net lottery proceeds.

Highway Fund—This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the highway fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund.

State Shared Taxes Fund—The purpose of the state shared taxes fund is to account for the sharing of state levied tax revenues and certain fees with local city and county governments as authorized by various state statutes.

Capital Projects Fund—The capital projects fund is maintained to account for the acquisition or construction of major governmental capital assets financed principally by long-term bonds.

Nonmajor Governmental Funds—Nonmajor governmental funds are presented by fund type in the supplementary section.

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2021
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
ASSETS				
Cash and cash equivalents	$ 9,138,721	$ 9,281	$ 1,304,296	$ 1,060,749
Investments	9,072	408,513	-	-
Receivables, net	2,241,007	968,035	292,624	14,281
Due from other funds	270,891	16,936	-	2,316
Due from component units	1,339	151,951	-	9,861
Inventories, at cost	59,575	130	27,883	-
Loans receivable, net	1,702	-	536	-
Prepayments and others	12,151	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	50,954
Investments	59,793	361,381	-	-
Total assets	$ 11,794,251	$ 1,916,227	$ 1,625,339	$ 1,138,161
LIABILITIES				
Accounts payable and accruals	1,792,590	382,507	321,608	64,250
Due to other funds	19,806	263,126	665	95
Due to component units	14,778	16,512	2,119	50,336
Payable from restricted assets	-	-	-	54
Due to component units from restricted assets	-	-	-	496
Unearned revenue	624,938	101	5,023	-
Total liabilities	2,452,112	662,246	329,415	115,231
DEFERRED INFLOWS OF RESOURCES	11,224	40,040	40,704	-
FUND BALANCES				
Nonspendable				
Inventories	$ 58,099	$ 130	$ 27,883	$ -
Long term portion of accounts receivable	5,850	-	-	-
Permanent fund and endowment corpus	-	361,381	-	-
Prepayments	1,516	-	-	-
Restricted	165,341	699,108	871,486	50,403
Committed	640,562	22,166	217,244	-
Assigned	4,688,970	131,156	138,607	972,527
Unassigned	3,770,577	-	-	-
Total fund balances	9,330,915	1,213,941	1,255,220	1,022,930
Total liabilities, deferred inflows of resources and fund balances	$ 11,794,251	$ 1,916,227	$ 1,625,339	$ 1,138,161

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds. In addition, other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position.

Internal service funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Position.

Resources and obligations related to pensions and other postemployment benefits are not available nor due and payable, respectively, in the current period and therefore are not reported in the funds.

Long-term liabilities, other than pension and other postemployment benefits and including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

The notes to the financial statements are an integral part of this statement.

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2021
(Expressed in Thousands)

State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ 29,997	$ 463,081	$ 12,006,125
-	509,091	926,676
166,778	50,373	3,733,098
-	44	290,187
1,330	1,391	165,872
-	-	87,588
-	4,119	6,357
-	20	12,171
-	-	50,954
-	-	421,174
$ 198,105	$ 1,028,119	$ 17,700,202
154,832	73,937	2,789,724
-	198	283,890
-	3,760	87,505
-	-	54
-	-	496
-	8	630,070
154,832	77,903	3,791,739
43,273	5,863	141,104
$ -	$ -	$ 86,112
-	-	5,850
-	197,414	558,795
-	-	1,516
-	531,031	2,317,369
-	199,808	1,079,780
-	16,100	5,947,360
-	-	3,770,577
-	944,353	13,767,359
$ 198,105	1,028,119	
		32,183,180
		(111,694)
		1,218,848
		(1,835,591)
		(2,205,177)
		$ 43,016,925

STATE OF TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	General	Education	Highway	Capital Projects
REVENUES				
Taxes:				
Sales and use	$ 4,057,986	$ 6,401,533	$ 23,819	$ -
Fuel	12,285	-	695,021	-
Business	5,495,043	271,613	7,807	-
Other	540,932	19,761	-	-
Licenses, fines, fees, and permits	522,173	4,662	323,231	-
Investment income	25,755	109,760	-	-
Federal	15,230,077	1,645,133	1,047,434	12,494
Departmental services	2,449,724	144,680	42,672	80,887
Other	275,280	501,890	10,197	-
Total revenues	28,609,255	9,099,032	2,150,181	93,381
EXPENDITURES				
General government	1,337,432	-	-	-
Education	-	9,236,827	-	-
Health and social services	19,959,835	-	-	-
Law, justice and public safety	2,188,551	-	-	-
Recreation and resources development	797,681	-	-	-
Regulation of business and professions	118,061	-	-	-
Transportation	-	-	2,135,196	-
Debt service:				
Principal	-	-	-	8,653
Interest	-	-	-	-
Debt issuance costs	-	-	-	-
Capital outlay	-	-	-	521,160
Total expenditures	24,401,560	9,236,827	2,135,196	529,813
Excess (deficiency) of revenues over (under) expenditures	4,207,695	(137,795)	14,985	(436,432)
OTHER FINANCING SOURCES (USES)				
Bonds and commercial paper issued	-	-	-	46,732
Insurance claims recoveries	673	-	-	-
Transfers in	57,021	412,498	80,412	120,876
Transfers out	(537,019)	(38,912)	(2,771)	-
Total other financing sources (uses)	(479,325)	373,586	77,641	167,608
Net change in fund balances	3,728,370	235,791	92,626	(268,824)
Fund balances, July 1, restated	5,602,545	978,150	1,162,594	1,291,754
Fund balances, June 30	$ 9,330,915	$ 1,213,941	$ 1,255,220	$ 1,022,930

The notes to the financial statements are an integral part of this statement.

STATE OF TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ 524,540	$ 78,865	$ 11,086,743
412,836	95,895	1,216,037
439,706	186,635	6,400,804
39,903	55,825	656,421
220	291,852	1,142,138
-	86,375	221,890
-	54,828	17,989,966
-	29,271	2,747,234
-	1	787,368
1,417,205	879,547	42,248,601
1,417,205	34,300	2,788,937
-	8,816	9,245,643
-	-	19,959,835
-	6,556	2,195,107
-	214,453	1,012,134
-	143,891	261,952
-	-	2,135,196
-	142,111	150,764
-	67,305	67,305
-	1,581	1,581
-	-	521,160
1,417,205	619,013	38,339,614
-	260,534	3,908,987
-	-	46,732
-	-	673
-	7,087	677,894
-	(137,687)	(716,389)
-	(130,600)	8,910
-	129,934	3,917,897
-	814,419	9,849,462
$ -	$ 944,353	$ 13,767,359

STATE OF TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Net change in fund balances - total governmental funds	$	3,917,897
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		977,483
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		(167,210)
The issuance of long-term debt (e.g. bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized over the life of the debt in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.		104,032
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		1,200
Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		(86,385)
Changes in net position of governmental activities	$	4,747,017

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Sewer Treatment Loan—Created in 1987, this fund provides loans to local governments and utility districts for the construction of sewage treatment facilities. The initial sources of the monies are federal grants and state appropriations.

Employment Security Fund—This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest earned from these monies is retained in the fund. Administrative and operational expenses incurred by the Department of Labor and Workforce Development are expenditures of the general fund.

Nonmajor Enterprise Funds—Nonmajor enterprise funds are presented in the supplementary section.

Internal Service Funds—Internal service funds are presented in the supplementary section.

STATE OF TENNESSEE
Statement of Net Position
Proprietary Funds
June 30, 2021
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 396,617	$ -	$ 443,683	$ 840,300	$ 1,078,325
Cash on deposit with fiscal agent	-	1,139,272	-	1,139,272	-
Receivables:					
Accounts receivable	-	340,533	2,564	343,097	6,691
Loans receivable	58,509	-	18,162	76,671	-
Due from other funds	-	66	-	66	743
Due from component units	-	-	-	-	63
Inventories, at cost	-	-	-	-	2,889
Prepayments	-	-	-	-	422
Total current assets	455,126	1,479,871	464,409	2,399,406	1,089,133
Noncurrent assets:					
Loans receivable	727,401	-	156,299	883,700	-
Due from other funds	-	-	-	-	9
Net investment in capital leases	-	-	-	-	5,575
Restricted net pension assets	-	-	-	-	1,476
Capital assets:					
Land, at cost	-	-	-	-	63,160
Structures and improvements, at cost	-	-	-	-	884,685
Machinery and equipment, at cost	-	-	-	-	393,356
Less: Accumulated depreciation	-	-	-	-	(593,808)
Construction in progress	-	-	-	-	12,101
Total noncurrent assets	727,401	-	156,299	883,700	766,554
Total assets	1,182,527	1,479,871	620,708	3,283,106	1,855,687
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	47,913
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	6	210,691	65,147	275,844	122,562
Due to other funds	31	7,021	-	7,052	73
Due to component units	-	-	-	-	304
Lease obligations payable	-	-	-	-	472
Bond payable	-	-	-	-	13,349
Unearned revenue	-	18,999	209	19,208	42,213
Others	-	-	-	-	83,835
Total current liabilities	37	236,711	65,356	302,104	262,808
Noncurrent liabilities:					
Pension	-	-	-	-	73,694
Lease obligations payable	-	-	-	-	6,149
Commercial paper payable	-	-	-	-	63,332
Bonds payable	-	-	-	-	123,740
Others	4,600	-	3,271	7,871	142,140
Total noncurrent liabilities	4,600	-	3,271	7,871	409,055
Total liabilities	4,637	236,711	68,627	309,975	671,863
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	12,889
NET POSITION					
Net investment in capital assets	-	-	-	-	554,024
Restricted for:					
Capital projects	-	-	-	-	1,276
Pensions	-	-	-	-	1,476
Unrestricted	1,177,890	1,243,160	552,081	2,973,131	662,072
Total net position	$ 1,177,890	$ 1,243,160	$ 552,081	$ 2,973,131	$ 1,218,848

The notes to the financial statements are an integral part of this statement.

STATE OF TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues					
Charges for services	$ 9,927	$ -	$ 2,495	$ 12,422	$ 669,495
Investment income	304	-	75	379	-
Premiums	-	265,762	728,280	994,042	777,737
Total operating revenues	10,231	265,762	730,850	1,006,843	1,447,232
Operating expenses					
Personal services	-	-	-	-	218,888
Contractual services	1,112	-	35,549	36,661	308,305
Materials and supplies	-	-	-	-	49,192
Rentals and insurance	-	-	-	-	75,273
Depreciation and amortization	-	-	-	-	48,404
Benefits	-	3,931,631	713,672	4,645,303	851,654
Other	-	-	5,253	5,253	10,075
Total operating expenses	1,112	3,931,631	754,474	4,687,217	1,561,791
Operating income (loss)	9,119	(3,665,869)	(23,624)	(3,680,374)	(114,559)
Nonoperating revenues (expenses)					
Grants	18,549	3,584,339	4,894	3,607,782	-
Insurance claims recoveries	-	-	-	-	3,156
Gain on sales of capital assets	-	-	-	-	(405)
Interest income	-	26,124	224	26,348	652
Interest expense	-	-	-	-	(5,815)
Other	(640)	(33,171)	(920)	(34,731)	-
Total nonoperating revenues (expenses)	17,909	3,577,292	4,198	3,599,399	(2,412)
Income (loss) before contributions and transfers	27,028	(88,577)	(19,426)	(80,975)	(116,971)
Capital contributions	-	-	-	-	842
Transfers in	4,617	-	4,594	9,211	29,779
Transfers out	-	-	(600)	(600)	(35)
Change in net position	31,645	(88,577)	(15,432)	(72,364)	(86,385)
Net position, July 1, restated	1,146,245	1,331,737	567,513	3,045,495	1,305,233
Net position, June 30	$ 1,177,890	$ 1,243,160	$ 552,081	$ 2,973,131	$ 1,218,848

The notes to the financial statements are an integral part of this statement.

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ -	$ 272,525	$ 738,806	$ 1,011,331	$ 411,246
Receipts from interfund services provided	-	4,408	-	4,408	1,078,564
Payments to suppliers	-	-	(740,651)	(740,651)	(1,200,544)
Payments to employees	-	-	-	-	(212,463)
Payments for unemployment benefits	-	(4,456,206)	-	(4,456,206)	-
Payments for interfund services used	(1,081)	-	(1,637)	(2,718)	(118,696)
Net cash provided by (used for) operating activities	(1,081)	(4,179,273)	(3,482)	(4,183,836)	(41,893)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	18,549	4,090,359	4,894	4,113,802	-
Reimbursements	-	(33,171)	-	(33,171)	-
Negative cash balance implicitly financed	-	7,021	-	7,021	-
Transfers in	4,617	-	4,594	9,211	29,744
Transfers out	-	-	(600)	(600)	-
Net cash provided by (used for) noncapital financing activities	23,166	4,064,209	8,888	4,096,263	29,744
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	(74,916)
Bond and commercial paper proceeds	-	-	-	-	58,278
Proceeds from sale of capital assets	-	-	-	-	5,661
Insurance claims recoveries	-	-	-	-	3,156
Principal payments	-	-	-	-	(23,731)
Interest paid	-	-	-	-	(7,089)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(38,641)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans issued and other disbursements to borrowers	(173,893)	-	(19,685)	(193,578)	-
Collection of loan principal	142,418	-	37,926	180,344	-
Interest received	10,237	26,124	2,365	38,726	653
Net cash provided by (used for) investing activities	(21,238)	26,124	20,606	25,492	653
Net increase (decrease) in cash and cash equivalents	847	(88,940)	26,012	(62,081)	(50,137)
Cash and cash equivalents, July 1, restated	395,770	1,228,212	417,671	2,041,653	1,128,462
Cash and cash equivalents, June 30	$ 396,617	$ 1,139,272	$ 443,683	$ 1,979,572	$ 1,078,325

(continued on next page)

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

(continued from previous page)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Reconciliation of operating income to net cash provided by (used for) operating activities					
Operating income (loss)	$ 9,119	$ (3,665,869)	$ (23,624)	$ (3,680,374)	$ (114,559)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	-	-	48,404
Loss on disposal of capital assets	-	-	-	-	2,276
Interest income	(9,927)	-	(2,178)	(12,105)	-
Investment income	(304)	-	(75)	(379)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
(Increase) decrease in receivables	-	(127,318)	7,953	(119,365)	9,109
(Increase) decrease in due from other funds	-	1,213	-	1,213	1,158
(Increase) decrease in due from component units	-	-	-	-	60
(Increase) decrease in inventories	-	-	-	-	(653)
(Increases) decreases in assets held for sale	-	-	-	-	65
(Increase) decrease in prepaids	-	-	-	-	586
(Increase) decrease in net pension assets	-	-	-	-	205
(Increase) decrease in deferred outflows of resources	-	-	-	-	5,522
Increase (decrease) in accounts payable	-	(372,295)	14,386	(357,909)	18,577
Increase (decrease) in due to other funds	31	-	-	31	(958)
Increase (decrease) in due to component units	-	(30)	-	(30)	224
Increase (decrease) in deferred inflows of resources	-	-	-	-	(8,735)
Increase (decrease) in unearned revenue	-	(14,974)	56	(14,918)	(3,174)
Total adjustments	(10,200)	(513,404)	20,142	(503,462)	72,666
Net cash provided by (used for) operating activities	$ (1,081)	$ (4,179,273)	$ (3,482)	$ (4,183,836)	$ (41,893)
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	$ -	$ -	$ -	$ -	$ 842
Assets acquired by transfer	-	-	-	-	35
Capital assets disposed of by transfer	-	-	-	-	(35)
Amortization of bond premium	-	-	-	-	2,030
Amortization of bond discount	-	-	-	-	(986)
Total noncash capital and related financing activities	$ -	$ -	$ -	$ -	$ 1,886

The notes to the financial statements are an integral part of this statement.

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FIDUCIARY FUNDS FINANCIAL STATEMENTS

Pension (and other Employee Benefit) Trust Funds—These funds are presented individually in the supplementary section.

Investment Trust Funds—These funds are presented individually in the supplementary section.

Private–Purpose Trust Funds—These funds are presented individually in the supplementary section.

Custodial Funds—These funds are presented individually in the supplementary section.

STATE OF TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021
(Expressed in Thousands)

				Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds	External Investment Pools
ASSETS					
Cash and cash equivalents	$ 126,714	$ -	$ 21,185	$ 518,456	$ 2,028,410
Cash collateral on loaned securities	3,130,122	-	-	-	-
Receivables:					
Account	2	-	-	1	-
Employer contributions	78,730	-	-	-	-
Member contributions	35,670	-	-	-	-
Taxes	-	-	-	381,062	-
Interest and dividends	-	-	-	-	18
Investments sold	-	3,674	-	-	-
Loans receivable	31,754	-	-	-	-
Other	871	-	-	512	-
Due from other funds	-	-	-	10	-
Investments, at fair value:					
Government bonds	-	-	-	-	6,740
Mutual funds	11,931,724	-	282,769	-	-
Private equities	-	3,742	-	-	-
Real estate	40	-	-	-	-
TRGT pooled funds	65,465,510	292,312	-	-	-
Other	9,402	-	-	-	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	2,015,953
Capital assets, at cost:					
Machinery and equipment	37,140	-	-	-	-
Less - accumulated depreciation	(27,674)	-	-	-	-
Total assets	80,820,005	299,728	303,954	900,041	4,051,121
LIABILITIES					
Accounts payable and accruals	35,930	-	34	5,656	-
Securities lending collateral	3,130,122	-	-	-	-
Due to other governments	-	-	-	825,481	-
Total liabilities	3,166,052	-	34	831,137	-
NET POSITION					
Restricted for					
Pensions	75,488,471	-	-	-	-
Employee salary deferrals	1,717,569	-	-	-	-
Other postemployment benefits	446,656	-	-	-	-
Employees' flexible benefits	1,257	-	-	-	-
Individuals, organizations and other governments	-	-	303,920	68,904	-
Amounts held in trust for					
Pool participants	-	299,728	-	-	4,051,121
Total net position	$ 77,653,953	$ 299,728	$ 303,920	68,904	4,051,121

The notes to the financial statements are an integral part of this statement.

STATE OF TENNESSEE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

				Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds	External Investment Pools
ADDITIONS					
Contributions:					
Members	$ 695,761	$ -	$ -	$ 90,275	$ -
Employers	1,517,199	-	-	-	-
Federal	-	-	193	-	-
Private	-	-	48,346	-	-
Transfers in from other plans	61,115	-	-	-	-
Other	1,317	-	2,266	-	-
Total contributions	2,275,392	-	50,805	90,275	-
Investment income:					
Net increase/(decrease) in fair value of investments	15,891,023	(79)	59,363	-	(27)
Interest and dividends	322,447	54,517	1	52	7,856
Securities lending income	14,221	-	-	-	-
Total investment income	16,227,691	54,438	59,364	52	7,829
Less: Investment expenses	(66,091)	(257)	-	-	(1,731)
Securities lending expense	(2,520)	-	-	-	-
Net investment income	16,159,080	54,181	59,364	52	6,098
Capital share transactions:					
Shares sold	-	59,295	-	-	5,439,744
Less: Shares Redeemed	-	(9,828)	-	-	(5,516,738)
Net capital share transactions	-	49,467	-	-	(76,994)
Tax and fee collections for other governments	-	-	-	3,697,352	-
Member resources	-	-	-	767,621	-
Total additions	18,434,472	103,648	110,169	4,555,300	(70,896)
DEDUCTIONS					
Benefit payments	3,496,668	-	-	-	-
Medical payments	75,864	-	-	98,951	-
Deceased member benefit payments	20,883	-	-	-	-
Payments made under trust agreements	5,540	-	16,567	-	-
Member/claimant distributions	44,189	-	131	750,534	-
Payments of taxes and fees to other governments	-	-	-	3,697,352	-
Administrative expenses	35,793	87	574	9,969	6
Total deductions	3,678,937	87	17,272	4,556,806	6
Change in net position	14,755,535	103,561	92,897	(1,506)	(70,902)
Net position, July 1, restated	62,898,418	196,167	211,023	70,410	4,122,023
Net position, June 30	$ 77,653,953	$ 299,728	$ 303,920	$ 68,904	$ 4,051,121

The notes to the financial statements are an integral part of this statement.

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Index

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Note 1: Summary of Significant Accounting Policies……54

Note 2: Reconciliation of Government-Wide and Fund Financial Statements……...….62

Note 3: Deficit Fund Equity……..63

Note 4: Accounting and Reporting Changes……..63

Note 5: Deposits and Investments…….66

Note 6: Fair Value Measurements……..77

Note 7: Receivables…….……...……85

Note 8: Capital Assets…….…...……86

Note 9: Interfund Balances, Payables and Receivables…….. 88

Note 10: Interfund Transfers……...……89

Note 11: Leases……...…….…90

Note 12: Long-Term Liabilities……...…….…92

Note 13: Payables…….……...…… 96

Note 14: Governmental Fund Balances……...…..……97

Note 15: Component Units…….99

Note 16: Risk Management…… 105

Note 17: Other Postemployment Benefits (OPEB)……..... 108

Note 18: Pension Plans……..119

Note 19: External Investment Pools……..127

Note 20: Contingencies……..128

Note 21: Tax Abatements…….. 129

Note 22: Impairments and Insurance Recoveries…… 131

Note 23: Subsequent Events…….. 131

NOTE 1

Summary of Significant Accounting Policies

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the primary government (the state) and its component units, entities for which the state is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the primary government.

Blended Component Units

The Tennessee School for the Blind, Tennessee School for the Deaf, and West Tennessee School for the Deaf were established to provide education and training to blind and deaf students in Tennessee. Although established as separate legal entities with pertinent corporate powers, their budgets are approved by the state and their facilities are owned and/or financed by the state. Furthermore, the schools' expenses and obligations are primarily paid from the state's appropriations. Therefore, these schools are reported in the primary government's Education Trust Fund, a major special revenue fund.

Discretely Presented Component Units

1. **Tennessee Student Assistance Corporation (TSAC)** (Governmental Fund Type) is responsible for administering federal and state student financial assistance programs. The majority of the board is either appointed by the governor or are state officials. TSAC's budget is approved by the state.

2. **Tennessee Community Services Agency (TCSA)** (Governmental Fund Type) provides coordination of funds and programs for the care of the citizens of the state. The board of the agency is appointed by the governor and the plan of operation and budget must be approved by the state.

3. **Tennessee Housing Development Agency (THDA)** (Proprietary Fund Type) is responsible for making loans and mortgages to qualified sponsors, builders, developers and purchasers of low and moderate income family dwellings. The board of the agency consists of state officials, appointees of the governor, and appointees of the Speakers of the House and Senate. The agency budget is approved by the state.

4. **Tennessee Education Lottery Corporation (TELC)** (Proprietary Fund Type) is responsible for the operation of a state lottery with net proceeds to be given to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee. The corporation is governed by a board of directors composed of seven directors appointed by the governor.

5. **State University and Community College System** (Proprietary Fund Type) includes six state universities, thirteen community colleges and twenty-seven colleges of applied technology. Each of the universities is governed by an independent board appointed by the governor. The board of the community colleges and technical colleges is comprised of state officials and appointees by the governor. The state provides substantial funding to these entities.

6. **University of Tennessee Board of Trustees (UT)** (Proprietary Fund Type) is responsible for the operation of the University of Tennessee, located primarily on four campuses across the state. The Board is appointed by the governor and the state provides a substantial amount of the funding.

7. **Tennessee Local Development Authority (TLDA)** (Proprietary Fund Type) provides financing assistance to local governments through the issuance of bonds and notes. In addition, the Authority assists non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. The majority of the board consists of state officials. Any deficiency in the statutory reserve will be included in the governor's recommended budget submitted to the General Assembly for consideration.

8. **Tennessee Veterans' Homes Board** (Proprietary Fund Type) is responsible for the operation of nursing homes for honorably discharged veterans of the United States armed forces. The Board is appointed by the governor and its budget is approved by the state. In addition, the issuance of bonds must be approved by the State Funding Board.

9. **Tennessee State School Bond Authority (TSSBA**) (Proprietary Fund Type) finances projects for the University of Tennessee, State University and Community College System, and the Tennessee Student Assistance Corporation. The Authority also finances improvement projects for qualifying K-12 schools in the state in conjunction with a federal government program. The board of the Authority consists primarily of state officials. The state can also impose its will on the Authority.

10. **Tennessee Certified Cotton Growers' Organization** (Proprietary Fund Type) was formed to aid in the eradication of the boll weevil. The majority of the board is appointed by the Commissioner of the

Department of Agriculture. The state can also impose its will on the organization.

11. **The Access Tennessee (AccessTN)** (Proprietary Fund Type) health insurance pool was established to offer health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions. The board of the insurance pool consists of state officials, appointees of the Speakers of House and Senate, and appointees of the Commissioner of Finance and Administration. The funding plan and plan of operation of the insurance pool are approved by the state.

Complete financial statements for each of the individual component units may be obtained at the following addresses:

Tennessee Housing Development Agency Andrew Jackson Building, 3rd floor 502 Deaderick Street Nashville, TN 37243	**Tennessee Local Development Authority** Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
Tennessee Veterans' Homes Board 345 Compton Road Murfreesboro, TN 37130	**Tennessee State School Bond Authority** Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
University of Tennessee Office of the Treasurer 301 Andy Holt Tower Knoxville, TN 37996-0100	**State University and Community College System** 1 Bridgestone Park Nashville, TN 37214
Tennessee Education Lottery Corporation One Century Place 23 Century Boulevard, Suite 200 Nashville, TN 37214	All others may be obtained at the following: **Finance & Administration, Division of Accounts** 21st Floor William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue Nashville, TN 37243

Fiduciary Component Units

The Tennessee Consolidated Retirement System (TCRS) (pension plans) – TCRS administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. TCRS is an independent state agency subject to legislative and executive department budgetary examination and comment. The Tennessee Consolidated Retirement System Board, a twenty-member board, is established by statute to administer the systems and plans, and to serve as investment trustees of the funds. The board consists of eighteen voting members and two non-voting members. Of the eighteen voting members, seven are ex-officio members from the state's various agencies, four are selected by the Speaker of the Senate and the Speaker of the House of Representatives, and two are appointed by the Governor. Because of the State's trustee responsibilities for these systems and plans, Generally Accepted Accounting Principles (GAAP) requires them to be reported as pension trust funds of the primary government rather than discrete component units.

The Deferred Compensation Plans – The Tennessee Department of Treasury sponsors and, through third-party service providers, administers the State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for Higher Education, and the 3121 plans, which are collectively reported as the Defined Contribution Pension Plan Fund, and the Internal Revenue Code Section 457(b) Plan, which is reported as the Deferred Compensation Plan Fund. These plans are administered through trusts to be considered separate legal entities. The Commissioner of Finance and Administration, the Chair of the Finance, Ways, and Means of the Senate, the Chair of the Finance, Ways, and Means Committee of the House of Representatives, and the chair of the consolidated retirement system board shall serve as trustees of these plans. Because of the State's trustee responsibilities for these plans, the Defined Contribution Pension Plan Fund and the Deferred Compensation Plan Fund are reported as pension and other employee benefit trust funds of the primary government rather than discretely presented component units.

The State of Tennessee Postemployment Benefits Trust (OPEB Trust)– The OPEB Trust was established for the purpose of prefunding other postemployment healthcare benefits accrued by employees of the state and certain component units. The trustees consist of the Commissioner of Finance and Administration, the Chair of the Finance, Ways and Means Committee of the Senate, the Chair of the Finance, Ways and Means Committee of the House of Representatives and the chair of the consolidated retirement board. Investment policies are set by the Trustees and implemented by the state treasurer. Because of the State's trustee responsibilities for the trust, GAAP requires it to be reported as a pension and other employee benefit trust

fund of the primary government rather than discretely presented component unit.

B. Related Organizations

The state's officials are also responsible for appointing the members of the boards of other organizations, but the state's accountability for these organizations do not extend beyond making appointments. The state appoints the board members of the Beech River Watershed Development Authority, Carroll County Watershed Authority, Tennessee Insurance Guaranty Association, Tennessee Life and Health Insurance Guaranty Association, Local Neighborhood Development Corporations, Tennessee Holocaust Commission, Inc., Tennessee Automobile Insurance Plan, and the Doe Mountain Recreation Authority.

C. Jointly Governed Organizations

1. **The Southern Regional Education Compact** has 16 member states. Tennessee paid $208,508 for 2021 membership dues.

2. **The Compact for Education** has 49 member states, plus Puerto Rico, the Virgin Islands, American Samoa, and the District of Columbia. Tennessee paid $77,300 for 2021 membership dues.

3. **The Interstate Mining Compact** has 24 member states. Tennessee paid $17,494 for 2021 membership dues.

4. **The Southern States Nuclear Compact** (also known as the Southern States Energy Compact) has 16 member states, plus Puerto Rico and the Virgin Islands. Tennessee paid $34,267 for 2021 membership dues.

5. **The Southeast Interstate Low Level Radioactive Waste Compact** has 6 member states.

6. **The Interstate Insurance Product Regulation Commission** is comprised of 45 member states and Puerto Rico.

7. **The Interstate Compact for Juveniles** is comprised of 50 states, plus the District of Columbia and the Virgin Islands. Tennessee paid $22,000 for 2021 membership dues.

8. **The Interstate Compact for Supervision of Adult Offenders** is comprised of all 50 states, plus the District of Columbia, Puerto Rico, and the Virgin Islands. Tennessee paid $36,674 for 2021 membership dues.

9. **The Interstate Compact on Educational Opportunities for Military Children** is comprised of all 50 states, plus the District of Columbia. Tennessee paid $13,001 for 2021 membership dues.

10. **The Nurse Licensure Compact** is comprised of 33 states.

11. **The Physical Therapy Licensure Compact** is comprised of 33 states, plus the District of Columbia.

12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 22 states.

13. **The Interstate Medical Licensure Compact** is comprised of 30 states, plus the District of Columbia and Guam.

14. **The Psychology Interjurisdictional Compact** is comprised of 21 states plus the District of Columbia.

D. Joint Ventures

The state is a participant in a joint venture, the Tennessee-Tombigbee Waterway Development Compact, with the states of Alabama, Kentucky and Mississippi. The purpose of this compact is to promote the development of a navigable waterway connecting the Tennessee and Tombigbee Rivers and provide a nine foot navigable channel. The fiscal year end of the Tennessee-Tombigbee Waterway is December 31. Financial statements for the Tennessee-Tombigbee Waterway may be obtained at: P.O. Drawer 671, Columbus, MS 39703.

Presented below is summary financial data for this joint venture (expressed in thousands):

Tennessee-Tombigbee Waterway Development Compact	2020	2019
Current assets	$ 485	$ 474
Capital assets, less depreciation	281	286
Total assets	766	760
Total liabilities		97
Net position	766	663
Total liabilities and net position	$ 766	$ 760
Revenues	$ 396	$ 318
Expenses	293	346
Excess of revenues over expenses	103	(28)
Beginning net position	663	691
Ending net position	$ 766	$ 663

E. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

F. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Earned revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are typically recorded only when payment is due. General capital asset acquisitions are reported as expenditures and issuance of long-term debt is reported as an other financing source in governmental funds.

Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment income. The state generally considers taxes, and similarly measurable fees and fines, available if collected within 60 days after fiscal year-end. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met, and the amount is received during the current period or within 6 months after fiscal year-end. The state uses this same 6 month availability period for most other measurable revenues, with the exception of the tobacco and similar litigation settlement proceeds, which are generally considered to be available if collection is expected within 12 months after fiscal year-end. Licenses, permits, and other similar miscellaneous revenue items are considered measurable and available only when cash is received.

The state reports the following major governmental funds:

- **General Fund.** This is the state's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- **Education Fund.** This fund accounts for financial transactions and balances associated with K-12 and higher education programs including the activities of the Tennessee Promise Scholarship Endowment Fund. Funding for these programs is accomplished primarily from dedicated sales and services taxes, federal monies received from the U.S. Department of Education, and net lottery proceeds.

- **Highway Fund.** The Highway fund accounts for financial transactions and balances associated with programs of the Department of Transportation. Funding for these programs is accomplished primarily from dedicated highway user taxes and fees and funds received from the various federal transportation agencies.

- **State Shared Taxes Fund.** The state shared taxes fund accounts for state levied tax revenues and certain fees shared with local city and county governments as authorized by various state statutes.

- **Capital Projects Fund.** This fund accounts for financial transactions and balances associated with the acquisition or construction of major governmental capital assets. These capital assets are financed principally with long-term bonds.

The state reports the following major proprietary funds:

- **Sewer Treatment Loan Fund.** This fund accounts for loans made to local governments and utility districts for the construction of sewage treatment facilities.

- **Employment Security Fund.** This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Additionally, the state reports the following fund types:

- **Internal Service Funds.** These account for services provided to other departments or agencies of the state, or to other governments, on a cost reimbursement basis. Internal service fund services include the provision of information technology, facilities management, fleet services, risk management, employee health insurance, accounting services, and purchasing services. Other services include human resource management, printing, postal, products produced by Department of Correction inmates, warehousing of supplies, and records management

- **Fiduciary Funds.** These funds are used to account for resources legally held in trust. Fiduciary activities include the following funds:

    1. **Pension and Other Employee Benefit Trust Funds** – account for activities and balances of the defined benefit pension plans administered by the Tennessee Consolidated Retirement System, the defined contribution pension plans, the deferred compensation plans, the employee flexible benefits plan, higher education 403(b)plan fund, and the State of Tennessee Postemployment Benefit Trust.

    2. **Investment Trust Funds** – account for deposits belonging to entities outside of the state's financial reporting entity.

    3. **Private Purpose Trust Funds** – account for contributions made to 1) *College Savings Plan* – funds created under Section 529 of the Internal Revenue Code and 2) other small similar funds - funds from liquidated assets of domestic insurance companies that are in receivership and funds held in individual accounts under the state's Achieving a Better Life Experience (ABLE) Act program.

    4. **The Custodial Funds** – account for assets the state holds on behalf of others, including local levied taxes held for various local governments, assets in postemployment benefit plans that are not equivalent to a qualified trust held for retirees, deposits from local governments in cash and investment pools, and other receipts held for others that are not held under trust arrangements.

As a general rule, the effect of internal activity, interdepartmental revenues and expenditures (both direct and indirect expenditures), has been eliminated from the government-wide financial statements. An exception is that interfund services provided and used between functions have not been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. Investment income of certain proprietary funds is classified as operating revenue because those transactions are a part of the funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments—The state's cash and cash equivalents includes demand accounts, petty cash and monies in cash management pools. The liquidity of the cash management pools is sufficient to cover any withdrawal request by a participant. This classification also includes short-term investments with a maturity date within three months of the date acquired by the state. These short-term investments, which are not part of the State Cash Pool, are stated at fair value. The State Cash Pool is part of the State Pooled Investment Fund (SPIF), an external investment pool. Investments in the State Cash Pool are measured at amortized cost. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. It is the state's policy to include cash management pools as cash.

Investments not in the State Cash Pool are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Investment income consists of realized and unrealized appreciation or depreciation in the fair value of investments. Interest income is recognized when earned. Securities and security transactions are recorded in the financial statements on trade-date basis.

Receivables and Payables—All outstanding balances between funds are reported as "due to/from other funds", except those to and from pension and other employee benefit trust funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectibles. Receivables in the state's governmental and fiduciary funds primarily consist of taxes, interest, departmental services and federal revenues.

Inventories and Prepaid Items—Inventories of materials and supplies are determined by physical count and are valued at cost, principally using the first-in/first-out (FIFO) method. The weighted average cost method is used for the Highway Fund (a special revenue fund) and Strategic Technology Solutions, Postal Services, Distribution Center, the breeding herd for Tennessee Rehabilitative Initiative in Correction, and General Services Printing (internal service funds). The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets—Proceeds of the state's general obligation bonds and commercial paper program that remain unspent at year end are classified as restricted cash on the statement of net position. The commercial paper program provides short-term financing for the state's capital projects. Tennessee Promise Scholarship Endowment Fund (reported in the Education fund) has restricted assets in an endowment trust agreement. Contributions to the State Hybrid Stabilization Reserve Trust (reported in the general fund) are reported as restricted investments. The state also has a restricted net pension asset because pension plan net position is greater than total pension liability.

Component units that issue revenue bonds – Tennessee Housing Development Agency, Tennessee State School Bond Authority, and Tennessee Local Development Authority – report restricted cash to 1) satisfy bond covenant requirements, 2) reflect unspent bond, commercial paper, or note proceeds, and 3) reflect resources set aside to meet future debt service payments. In addition to restricted cash, Tennessee Housing Development Agency and Tennessee State School Bond Authority also report restricted investments for the same purposes previously mentioned. In addition, Tennessee Housing Development Agency also reports restricted receivables for the same purposes mentioned. The State University and Community College System and the University of Tennessee report restricted cash, investments, and receivables for those that come with certain restrictions from donors, lenders, or grantors. The State University and Community College System also reports other restricted assets for the same purpose mentioned above. Tennessee Education Lottery Corporation has restricted cash to cover losses incurred as a result of the nonfeasance, malfeasance, or misfeasance of the retailers. Tennessee Veterans' Homes Board reports restricted cash in relation to loan agreements for those belonging to the homes' residents.

Tennessee Student Assistance Corporation, Tennessee Community Services Agency, Tennessee Housing Development Agency, State University and Community College System, University of Tennessee, and Tennessee Veterans' Homes Board have net pension assets because pension plan net position is greater than their total pension liability.

Capital Assets—Capital assets, which include land, buildings and building improvements, machinery and equipment (e.g., furniture and fixtures, vehicles, works of

art and historical treasures), infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangibles (e.g., internally generated computer software, patents, trademarks, copyrights, and easements), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, with the exception of infrastructure, land and internally generated intangibles, are defined by the state as assets with an initial individual cost of $5,000 or more and an estimated useful life of three years or more. Infrastructure assets and land are capitalized regardless of cost or useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Internally generated intangibles are capitalized if the total estimated project costs are $1 million or more, and have an estimated useful life of three years or more. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capitalized assets, except for land and infrastructure, are depreciated over their useful lives.

The state holds certain assets such as works of art, historical documents, and artifacts that have not been capitalized or depreciated because the collections are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The state has elected to apply the modified approach to accounting for infrastructure—roadways and bridges. The modified approach is an alternative to depreciation that may be applied to infrastructure capital assets that meet certain requirements. Under the modified approach, depreciation expense is not recorded for these assets. Instead, costs for both maintenance and preservation of these assets should be expensed in the period incurred. Additions and improvements are capitalized.

Land, construction in progress, software in development, and intangibles with indefinite useful lives are not depreciated. The other property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building Improvements	20 - 50
Machinery and Equipment	3 - 20

Deferred Outflows/Inflows—Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The primary government has three items that qualify for reporting in this category. The first is the result of five pension related factors. The first factor is contributions made subsequent to the measurement date, the second factor is the difference between the actual and expected economic and demographic factors that were less favorable than anticipated, the third factor is the net effect from changes in actuarial assumptions, the fourth factor is investment returns were less than projected, and the fifth factor is the change in proportionate share of net pension liabilities and assets. The second item is refunding of debt. The third item is related to the estimate of the state's Other Postemployment Benefit (OPEB) liabilities. In the governmental activities column of the government-wide statement of net position, the state reported $15.7 million for refunding of debt, $316.4 million for employer contributions made after the measurement date, $34.9 million for differences between expected and actual experience, $0.7 million for changes in actuarial assumptions, $74.0 million for differences between expected and actual investment returns, $5.2 million for the changes in proportionate shares, and $442.8 million for various factors related to the estimate of the state's OPEB liabilities.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has four items that qualify for reporting in this category. The first item is the result of two pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were more favorable than anticipated and the second factor is the change in proportionate share of net pension liabilities and assets. In the governmental activities column of the government-wide statement of net position, the state reported $11.4 million for these two pension related factors mentioned.

The other three items are related to debt refunding, capital lease activities, and the estimate of the state's OPEB liabilities in which the state reported $1.2 million, $1.7 million, and $333.3 million, respectively, in its governmental activities column of the government-wide statement of net position. In addition, the state has one item which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds reported unavailable revenues from various taxes ($90.3 million), federal grants ($40.7

million), and other sources ($10.1 million) as deferred inflows of resources.

Compensated Absences—It is the state's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the state's policy is to pay this only if the employee is sick or upon death.

Long-term Liabilities—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the state's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the state's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. For the year ended June 30, 2021, the state reported $1.15 billion of net pension liability, $24.2 million of net pension asset, $431.2 million of deferred outflows of resources, $11.4 million of deferred inflows of resources, and $359.4 million of pension expenses.

Postemployment Benefits Other Than Pension (OPEB)—For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefits Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of GASB Statement No. 75.

Net Position—Consists of the following three components:

- **Net Investment in Capital Assets** - consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or commercial paper, and leases that are attributable to the acquisition, construction, or improvement of those assets. Unspent debt proceeds at year end are not included in this calculation.

- **Restricted net position** - consists of net position in which constraints are placed on the use of net position either by external entities, such as creditors (debt covenants), grantors, contributors, and laws or regulations of other governments; or by constitutional provisions or enabling legislation of the state. Restrictions imposed by enabling legislation could be changed by future legislative action. Of the $2.9 billion restricted by the primary government, $425 million was by enabling legislation.

- **Unrestricted Net Position -** consists of net position that does not meet the definition of "restricted net position" or "net investment in capital assets."

Fund Balance—In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- **Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- **Restricted Fund Balance** - represents amounts where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- **Committed Fund Balance** - represents amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The General Assembly is the highest level of decision-making authority for the state that can, by adoption of legislation prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the legislation remains in place until the same action is taken (i.e., adoption of other legislation) to remove or revise the limitation.

- **Assigned Fund Balance** - represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Generally, the assignment is expressed by the General Assembly in the annual General Appropriations Act.

- **Unassigned Fund Balance** - represents the residual amount for the general fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first, then unrestricted resources. Of the unrestricted resources, the state considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Fiscal Year End—The fiscal year end of the primary government and component units is June 30, except for the Agricultural Promotion Boards, a special revenue fund; which has a December 31 year end. Also, the Certified Cotton Growers' Organization, a component unit, has a December 31 year end.

Comparative Data/Reclassifications—Comparative total data for the prior year has not been presented.

NOTE 2

Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

The details of this $2.2 billion difference are as follows (expressed in thousands):

Bonds payable	$ (1,436,292)
Plus: premium on bonds issued (to be amortized as interest expense)	(198,332)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	12,992
Commercial paper payable	(144,011)
Accrued interest payable	(24,887)
Capital leases payable	(5,283)
Claims and judgments	(27,479)
Compensated absences	(326,674)
Pollution remediation	(54,148)
Other long-term liabilities and accounts payable	(1,063)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	$ (2,205,177)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net positions of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense."

The details of this $977.5 million difference are as follows (expressed in thousands):

Capital outlay	$ 1,110,056
Depreciation expense	(132,573)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 977,483

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities." The details of this $104 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of commercial paper	$ (46,732)
Debt reduced:	
General obligation debt	142,111
Commercial paper redeemed	8,653
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 104,032

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $1.2 million difference are as follows (expressed in thousands):

Pension	$ (33,160)
Compensated absences	(21,885)
Claims and judgments	6,310
Accrued interest	2,589
Capital lease	1,035
Other postemployment benefits	37,968
Pollution remediation	1,461
Pledged tax credits	266
Loss on disposal of capital assets	(12,407)
Amortization of bond premiums	20,561
Amortization of deferred outflows/inflows of resources	(6,942)
Other costs	5,404
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 1,200

NOTE 3

Deficit Fund Equity

The records management fund, an internal service fund, has a total net position deficit of $171 thousand. This deficit was caused primarily as a result of the reporting of other postemployment benefits at the fund level in accordance with GASBS 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and as a result of the reporting of pensions at the fund level in accordance with GASBS 68, *Accounting and Financial Reporting for Pensions.*

NOTE 4

Accounting Changes

Adoption of New Accounting Standards

During the fiscal year ended, June 30, 2021, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

- Statement No. 84, *Fiduciary Activities* (GASBS 84), is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. With the implementation of GASBS 84, numerous accounts were reclassified into governmental funds from the former fiduciary fund type– Agency fund, and one private purpose trust fund was reclassified to a governmental fund type. In addition, two former investment trust funds were reclassified as custodial external investment pools due to assets not being held in qualifying trusts. See below, *Prior Period Adjustments and Reclassifications*, for further explanations of the effects of this change on the financial statements.
- Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61, is intended to improve consistency and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The implementation of this standard did not have an impact on the financial statement or note disclosures.
- Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases. It

also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The implementation of this standard did not have an impact on the financial statements or note disclosures.

- Statement No. 98*, The Annual Comprehensive Financial Report* , establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replaces references of the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

Prior Period Adjustments and Reclassifications

Primary Government

- Governmental activities–$45.2 million, net increase in net position, is the effect of a change in accounting principle related to the implementation of GASBS 84, *Fiduciary Activities*.
- Governmental activities–$16.5 million, net increase in net position, is an accounting change resulting from the reclassification of the energy loan program from an enterprise fund to the general fund due to the repurpose of the funds no longer qualifying as a business type activity.
- Business-type activities–$6.1 million, net decrease in net position, is a result of a correction of an error due to the overstatement of receivables, revenues, and allowances in the employment security fund.
- Business-type activities–$16.5 million, net decrease in net position, is an accounting change resulting from the reclassification of the energy loan program from an enterprise fund to the general fund due to the repurpose of the funds no longer qualifying as a business type activity.
- Fiduciary funds–$9.3 billion, net increase in net position for pension trusts, $4.1 billion net decrease in investment trust fund net position, $42.2 million decrease in private purpose trust funds net position and $4.2 billion increase in custodial funds net position are all effects of a change in accounting principle related to the implementation of GASBS 84, *Fiduciary Activities*.

Component Units

- The State University and Community College System (SUCCS) and its foundations recorded prior-period adjustments for a net decrease to net position of $4.7 million for incorrectly recorded insurance accrual, incorrectly recorded equipment purchase and deposits held for others and miscellaneous audit adjustments. Of this amount, $56 thousand was related to a cumulative effect of change in accounting principle.

Change in Accounting Estimate

For the fiscal year ended June 30, 2021, the state changed its methodology for estimating liabilities for outstanding unemployment claims. The new methodology was adopted to better estimate the amount that was recorded as liabilities at year end to consider the impacts of the significant changes that arose from new unemployment federal programs and the significant increase in claims resulting from the coronavirus disease pandemic. This change impacted expenditures and the accounts payable and accruals financial statement line items for the employment security fund and business-type activities.

The following schedule enumerates adjustments for the fiscal year ended June 30, 2021, (expressed in thousands):

	6/30/20 Net Position as Reported	Adjustments to Net Position	6/30/20 Net Position as Restated
Government-wide statements:			
Primary government			
Governmental activities	$ 38,208,170	$ 61,738	$ 38,269,908
Business-type activities	3,068,103	(22,608)	3,045,495
Total primary government	$ 41,276,273	$ 39,130	$ 41,315,403
Component units - SUCCS	4,314,667	(4,666)	4,310,001
Total component units	$ 4,314,667	$ (4,666)	$ 4,310,001
Enterprise fund statements:			
Employment security	1,337,800	(6,063)	1,331,737
Nonmajor enterprise funds			
Energy loan program	16,545	(16,545)	-
Total enterprise funds	$ 1,354,345	$ (22,608)	$ 1,331,737
Governmental funds statements:			
Major governmental funds			
General fund	5,562,357	40,188	5,602,545
Education fund	977,842	308	978,150
Nonmajor special revenue funds			
Vehicle tag and analogous fees		500	500
Permanent funds			
Other permanent funds	71,914	20,741	92,655
Total governmental funds	$ 6,612,113	$ 61,737	$ 6,673,850
Fiduciary funds statements:			
Pension and other employee trust funds			
Defined contribution pension plan fund		7,862,399	7,862,399
Higher education 403(b) plan fund		801,164	801,164
Deferred compensation plan fund		601,852	601,852
Total pension trust		$ 9,265,415	$ 9,265,415
Investment trust funds			
External retirement investment fund	129,484	66,683	196,167
Intermediate term investment fund	12,033	(12,033)	-
Local Government Investment Pool	4,109,990	(4,109,990)	-
Total investment trust	$ 4,251,507	$ (4,055,340)	$ 196,167
Private-purpose trust funds			
College savings plan	200,176	(12,114)	188,062
Children in state custody	5,560	(5,560)	-
Oak Ridge monitoring	20,741	(20,741)	-
TNInvestco	1,865	(1,865)	-
Other private-purpose trust fund	24,874	(1,913)	22,961
Total private-purpose trust	$ 253,216	$ (42,193)	$ 211,023
Custodial funds[1]			
Custodial accounts		52,666	52,666
Intermediate term investment fund		12,033	12,033
Local government investment Pool		4,109,990	4,109,990
Retiree health funds		17,744	17,744
Total custodial funds		$ 4,192,433	$ 4,192,433

[1] The Custodial accounts and Retiree health funds were former Agency funds. Also, the State shared tax fund, a major governmental fund, was formerly reported as an Agency fund but no restatement was required as all assets held were payable at June 30, 2020.

NOTE 5

Deposits and Investments

A. Primary Government

The state's cash includes deposits in demand accounts, petty cash and monies in cash management pools. State statutes provide that funds in the state treasury be invested by the State Treasurer. The State Pooled Investment Fund (SPIF) is established by Tennessee Code Annotated, Section 9-4-603 "for the purpose of receiving and investing any money in the custody of any officer or officers of the state unless prohibited by statute to be invested." Participants in the SPIF include the general fund of the state and any department or agency of the state which are required by court order, contract, state or federal law, or federal regulation to receive interest on invested funds, and which are authorized by the State Treasurer to participate in the SPIF. In addition, funds in the State of Tennessee Local Government Investment Pool (LGIP) custodial fund is consolidated with the SPIF for investment purposes only. The primary oversight responsibility for the investment and operations of the SPIF rests with the Funding Board of the State of Tennessee (Funding Board).

The State Pooled Investment Fund is authorized by statute to invest funds in accordance with policy guidelines approved by the Funding Board. The current resolution of the Funding Board gives the Treasurer approval to invest in U.S. direct obligations, U.S. agency securities, U.S. instrumentality securities, repurchase or reverse repurchase agreements, collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances and securities lending agreements. Investments in derivatives type securities and investments of high risk are prohibited. There are no limitations or restrictions on participant withdrawals with the exception of a 24-hour notice for withdrawals exceeding $5 million.

The Intermediate Term Investment Fund (ITIF) is authorized by statute to invest funds in the investment instruments specified under statutes for the SPIF. The ITIF is intended to offer longer term investment vehicle and higher returns for participants who did not need access to funds immediately.

In addition to the funds in the State Pooled Investment Fund, the Tennessee Retiree Group Trust (TRGT), an investment trust fund, was adopted for the purpose of pooling funds solely for investment purposes including those assets of the Tennessee Consolidated Retirement System (TCRS) and other exempt pension and similar trusts. TRGT may also invest its funds in SPIF. The Tennessee Promise Scholarship Endowment Fund, a part of the Education Fund, a special revenue fund; the Chairs of Excellence (COE) Trust, a permanent fund; and the State of Tennessee Postemployment Benefits Trust, an other postemployment benefit trust fund, are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, real estate and other good and solvent securities subject to the approval of the applicable boards of trustees. The State Funds Investment Portfolios, which include investments selected and managed by the Tennessee Wildlife Resources Agency (TWRA), do not have specific investment policies that restrict their investments.

The College Savings Plan (TNStars), a private-purpose trust; the Achieving a Better Life Experience (ABLE TN) fund, reported as part of Other private purpose trust funds; the Defined Contribution Pension Plan Fund, a pension trust fund; and the Deferred Compensation Plan Fund and the Higher Education 403(b) Plan Fund, employee benefit trust funds; are authorized to invest in commingled funds, mutual funds, fixed accounts and self-directed brokerage accounts. The External Retirement Investment Fund, an investment trust fund, invest in commingled funds and private equities.

As of June 30, 2021, the state's investments for all funds were as follows (expressed in thousands):

POOLED INVESTMENT AND OTHER FUNDS INVESTMENTS

Credit Quality Rating	SPIF	TRGT	ITIF	State Funds Investment Portfolios	Education Fund	COE	College Savings Plan	Other private purpose trust funds	Employee Group OPEB Trust	Defined Contribution Pension Plan Fund	Deferred Compensation Plan Fund	External Retirement Investment Fund	Higher Education 403(b) Plan Fund	Total
AAA	$ 116,112	$ 423,722			$ 57	$ 1,985								$ 541,876
AA		262,908			101	3,515								266,524
A		1,073,516			229	7,968								1,081,713
BBB		3,520,342			456	15,868								3,536,666
BB		448,696			16	550								449,262
B		154,965												154,965
CCC		66,637												66,637
CC		1,656												1,656
NR	9,653,574	4,130,842			898	31,266	$88,219	$9,637		$4,811,586	$348,718		$417,446	19,492,186
A1 (Commercial paper)	2,485,807													2,485,807
	12,255,493	10,083,284			1,757	61,152	88,219	9,637		4,811,586	348,718		417,446	28,077,292
Government agencies and obligations[1]	6,914,708	7,323,162	$ 6,740	$ 73,573	2,170	75,582								14,395,935
Total debt investments	19,170,201	17,406,446	6,740	73,573	3,927	136,734	88,219	9,637		4,811,586	348,718		417,446	42,473,227
Non Fixed Income Assets														
Equity		32,377,992												32,377,992
Equity mutual funds					765,968	298,784	170,112	14,801	$416,557	5,014,259	$394,778		528,380	7,603,639
Self-Directed Brokerage										7,294	$2,108			9,402
Preferred stock		85,976												85,976
Real estate		5,111,807											40	5,111,847
Private equities		6,686,215										$3,742		6,689,957
Strategic lending		4,036,994												4,036,994
Derivatives (not rated)		394												394
Certificate of deposit classified as short term	30,435													30,435
Short-term investment fund at custodian		(6,204)												(6,204)
Less: short term	(9,117,995)	(890,871)												(10,008,866)
Total investments	$ 10,082,641	$64,808,749	$ 6,740	$ 73,573	$ 769,895	$ 435,518	$258,331	$ 24,438	$416,557	$ 9,833,139	$ 745,604	$ 3,742	$ 945,866	$ 88,404,793
Net noninvestment assets		1,034,474												
Pool's net position[2]		$65,843,223												

1. Includes obligations of the US government or obligations explicitly guaranteed by the US government
2. This amount is the net position of TRGT whose audited financial reports can be obtained at www.treasury.tn.gov or calling (615) 741-2956.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the state's investments in debt securities as of June 30, 2021, are included in the previous schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. State statutes provide a process for financial institutions desiring to act as state depositories to be approved by the State Treasurer. Statutes also provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All certificates of deposit are required by policy to be placed directly with state depositories. All repurchase agreements are done with primary dealers in government securities which have executed a master repurchase agreement with the state.

The SPIF's investment policy requires a first tier quality criteria for the purchase of obligations of instrumentalities that are not fully guaranteed by the United States government. Prime banker's acceptances must be issued by domestic banks with a minimum AA long-term debt rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. The short-term debt rating must be at least A1 or the equivalent by all of the rating services that rate the issuer. Commercial paper should be rated in the highest tier by all rating agencies that rate the paper. Commercial paper on a credit rating agency's negative credit watch list cannot be purchased under the SPIF's investment policy. The policy requires that a credit analysis report on the corporation be prepared prior to acquisition of the commercial paper.

The SPIF is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the SPIF from a nationally recognized credit ratings agency. The SPIF is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The State Funding Board has elected for the SPIF to use amortized cost accounting measures to report investments and to transact with participants at a Stable Net Asset Value. Additionally, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year.

The TRGT, pursuant to Tennessee Code Annotated (TCA) Title 8, Chapters 34-37, the TCRS Board and the State Treasurer as the Custodian are authorized to invest the TRGT funds in the same manner as the funds of TCRS. TCRS' investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the TCRS' investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

The COE Trust's investment policy states that the majority of investments should be placed in high quality debt securities to produce adequate income with minimal risk. In addition, for short-term investments, the investment policy states that only the highest quality short-term debt issues should be purchased.

The Education Fund's state statute authorizes the trustees to adopt an investment policy for the trust in accordance with the laws, policies and guidelines that govern investments by the Tennessee Consolidated Retirement System. The trustees may issue other directions further limiting such investments. The policy also allows assets to be invested in shares of publicly traded investment companies, including Unit Investment Trusts (UIT's), Exchange Traded Funds (ETF's) and open-end and closed-end mutual funds. In addition, it permits investment in publicly traded foreign securities that are the same kinds, classes and investment grades otherwise eligible for investment, and in non-investment grade, fixed income securities, including but not limited to, high yield bonds.

The ITIF is authorized by statute to invest funds in the investment instruments specified under statutes for the SPIF in accordance with the policy guidelines for the ITIF as approved by the Funding Board. The current policy of the Funding Board for the ITIF gives the Treasurer approval to invest funds in bonds, notes, and

treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies, obligations guaranteed as to principal and interest by the federal home loan mortgage corporation, federal national mortgage association, student loan marketing association and other United States government-sponsored corporations, prime commercial paper, prime bankers' acceptances, and repurchase agreements for obligations of the United States or its agencies. State Fund Investment Portfolios is authorized to invest in obligations guaranteed by the US government including bonds, notes, and US treasury bills.

The College Savings Plan, the Other private purpose trust fund, the Defined Contribution Pension Plan Fund, the Deferred Compensation Plan Fund, and the Higher Education 403(b) Plan Fund seek to provide participants with a prudent menu of investment options that is diversified across a range of asset classes, risk levels and investment strategies. These plans do not currently own specific fixed income securities but provide options to invest in mutual funds that invest in fixed income securities. A fixed account will generally guarantee a minimum rate of return or interest. Fixed accounts available through either a fixed or variable annuity contracts and must have an issuer with long-term rating of (or equivalent to) A+ or better as determined by a nationally recognized statistical rating agency. Fixed accounts through a bank depository account must provide participant-level FDIC protection. Self-directed brokerage accounts (SDBA) are offered for flexibility to participants who wish to take an active role selecting investment instruments not available as a direct investment option in these plans. The State has no responsibility to review or assess the self-directed brokerage account provider, brokerage window or the investment instruments available under a SDBA.

Concentration of Credit Risk

A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. An objective stated in the SPIF's investment policy is that the investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Acquisitions are monitored by policy to assure that no more than five percent (5%) of the pool, at the date of acquisition, is invested in a single issuer of securities. Additionally, no issuer of a demand feature or guarantee will exceed ten percent (10%) at the date of acquisition. These limits shall not apply to U.S. Government Securities. In addition, the SPIF's investment policy limits the book value of prime banker's acceptances to $25 million issued by any one issuer. Prime commercial paper investments are limited to $250 million issued by any one issuer.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the maximum amount of securities in cash equivalents issued by any one issuer to $200 million, excluding those securities with the express or implied backing of the United States government. There are no other specific investment policies that limit the investments of the TCRS, the COE Trust, the College Savings Plan, the Education Fund or other State funds in any one issuer.

As of June 30, 2021, SPIF, Intermediate Term Investment Fund, and State Funds Investment Portfolios separately held investments in certain organizations representing five percent (5%) or more of its total investments, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments (expressed in thousands):

State Pooled Investment Fund (SPIF)		
Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	$ 5,807,254	30.29
International Bank for Recon & Dev	1,506,154	7.86
Federal Farm Credit Banks	2,436,512	12.71

Intermediate Term Investment Fund (ITIF)		
Issuer Organization	Fair Value	Percentage
Federal Home Loan Bank	$ 6,740	100.00

State Funds Investment Portfolios		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	$ 14,392	19.56

Interest Rate Risk

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The SPIF's investment policy with respect to maturity states that the weighted average maturity of the pool shall not exceed sixty (60) days calculated using Maturity Shortening Features for securities with a variable or floating interest rate. The weighted average life of the SPIF cannot exceed one hundred twenty (120) days calculated using Stated Maturity and without using Maturity Shortening Features. No security or investment may be purchased with a remaining maturity of greater than three hundred ninety-seven (397) calendar days. At June 30, 2021, the

weighted average maturity of the pool was forty-four (44) days and the weighted average life of the pool was fifty-one (51) days. It is the intent of the Funding Board that the fair value of the SPIF not deviate more than one-half percent (0.5%) from amortized cost. If it does, actions may include, but not be limited to, selling securities whose fair value substantially deviates from amortized cost, and investing in securities with ninety (90) days or less to maturity.

As of June 30, 2021, the combined SPIF portfolio and other state cash deposits and investments had the following weighted average maturities (expressed in thousands):

State Pooled Investment Fund Weighted Average Maturity

Deposit/Investment Type	Carry Value	Weighted Average Maturity (Months)
U.S. Government Agencies	$ 9,769,686	1.84
U.S. Government Treasuries	6,914,708	1.50
Commercial paper	2,485,807	1.30

The ITIF's investment policy with respect to maturity states that the dollar weighted average maturity of the Fund shall not exceed three (3) years, and that no security will be bought with a remaining life of over five (5) years. The maximum time period from the date of acquisition to maturity of government or agency securities may not exceed five (5) years. Prime commercial paper, including asset-backed commercial paper, shall not have a maturity that exceeds two hundred seventy (270) days. Individual repurchase agreement transactions shall not have a maturity that exceeds ninety (90) days. Prime banker's acceptances must have an original maturity of not more than two hundred seventy (270) days to be eligible for purchase, with the intent to hold to maturity, however, they may be traded in the secondary market to maintain liquidity.

As of June 30, 2021, the Intermediate Term Investment Fund had the following weighted average maturities (expressed in thousands):

Intermediate Term Investment Fund Weighted Average Maturity

Deposit/Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Government Agencies	$ 6,740	2.64

The TRGT is authorized to invest in securities in a manner consistent with the investment policy of the TCRS. TCRS' investment policy does not specifically address limits on investment maturities.

Tennessee Retiree Group Trust
Debt Investments
June 30, 2021 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
Debt Investments:		
Government Fixed Income		
Government Agencies	$ 112,322	1.16
Government Bonds	5,792,428	15.93
Government Inflation Indexed	90,897	4.13
Government Mortgage-Backed	3,885,868	4.45
Government Asset-Backed	94,420	5.84
Municipal Bonds	66,577	14.43
Corporate Fixed Income		
Commercial Mortgage Backed	523,050	1.99
Asset Backed Securities	1,107,614	1.07
Corporate Bonds	4,741,233	10.47
Short Term		
Commercial Paper	94,962	0.00
Short Term Bills and Notes	897,075	0.00
Total Debt Investments	$ 17,406,446	

The investment policy for the COE Trust states that the maturity of its debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds, with consideration of liquidity needs. However, the policy does not specifically address limits on investment maturities. The fixed income portfolio is benchmarked against the Barclays Aggregate Index and tends to have a duration within a range around that index.

Chairs of Excellence
Debt Investments
June 30, 2021 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 33,533	10.21
U.S. TIPS	37,704	7.71
U.S. Agencies	1,938	3.77
Government Mortgage-Backed	28,931	4.60
Government Asset-Backed	2,774	4.51
Municipal Bonds	488	1.27
Corporate Fixed Income		
Corporate Mortgage-Backed	1,036	2.96
Corporate Bonds	25,514	4.35
Corporate Asset-Backed	4,816	0.61
Total Debt Investments	$136,734	

The investment policy of the Education Fund authorizes the trustees to adopt an investment policy for the trust in accordance with the laws, policies, and guidelines that govern investments by the TCRS. The TCRS investment policy does not specifically address limits on investment maturity.

Education Fund
Debt Investments
June 30, 2021 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
Debt Investments		
U.S. Government		
U.S. Government Treasuries	$ 963	10.21
U.S. TIPS	1,082	7.71
U.S. Agencies	56	3.77
Government Mortgage-Backed	831	4.60
Government Asset-Backed	80	4.51
Municipal Bonds	14	1.27
Corporate Fixed Income		
Corporate Mortgage-Backed	30	2.96
Corporate Bonds	733	4.35
Corporate Asset-Backed	138	0.61
Total Debt Investments	$ 3,927	

The College Savings Plan, the Other private purpose trust fund, the Defined Contribution Plan Fund, the Deferred Compensation Plan Fund, and the Higher Education 403(b) Plan Fund provide investment products for participants to select. Participants select investment products that best suit their investment needs. These programs have no specific investment policy limiting their investment choices based on interest rate risk.

College Savings Plan
Debt Investments
June 30, 2021 (expressed in thousands)

Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	$ 66,020	7.57
Investment in Mutual Funds (Blended)	22,199	7.96
Total Debt Investments	$ 88,219	

Other private purpose trust
Debt Investments
June 30, 2021 (expressed in thousands)

Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	$ 2,586	7.04
Investment in Mutual Funds (Blended)	7,051	7.96
Total Debt Investments	$ 9,637	

Defined Contribution Pension Plan Fund
Debt Investments
June 30, 2021 (expressed in thousands)

Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	$ 2,134,367	9.95
Investment in Mutual Funds (Blended)	2,677,219	7.58
Total Debt Investments	$ 4,811,586	

Deferred Compensation Plan Fund
Debt Investments
June 30, 2021 (expressed in thousands)

Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	$ 174,893	6.39
Investment in Mutual Funds (Blended)	173,825	7.12
Total Debt Investments	$ 348,718	

Higher Education 403(b) Plan Fund
Debt Investments
June 30, 2021 (expressed in thousands)

Fund Name Blended	Fair Value	Effective Duration (Years)
Investment in Mutual Funds (Fixed)	$ 342,896	12.35
Investment in Mutual Funds (Blended)	74,550	8.05
Total Debt Investments	$ 417,446	

The State Funds Investment Portfolio has no investment policy limiting their investment choice based on maturity of the assets.

State Funds Investment Portfolio
Debt Investments
June 30, 2021 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 38,195	6.20
Government Mortgage-Backed	35,378	26.77

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the asset allocation for international investments to twenty-five percent of total assets. The TRGT's exposure to foreign currency risk at June 30, 2021, was as follows (expressed in thousands):

Currency	Total Fair Value	Fixed Income	Equity	Cash
Australian Dollar	$ 426,509		$ 426,385	$ 124
British Pound Sterling	1,586,369		1,583,016	3,353
Canadian Dollar	1,457,802		1,456,641	1,161
Danish Krone	356,774		356,773	1
Euro Currency	3,097,399		3,096,050	1,349
Hong Kong Dollar	235,445		235,441	4
Japanese Yen	1,713,501		1,711,715	1,786
New Israeli Shekel	9,157		9,157	
New Zealand Dollar	8,540		8,538	2
Norwegian Krone	59,253		59,252	1
Singapore Dollar	105,222		105,127	95
Swedish Krona	255,629		255,596	33
Swiss Franc	795,949	$ 585	795,360	4
Total	$ 10,107,549	$ 585	$ 10,099,051	$ 7,913

Derivatives

The TRGT may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TRGT's target equity allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. As of June 30, 2021, the TRGT was under contract for fixed income and equity index futures and the resulting receivable is reflected in the financial statements at fair value.

The TRGT is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TRGT enters into an agreement to purchase pools of mortgage backed securities prior to the actual security being identified. The TRGT will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable.

The TRGT invests in the derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair values of such derivative instruments for the year ended as reported in the financial statements are as follows (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2021		
	Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Future Contracts	Investment Income	$ 24,617	Derivative Instruments Receivable	$ 2,954	$ 1,537,238
TBA Mortgage-Backed Securities	Investment Income	$ 394	Derivative Instruments	$ 394	$ 190,388

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT's deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. As of June 30, 2021, the TRGT had uninsured and uncollateralized cash deposits of $7.9 million in foreign currency held by our master custodian, State Street, in State Street's name. These deposits were used for investments pending settlement.

The Insurance Receivership fund does not have an explicit policy with regards to Custodial Credit Risk for deposits. As of June 30, 2021, the Insurance Receivership fund had uninsured and uncollateralized cash deposits of $1.2 million at various institutions.

Securities Lending

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. TCRS is authorized to invest in securities lending investments by Tennessee Code Annotated (TCA) 8-37-104(a)(6) with the terms established in the investment policy whereby TRGT loans securities to brokers and dealers (borrower) and in turn, TRGT receives cash or securities as collateral. TRGT pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TRGT portfolio and provided further that such loans are secured by collateral.

Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the market value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. TRGT's securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance. At June 30, 2021 the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received
Fixed	$ 1,400,887	$ 1,427,713
Equity	1,692,903	1,725,321
Total	$ 3,093,790	$ 3,153,034

The TRGT has the ability to sell the collateral securities only in the case of a borrower default.

B. Component Units

The various component units are generally governed by the same state statutes as the state's policies described above.

1. University of Tennessee

The University is authorized by statute to invest funds in accordance with the University's investment policies. Funds, other than endowment, annuity, and life income funds, can be invested in equity securities and various other securities given prudent diversification.

Credit Risk

The University has no investment policy limiting its investment choice based on ratings issued by nationally recognized statistical rating agencies. The University's securities are rated by Moody's. As of June 30, 2021, the University's investments were rated as follows (expressed in thousands):

		Credit Quality Rating			
Rated Debt Instruments	Fair Value	US Treasury[1]/ Agency	P-1*	Aaa	Aa1
U.S. Treasuries	$ 244	$ 244			
U.S. Treasuries (in pool)	243,608	243,608			
U.S. Agencies	20				$ 20
U.S. Agencies (in pool)	942,975	39,849		$398,958	144,646
Commercial Paper (in pool)	142,991		$142,991		
Corporate Bonds	185				
Mutual Funds – Bonds	100,032			4	
Money Market Mutual Funds	712				
Total	$ 1,430,767	$ 283,701	$ 142,991	$ 398,962	$ 144,666

(Continued)	Credit Quality Rating				
Rated Debt Instruments	Aa2	A1	A2	Baa1	Baa2
U.S. Treasuries					
U.S. Treasuries (in pool)					
U.S. Agencies					
U.S. Agencies (in pool)					
Commercial Paper (in pool)					
Corporate Bonds				$ 27	$ 85
Mutual Funds – Bonds	$ 46,793	$ 40,071	8,124		1,178
Money Market Mutual Funds					
Total	$ 46,793	$ 40,071	$ 8,124	$ 27	$ 1,263

(Continued)	Credit Quality Rating			
Rated Debt Instruments	Baa3	Ba2	B2	Unrated
U.S. Treasuries				
U.S. Treasuries (in pool)				
U.S. Agencies				
U.S. Agencies (in pool)				$ 359,522
Commercial Paper (in pool)				
Corporate Bonds	$ 73			
Mutual Funds – Bonds		$ 1,916	1,946	
Money Market Mutual Fund				712
Total	$ 73	$ 1,916	$ 1,946	$ 360,234

*Short-term ratings from Moody's

1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

Interest Rate Risk

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2021, the University had the following debt investments and maturities (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 244				$ 244
U.S. Treasuries (in pool)	243,608		$ 89,937	$ 145,221	8,450
U.S. Agencies	20			20	
U.S. Agencies (in pool)	942,975	$ 226,455	547,214	139,216	30,090
Commercial Paper (in pool)	142,991	142,991			
Corporate Bonds	185		27		158
Bond Mutual Funds	100,032	4	42,301	56,190	1,537
	$ 1,430,055	$ 369,450	$ 679,479	$ 340,647	$ 40,479

University foundations' investments in the amount of $303.865 million are not included in these disclosures because the foundations utilize private-sector accounting standards.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. The university has $3.026 million invested in foreign corporate equities at June 30, 2021.

Alternative Investments

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred eighteen limited partnerships, limited companies, trusts, corporations, and limited liability corporations. At June 30, 2021, the estimated fair value of these assets is $597.296 million. These investments are not readily marketable, therefore, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market existed; such differences could be material. The University's investment policy permits investment in various asset classes, such as these alternative investments, to ensure portfolio diversity. The fair values were estimated by the general partner of each limited partnership or manager of each corporate entity using various valuation techniques.

2. State University and Community College System

Credit Risk

The System is authorized by statute to invest funds in accordance with the State University and Community College System's investment policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the System and that endowment investments be prudently diversified. The System has no formal investment policy that limits its investment choices based on ratings issued by rating agencies. As of June 30, 2021, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

			Credit Quality Rating							
Rated Debt Instruments	Fair Value	U.S. Treasury[1]/ Agency	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. Treasuries	$ 106,187	$ 106,187								
U.S. Agencies	179,021	127		$ 178,894						
Corporate Bonds	18,680		$ 338	1,596	$ 9,475	$ 7,271				
Mutual Funds—Bonds	65,406		1,980	537	1,937	12,307	$ 1,794	$ 211	$ 67	$46,573
Other	-									
Total Debt Instruments	$ 369,294	$ 106,314	$ 2,318	$ 181,027	$ 11,412	$ 19,578	$ 1,794	$ 211	$ 67	$46,573

1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. As of June 30, 2021, debt investments and maturities of the system and its foundations (that utilize governmental accounting standards) follow (expressed in thousands):

		Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	Undetermined
U.S. Treasuries	$106,187	$ 1,835	$101,724	$ 2,628		
U.S. Agencies	179,021	26,920	142,774	6,849	$ 2,478	
Corporate Bonds	18,680	2,576	8,878	7,094	132	
Mutual Funds—Bonds	65,406	466	5,094	12,483	1,373	$ 45,990
Other	0					
Total Debt Investments	$369,294	$ 31,797	$258,470	$29,054	$ 3,983	$ 45,990

The investments of certain foundations of the System are not included in these disclosures because these foundations utilize private-sector accounting standards. These foundations reported investments at fair value in the amount of $417.077 million.

3. Tennessee Housing Development Agency (THDA)

The Agency is authorized to establish policies for its funds to meet the requirements of bond resolutions and state statute. Funds are invested similarly to state policies.

The Agency's investment policy states that its portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The Agency may invest 100 percent of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent of the daily fair market value of total investments must mature within five years. No more than 50 percent of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Credit Risk

The Agency's investments as of June 30, 2021, were rated by Standard and Poor's and/or Moody's as follows (expressed in thousands):

		Credit Quality Rating		
Rated Debt Instruments	Fair Value	U.S. Treasury[1]/ Agency	AA	Not Rated[2]
U.S. Agency Coupon	$ 136,216		$ 136,216	
U.S. Treasury Coupon	6,221	$ 6,221		
U.S. Agency Discount	289,986			$ 289,986
Total Debt Instruments	$ 432,423	$ 6,221	$ 136,216	$ 289,986

1. Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.
2. Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by S&P or Moody's.

Concentration of Credit Risk

At June 30, 2021, more than 5 percent of the Agency's investments are invested in the following single issuers (expressed in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	$ 346,372	80.10
Federal Home Loan Mortgage Corporation	38,448	8.89
Federal National Mortgage Association	41,383	9.57

Interest Rate Risk

As of June 30, 2021, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	$ 136,216	0.691
U.S. Treasury Coupon	6,221	1.985
U.S. Agency Discount	289,986	0.098
Total	$ 432,423	

NOTE 6

Fair Value Measurements

A. Primary Government

The fair value of assets held at June 30, 2021, represents the price that would be received were the asset to be sold or the liability transferred in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Investments Measured at Fair Value (expressed in thousands)						
Fund	Investment Aggregation	GAAP Hierarchy Level 1	GAAP Hierarchy Level 2	GAAP Hierarchy Level 3	NAV	Total Investments
Tennessee Retiree Group Trust	Government Agencies		$ 112,322			$ 112,322
	Government Bonds	$ 5,672,842	119,586			5,792,428
	Government Inflation Indexed	90,897				90,897
	Government Mortgage Backed		3,868,730	$ 17,138		3,885,868
	Government Asset Backed		74,232	20,188		94,420
	Municipal Bonds		58,472	8,105		66,577
	Commercial Mortgage Backed		328,395	194,655		523,050
	Commercial Paper		94,962			94,962
	Corporate Asset Backed Securities		393,853	713,761		1,107,614
	Corporate Bonds		4,724,114	17,119		4,741,233
	Corporate Equities	32,335,477		42,515		32,377,992
	Preferred Stocks	53,123	$32,841	12		85,976
	Limited Partnership Units			1,076,213	$ 9,646,996	10,723,209
	Real Estate			3,152,911	1,958,896	5,111,807
	Derivatives		394			394
Education Fund	Mutual Funds	765,968				765,968
	Government Agencies		56			56
	Government Asset Backed		55	25		80
	Government Bonds	929	34			963
	Government Mortgage Backed		831			831
	Government Inflation Indexed	1,046	36			1,082
	Municipal Bonds		14			14
	Corporate Mortgage Backed		30			30
	Corporate Asset Backed		110	28		138
	Corporate Bonds		733			733
Chairs of Excellence	Exchange Traded Funds	298,784				298,784
	Government Agencies		1,938			1,938
	Government Asset Backed		1,907	867		2,774
	Government Bonds	32,363	1,170			33,533
	Government Mortgage Backed		28,931			28,931
	Government Inflation Indexed	36,438	1,266			37,704
	Municipal Bonds		488			488
	Corporate Mortgage Backed		1,036			1,036
	Corporate Asset Backed		3,844	972		4,816
	Corporate Bonds		25,514			25,514
Employee Group OPEB Trust	Mutual Funds	416,557				416,557
College Savings Plans	Mutual Funds	192,311	66,020			258,331
Other private purpose trust fund	Mutual Funds	21,852	2,586			24,438
Intermediate Term Investment Fund	Agency Securities		6,740			6,740
Defined Contribution Pension Plan Fund	Mutual Funds	7,501,337	2,331,802			9,833,139
Deferred Compensation Plan Fund	Mutual Funds	546,168	199,436			745,604
Higher Education 403(b) Plan Fund	Mutual Funds	595,829	350,037			945,866
State Fund Investment Portfolios	Government Bonds	38,195				38,195
	Government Mortgage Backed		35,378			35,378
External Retirement Investment Fund					3,742	3,742
Total Investments		$ 48,600,116	$ 12,867,893	$ 5,244,509	$ 11,609,634	$ 78,322,152

Level 1–Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

Level 2–Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

Level 3–Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the Net Asset Value (NAV) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety are categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management developed a fair value committee that worked in conjunction with our custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table above.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bill, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, was determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

Commingled fixed income funds are pooled investments in multiple debt-type securities, which are valued at NAV. The NAV for the commingled fixed income funds is calculated using the closing price of the underlying investments.

The following table sets forth the additional disclosures of the TRGT's and the External Retirement Investment Fund's investments, which are stated at fair value based on the NAV (expressed in thousands), as a practical expedient, reported by the investment managers or general partners:

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	169	$ 9,646,996	Various	N/A	Various transfer and sale restrictions
Real Estate Limited Partnerships	Real Estate Commingled Investments	38	1,958,896	N/A	N/A	Various transfer and sale restrictions
Limited Partnerships	Traditional Private Equity	5	3,742	Various	N/A	Various transfer and sale restrictions

Traditional Private Equity and Strategic Lending: The private equity asset class is categorized into two component portfolios: traditional and strategic lending. Generally speaking, the types of private equity strategies include: venture capital, buyout, natural resource, secondaries, special situations, tactical, structured credit, and high yield debt. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. Transfer or sales of the partnership interest are restricted over the life of the partnership. The TRGT has no plans to liquidate any of these investments. In addition, the state holds limited partnership units for the External Retirement Investment Fund. These assets are held until maturity at which time the proceeds are invested into TRGT.

Real Estate Commingled Investments: The real estate asset class is comprised of two different investment types: direct investments and commingled investments. A commingled investment is a pooled investment vehicle comprised of real estate investments that is overseen by an external investment manager or general partner. Generally speaking, the commingled real estate investment strategies include: office, retail, industrial, multi-family, and diversified. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. During the life of the pooled investment vehicle, distributions are received as underlying investments are realized. Transfer or sales of the interest are restricted over the life of the investment. The TRGT has no plans to liquidate any of these investments.

B. Component Units

University of Tennessee

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2021 (expressed in thousands):

		Fair Value Measurements Using		
Investments and other assets by fair value level	6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 254,604	$ 10,996	$ 243,608	
U.S. Agencies	942,994		942,994	
Corporate bonds	185		185	
Corporate commercial paper	142,991			$ 142,991
Total debt securities	1,340,774	10,996	1,186,787	142,991
Corporate stock				
Domestic	33,872	33,872		
International	3,026	3,026		
Total equity securities	36,898	36,898		
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	234,525	233,428		1,097
Bonds	59,960	59,406	550	4
Real Estate	21,549	21,549		
Total pooled investment vehicles	316,034	314,383	550	1,101
Real estate gifts	2,774			2,774
Assets held by others	7,894			7,894
Other assets	18,073		18,073	
Private capital investments				
Private equities	202,993			202,993
Private credit/debit	53,399			53,399
Private real assets	123,884			123,884
Private, other	6,454			6,454
Total private capital investments	386,730			386,730
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	486,816			
Limited partnerships	118,496			
Hedge funds, long/short equity	86,688			
Hedge funds, credit	21,012			
Hedge funds, diversified	81,317			
Total investments measured at NAV	794,329			
Total investments and cash equivalents	$ 2,903,506			

Debt securities –The fair value of the majority of the debt securities category at June 30, 2021, was determined based on Level 1, Level 2 and Level 3 inputs. The fair value of U.S. Treasury and Agency securities, as well as corporate bonds was based on Level 1 and Level 2 inputs. Commercial paper holdings were valued using Level 3 inputs. The university utilizes third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

Corporate stock–This category is comprised of common stock and preferred stock, the majority of which are based on Level 1 inputs. This includes both domestic and international holdings.

Pooled investment vehicles–These investment categories include exchange-traded funds (ETFs), exchange-traded closed-end funds, and two categories of open-end funds, those with published values and other commingled vehicles that do not produce public, published values. These investments for which reliable values are available are categorized as Level 1. Assets for which no published values exist are measured at net asset value per share (or its equivalent), which is a fair value measurement provided on a recurring basis. Pooled investment vehicles implement a variety of strategies that are primarily net long or long-only and invest in a variety of markets, including the global equity markets; sovereign debt, corporate bonds, and structured credits; and finally, real estate.

Real estate gifts-Level 3 inputs were utilized for the fair value calculations of this investment category. It contains direct real estate holdings of $2.774 million, the valuation of which is determined by periodic appraisals.

Assets held by others-This category consists of separately invested portfolios of $7.894 million. These are managed externally for the benefit of the university, and pricing is provided by third parties.

Private capital investments–The fair value of the private capital category at June 30, 2021, was determined based on Level 3 inputs. These investments center on three primary categories, private equity which invests in private companies; private credit/debt which lends directly to companies or invests in distressed debt; and real assets which invests in inflation-hedging strategies and assets. Valuation methods such as the income method and/or multiple analysis are examples of those commonly utilized by managers to determine the fair value of these assets and are typically unobservable to the university. The university's private capital investments have $210.525 million of unfunded commitments at June 30, 2021.

Hedge funds–Like certain pooled investment vehicles, hedge funds are measured at net asset value per share (or its equivalent), provided to investors on a recurring basis. These holdings are divided into three sub-categories. The first is long/short equity, a strategy that typically invests in common stock by both buying shares and selling shares short. These strategies work across the global equity markets. The second category, entitled credit, focuses almost exclusively on fixed income instruments, which can include various types of bonds, derivatives, and loans. These strategies also invest in multiple jurisdictions around the world. The final category, diversified, is comprised of strategies that often overlap in approach and frequently employ more than one strategy within a single vehicle.

Net asset value (NAV) investments general redemption terms

The table below provides a summary of the liquidity terms and conditions of those investments with value measured using net asset value (expressed in thousands):

Hedge Funds	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Open-end funds	$486,816		daily, quarterly	1 day- 45 days
Hedge funds, long/short equity	86,688		quarterly, annually	5 days- 90 days
Hedge funds, credit	21,012		annually	90 days -120 days
Hedge funds, diversified*	81,317		quarterly, semi-annually	60 days- 90 days
Limited partnerships	118,496	9,928	none, monthly, quarterly	30 days- 90 days

*At fiscal year-end, $18,256,809.81 of NAV investments were still within the initial lock-up period of two years, with six months remaining and another $11,025,630.61 with eighteen months remaining. An additional $16,017,650.00 was still within an initial lock-up period of three years, with fifteen months remaining.

State University and Community College System

The system categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The system has the following recurring fair value measurements as of June 30, 2021 (expressed in thousands):

		Fair Value Measurements Using		
Investments by fair value level	6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 106,187	$ 104,403	$ 1,784	
U.S. Agencies	179,021	64,420	114,601	
Corporate bonds	18,680	11,544	7,136	
Mutual bond funds	22,454	22,116	338	
Other	9,419	8,730	689	
Total debt securities	335,761	211,213	124,548	
Equity securities				
Corporate stock	481	481		
Mutual equity funds	100,885	100,873	12	
Real estate	4,678			$ 4,678
Equity REITs	1,561	1,561		
Other	7,511	6,373		1,138
Total equity securities	115,116	109,288	12	5,816
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	42,953			
Mutual equity funds	133,039			
Equity REITs	66			
Private equities	9,025			
Hedge funds	14,185			
Natural resources	1,428			
Other	848			
Total investments measured at NAV	201,544			
FASB foundations' investments at fair value	370,171	279,682	41,538	48,951
FASB foundations' investments at NAV	46,906			
Total FASB foundations' investments	417,077			
Total investments and cash equivalents	$ 1,069,498			

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified in Level 2 of the fair value hierarchy are valued at amounts provided by statements from investment companies and use of a third-party investment manager (US agencies), use of a third-party investment manager (US Treasuries), price quotes for identical or similar assets in non-active markets (corporate bonds), use of third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates (mutual bond funds and mutual equity funds). Assets classified in Level 3 are valued based on modeling techniques that are unobservable to the system.

The valuation method for assets and liabilities measured at the net asset value per share (or its equivalent) is presented on the following table (expressed in thousands):

Investments measured at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual bond funds	$ 42,953		Daily, monthly	5 business days
Mutual equity funds	133,039		Daily, monthly	5 business days
Equity REITs	66		not applicable	not applicable
Private equities	9,025	$ 1,807	not applicable	not applicable
Hedge funds	14,185		varies to quarterly	varies - 91 calendar days
Natural resources	1,428	1,246	not applicable	not applicable
Other	848	3,445	not applicable	not applicable

The assets of the multi-strategy bond fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified fixed income portion of an educational endowment. There are currently no redemption restrictions on the multi-strategy bond funds, although they could be put in place in extraordinary circumstances, such as any period during which the New York Stock Exchange is closed other than customary weekend or holiday closings, or during which trading thereon is restricted or there exists any emergency affecting the practicability of disposal of portfolio securities of the fund or the practicability of determining net asset value. It is not probable that the system will sell an investment for an amount different from the NAV per share.

Tennessee Housing Development Agency

The agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The agency has the following recurring fair value measurements as of June 30, 2021 (expressed in thousands):

		Fair Value Measurements Using	
Investments by fair value level	6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities			
Government agencies	$ 136,216		$ 136,216
Government bonds	6,221	$ 6,221	
Short term bills and notes	289,986		289,986
Total debt securities	$ 432,423	$ 6,221	$ 426,202

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets of those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets of those securities.

NOTE 7

Receivables

Receivables at June 30, 2021, for the state's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

Primary Government

	Accounts including Due From Other Governments	Taxes and Certain Other Licenses, Fees, and Permits	Other	Total Receivables	Allowance for Uncollectibles	Net Total Receivables
Governmental activities:						
General	$ 1,131,521	$ 1,238,095		$ 2,369,616	$ (128,609)	$ 2,241,007
Education	281,077	724,140		1,005,217	(37,182)	968,035
Highway	189,222	102,751	$ 764	292,737	(113)	292,624
Capital projects	14,281			14,281		14,281
State shared taxes		170,593		170,593	(3,815)	166,778
Nonmajor governmental funds	17,206	32,399	1,216	50,821	(448)	50,373
Internal service funds	6,711		553	7,264	(573)	6,691
Total-governmental activities	$ 1,640,018	$ 2,267,978	$ 2,533	$ 3,910,529	$ (170,740)	$ 3,739,789
Amounts not expected to be collected within one year		$ 109,061				$ 109,061
Business-type activities:						
Employment security	$ 1,827,445	$ 64,627	$ 5,333	$ 1,897,405	$ (1,556,872)	$ 340,533
Nonmajor enterprise funds	3,024			3,024	(460)	2,564
Total-business-type activities	$ 1,830,469	$ 64,627	$ 5,333	$ 1,900,429	$ (1,557,332)	$ 343,097

NOTE 8
Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2021, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,592,013	$ 89,675	$ (355)	$ 2,681,333
Infrastructure	25,252,859	926,929	(10,450)	26,169,338
Construction in progress	1,514,846	839,274	(1,080,056)	1,274,064
Software in development	96,338	258,095	(216,643)	137,790
Capital assets, being depreciated:				
Structures and improvements	2,995,971	206,104	(4,059)	3,198,016
Machinery and equipment	1,833,995	293,461	(62,470)	2,064,986
Total capital assets	34,286,022	2,613,538	(1,374,033)	35,525,527
Less accumulated depreciation for:				
Structures and improvements	(1,346,987)	(69,367)	3,084	(1,413,270)
Machinery and equipment	(986,449)	(232,803)	49,669	(1,169,583)
Total accumulated depreciation	(2,333,436)	(302,170)	52,753	(2,582,853)
Governmental activities capital assets, net	$ 31,952,586	$ 2,311,368	$ (1,321,280)	$ 32,942,674

Depreciation expense was charged to functions/programs of the primary government as follows (expressed in thousands):

Governmental activities:	
General government	$ 17,229
Education	2,134
Health and social services	146,771
Law, justice and public safety	40,544
Recreation and resource development	10,958
Regulation of business and professions	1,824
Transportation	34,524
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	48,186
Total depreciation expense – governmental activities	$ 302,170

Highway Construction Commitments— At June 30, 2021, the Department of Transportation had contractual commitments of approximately $807.8 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($710 million) and general obligation bond proceeds ($97.8 million).

B. Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2021, for the discretely presented component units was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units:				
Capital assets, not being depreciated:				
Art and collections	$ 12,664		$ (86)	$ 12,578
Land	262,840	$ 8,938	(3,603)	268,175
Construction in progress	670,551	356,455	(512,304)	514,702
Capital assets, being depreciated:				
Infrastructure	856,154	45,914	(5,047)	897,021
Structures and improvements	7,170,476	570,976	(23,199)	7,718,253
Machinery and equipment	1,213,620	89,301	(51,724)	1,251,197
Total capital assets	10,186,305	1,071,584	(595,963)	10,661,926
Less accumulated depreciation for:				
Infrastructure	(408,112)	(36,664)	216	(444,560)
Structures and improvements	(2,629,415)	(163,549)	7,644	(2,785,320)
Machinery and equipment	(822,782)	(82,943)	47,771	(857,954)
Total accumulated depreciation	(3,860,309)	(283,156)	55,631	(4,087,834)
Component Units capital assets, net	$ 6,325,996	$ 788,428	$ (540,332)	$ 6,574,092

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2021, balances are available as follows (expressed in thousands):

	Ending Balance
Capital assets, not being depreciated:	
Art and collections	$ 875
Land	11,939
Total capital assets, not being depreciated	12,814
Capital assets, being depreciated:	
Infrastructure	1,010
Structures and improvements	150,066
Machinery and equipment	14,494
Total capital assets being depreciated	165,570
Less: total accumulated depreciation	(102,889)
Total capital assets, being depreciated, net	62,681
Total capital assets, net	$ 75,495

NOTE 9

Interfund Balances, Payables and Receivables

A. Interfund Balances

Interfund balances at June 30, 2021, for the state's individual major funds, nonmajor funds, internal service funds, and fiduciary funds in the aggregate consist of the following (expressed in thousands):

Due From

		General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Employment Security	Sewer Treatment Loan	Internal Service Funds	Total
	General		$ 263,112	$ 605	$ 95	$ 11	$ 7,021	$ 31	$ 16	$270,891
	Education	$ 16,936								16,936
	Capital projects	2,109	13	51		143				2,316
D	Nonmajor									
U	governmental									
E	funds					44				44
	Employment									
T	security	66								66
O	Internal service									
	funds	685	1	9					57	752
	Custodial funds	10								10
	Total	$ 19,806	$ 263,126	$ 665	$ 95	$ 198	$ 7,021	$ 31	$ 73	$291,015

The $263.1 million due to the general fund from the education fund resulted from a time lag between the dates the payments to local education agencies occurred and taxes are received in the education fund.

B. Component Units Payables

Component units' accounts payable to the primary government at June 30, 2021, consisted of the following (expressed in thousands):

Payable From Component Units

		Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
P						
A	PRIMARY GOVERNMENT:					
Y	General	$ 443	$ 134	$ 41	$ 721	$ 1,339
A	Education	151,827	124			151,951
B	Capital Projects		9,713		148	9,861
L	Nonmajor governmental					
E	funds			1,391		1,391
	State shared taxes	1,330				1,330
T	Internal service funds		4	16	43	63
O						
	Total	$ 153,600	$ 9,975	$ 1,448	$ 912	$ 165,935

C. Component Units Receivables

Component units' accounts receivable from the primary government at June 30, 2021 consisted of the following (expressed in thousands):

	Receivable From PRIMARY GOVERNMENT						
Receivable to COMPONENT UNITS:	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Tennessee Housing Development Agency	$ 6						$ 6
State University and Community College System	7,199	$ 11,237	$ 830	$ 1,166	$ 1,177	$ 37	21,646
University of Tennessee	6,089	5,275	1,289	49,666	2,583	267	65,169
Nonmajor component units	1,484						1,484
Total	$ 14,778	$ 16,512	$ 2,119	$ 50,832	$ 3,760	$ 304	$ 88,305

NOTE 10

Interfund Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2021, are as follows (expressed in thousands):

	Transfers In									
Transfers Out	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	Total
General		$ 411,898	$ 6,312	$ 72,842	$ 7,087	$ 4,617	$ 4,594	$ 29,529	$ 140	$ 537,019
Education				38,912						38,912
Highway	$ 2,771									2,771
Nonmajor Governmental Funds	54,250		74,100	9,122				215		137,687
Nonmajor Enterprise Funds		600								600
Internal Service Funds								35		35
Total	$ 57,021	$ 412,498	$ 80,412	$ 120,876	$ 7,087	$ 4,617	$ 4,594	$ 29,779	$ 140	$ 717,024

Transfers are generally used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted resources from the general fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations, and (4) move capital assets from one full accrual fund to another full accrual fund.

In the fiscal year ended June 30, 2021, the general fund transferred $537 million to other funds in accordance with statute or budgetary authorizations for the following purposes: $410 million to subsidize the activities of the education fund, $79.7 million for capital outlay expenditures, $12.5 million for OPEB expenditures in various funds, $20.2 million to provide appropriations to internal service funds, $3.7 million for debt service payments, and, $10.8 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for $74 million to cancel authorized and

unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

NOTE 11

Leases

A. Lease Obligations

Operating lease obligations — The state has entered into various operating leases for land, buildings and equipment. Most leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, most leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. The state has also entered into various operating leases, which have non-cancelable lease terms. Below is a schedule of future minimum lease payments under these leases (expressed in thousands).

For the Year(s) Ended June 30	Noncancelable Operating Leases
2022	$ 18,744
2023	15,689
2024	15,485
2025	10,988
2026	7,277
2027-2028	4,918
Total minimum payments required	$ 73,101

Expenditures for rent under leases for the year ended June 30, 2021, amounted to $89.3 million.

Capital lease obligations — The state leases office buildings and equipment that in substance are purchases and are reported as capital lease obligations. These leases are recorded as assets and liabilities at either the lower of fair value or the present value of the future minimum lease payments in the government-wide and proprietary fund statements. For capital leases reported in governmental funds, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function. The office building leases expire over the next 8 years. The effective interest rates for these leases range from 0.10 percent to 32.12 percent. Most of these leases contain at least one of the following options: (a) the state can, during the term of the lease or any period of extension or holdover, purchase the property or (b) the state can, at the end of the initial lease term, renew its lease or (c) terminate the lease for convenience at any time after the fifth year. The following is an analysis of the leased property under capital leases (expressed in thousands).

		Governmental Activities
Assets:		
Land		$ 158
Buildings	$ 32,445	
Less: accumulated depreciation	(10,788)	21,657
		$ 21,815

At June 30, 2021, minimum annual lease payments are as follows (expressed in thousands):

For the Year(s) Ended June 30	Principal	Interest	Executory Costs	Governmental Activities Lease Obligation Payable
2022	$ 1,449	$ 1,072	$ 852	$ 3,373
2023	1,536	1,039	873	3,448
2024	1,595	993	895	3,483
2025	1,712	927	918	3,557
2026	1,853	832	941	3,626
2027-2029	3,759	1,349	2,760	7,868
Total	$ 11,904	$ 6,212	$ 7,239	$ 25,355
Less - interest				(6,212)
Less - executory costs				(7,239)
Present value of net minimum lease payments				$ 11,904

B. Lease Receivables

Capital lease receivable — The state, as lessor, entered into a lease agreement with the Nashville/Davidson County Metropolitan Government (lessee) for the Post-Mortem Facility. The lease term is 20 years beginning July 15, 2001, with an option to renew the lease for an unlimited period of time for a nominal amount. The state is subsidizing a part of the cost of this building.

The state, as lessor, entered into a lease agreement with the Shelby County Government (lessee) for the Regional Forensic Center facility. The lease term is 20 years beginning July 1, 2012. The state shall transfer all of its rights, title and interest in and to the facility to Shelby county for a nominal amount upon the end of the lease term. The state is subsidizing a part of the cost of this building.

Minimum future lease payments to be received as of June 30, 2021 (expressed in thousands):

Year Ended June 30	Total
2022	$ 411
2023	404
2024	397
2025	391
2026	385
2027-2031	1,794
2032-2033	653
Total minimum future lease payments	$ 4,435
Net investment in direct financing leases at June 30:	
Minimum lease payments receivable	$ 4,435
Less: executory costs	(754)
Plus: unamortized loss on leases	2,446
Net investment in direct financing lease	$ 6,127

NOTE 12

Long-Term Liabilities

A. General Obligation Bonds

Bonds Payable at June 30, 2021, are shown below (expressed in thousands):

Governmental activities:	Amount
General obligation bonds, 1.79% to 5%, due in generally decreasing amounts of principal and interest from $113.7 million in 2022 to $6.6 million in 2040	$ 911,077
General obligation refunding bonds, 2009 Series B, 5%, principal and interest due in amount of $7.5 million in 2022	7,360
General obligation refunding bonds, 2009 Series D, 4.67%, principal and interest due in amount of $2.7 million in 2022	2,563
General obligation refunding bonds, 2011 Series B, 3% to 5%, principal and interest due in amounts from $7.6 million in 2022 to $187.8 thousand in 2026	14,620
General obligation refunding bonds, 2011 Series C, 3.23% to 3.53%, principal and interest due in amounts from $2 million in 2022 to $1.2 million in 2024	4,255
General obligation refunding bonds, 2012 Series A, 2.50% to 5%, principal and interest due in amounts from $55.3 million in 2022 to $7.3 million in 2028	263,535
General obligation refunding bonds, 2014 Series B, 5%, principal and interest due in amounts from $4 million in 2022 to $11.5 million in 2030	79,160
General obligation refunding bonds, 2015 Series B, 3% to 5%, principal and interest due in amounts from $11.3 million in 2022 to $14.3 million in 2029	71,450
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from $6.1 million in 2022 to $9.6 million in 2032	122,105
General obligation refunding bonds, 2016 Series C, 1.45% to 2.67%, principal and interest due in amounts from $3.3 million in 2022 to $2.5 million in 2032	58,350
General obligation refunding bonds, 2018 Series B, 4%, principal and interest due in amounts from $7.8 million in 2022 to $7.1 million in 2024	21,070
Total bonds outstanding	1,555,545
Plus unamortized bond premium	216,168
Total bonds payable	$ 1,771,713

The official statements for the above bond series contains language that allows the state to call certain bonds for repayment prior to the final maturity.

Prior-Year Defeasance of Debt

In current and prior years, the state defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the assets held in non-state administered trust accounts and the liability for the defeased bonds are not included in the state's financial statements. The entirety of these trust account assets are covered under trust agreements where the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not strictly prohibited. On June 30, 2021, $114.9 million of bonds outstanding are considered defeased.

B. General Obligation Commercial Paper

Governmental activities commercial paper payable at June 30, 2021, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates ranging from .13% to .69% for tax exempt and .10% to .78% for taxable, varying maturities	$207,343

In March 2000, the state instituted a general obligation commercial paper program to provide interim or short-term financing of various authorized capital projects.

Commercial paper may be issued as federally taxable or tax exempt and constitute bond anticipation notes. The commercial paper is sold at par as interest-bearing obligations in minimum denominations of $100 thousand and integral multiples of one thousand in excess of such amount, with interest payable at maturity. The commercial paper has varying maturities of not more than 270 days from their respective dates of issuance. Interest rates vary depending on the market. The amount of principal outstanding may not exceed $350 million.

The state has entered into a Standby Commercial Paper Purchase Agreement with the Tennessee Consolidated Retirement System under which TCRS is obligated to purchase newly issued commercial paper issued to pay the principal of other commercial paper. The Program expires and the Standby Purchase Agreement terminates on July 1, 2026. At June 30, 2021, $207.3 million of commercial paper was outstanding ($167.9 million tax exempt and $39.4 million federally taxable). This left an unused commercial paper capacity of $142.7 million. Commercial paper payable under this Program qualifies for reporting as a non-current liability because provisions in the Commercial Paper Resolution permit refinancing the paper on a long-term basis.

C. Pledged Revenues/Collateralized Borrowing

General obligation bonds and commercial paper constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state; and a charge and lien upon all fees, taxes and other revenues and funds allocated to the state's general fund, debt service fund and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. The charge and lien on fees, taxes and other revenues in favor of the bonds is subject to a specific pledge of "Special Taxes" in favor of state general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of the annual proceeds of a tax of five cents per gallon upon gasoline; the annual proceeds of special tax of one cent per gallon upon petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be pledged the full faith and credit of the state; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the state. The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter, or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013, this pledge of "Special Taxes" will expire. For fiscal year 2021, $1.7 billion or 67.9 percent of the above revenue streams were pledged for the payment of principal and interest on all general obligation bonds issued prior to July 1, 2013.

D. Other Debt

Per Tennessee Code Annotated (TCA) 7-51-210, the estate of any emergency responder who is killed in the line of duty shall be entitled to receive a two-hundred-fifty-thousand-dollar annuity, with the estate receiving an annual installment of $50,000 for five years. The emergency responder must have been current in any required training and physical exams at the time the death occurred for the estate to receive the payment. Payment shall be made from the general fund after receipt by the department of Finance and Administration of a certified death certificate, letters testamentary or letters of administration for the estate of the deceased from a probate court, and an affidavit from the decedent's employer or volunteer unit that the decedent was killed in the line of duty. For the purposes of this annuity, "emergency responder" means a firefighter, emergency medical technician, a volunteer rescue squad worker, or law enforcement officer.

E. Debt Service Requirements to Maturity

Debt Service requirements to maturity for all general obligation bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds		Total
	Principal	Interest	Requirements
2022	$ 155,710	$ 65,504	$ 221,214
2023	147,750	58,461	206,211
2024	145,095	52,238	197,333
2025	137,941	46,488	184,429
2026	135,730	40,681	176,411
2027-2031	538,917	125,629	664,546
2032-2036	244,565	38,809	283,374
2037-2040	49,837	3,699	53,536
	$ 1,555,545	$ 431,509	$ 1,987,054

Debt service requirements to maturity for commercial paper payable at June 30, 2021, is as follows (expressed in thousands):

For the Year(s) Ended June 30	Commercial Paper Payable		Total
	Principal	Interest	Requirements
2022	$ 207,343	$ 60	$ 207,403

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Emergency First Responder Annuity Principal	Interest	Total Requirements
2022	$ 650	$ -	$ 650
2023	550	-	550
2024	450	-	450
2025	150	-	150
	$ 1,800	$ -	$ 1,800

F. General Obligation Bonds Authorized and Unissued

A summary of general obligation bonds authorized and unissued at June 30, 2021, is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be canceled because of sufficient fund balances.

Purpose	Unissued 07/01/20	Authorized	Canceled	Unissued 06/30/21
Highway	$ 860,600	$126,000	$ 74,600	$ 912,000
Higher Education	134,037		469	133,568
Economic and Community Development	115,000			115,000
General government	302,066		8,653	293,413
Totals	$1,411,703	$126,000	$ 83,722	$1,453,981

G. Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2021 follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds and commercial paper	$ 2,070,711	$ 95,000	$ (186,655)	$ 1,979,056	$ 155,710
Capital leases	14,782		(2,878)	11,904	1,449
Compensated absences	325,088	186,122	(162,262)	348,948	104,328
Emergency responder	1,700	750	(650)	1,800	650
Governmental activities					
Long-term debt	$ 2,412,281	$ 281,872	$ (352,445)	$ 2,341,708	$ 262,137
Other long-term liabilities					
Pension				1,151,522	
Other postemployment benefits				1,293,948	33,084
Pollution remediation				54,148	2,427
Unstructured claims and judgements				219,181	83,835
Total other long-term liabilities				$ 2,718,799	$ 119,346
Total governmental activities				$ 5,060,507	$ 381,483
Total long-term governmental liabilities				$ 4,679,024	
Business-type activities					
Deposits payable				$ 7,871	

*Please see Note 11 for additional information related to capital leases.

Governmental activities include all governmental funds and internal service funds. Typically, agencies accounted for in the general fund, internal service funds, and special revenue funds liquidate compensated absences, OPEB and pension liabilities. Claims and judgments are obligations of the highway fund (special revenue fund), risk management fund (internal service fund) and the general fund. Typically, pollution remediation is liquidated from the general fund and highway fund.

NOTE 13
Payables

Payables as of June 30, 2021, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
Governmental activities:						
General	$ 905,437	$ 96,598	$ 9	$ 518,469	$ 272,096	$ 1,792,609
Education	45,516	5,027		331,753	211	382,507
Highway	152,219	9,947		159,442		321,608
Capital projects	64,304					64,304
State shared taxes				154,832		154,832
Nonmajor governmental funds	22,521	2,415	24,917	47,081	1,881	98,815
Internal service funds	105,520	6,861	2,003	591	88	115,063
Total—governmental activities	$ 1,295,517	$ 120,848	$ 26,929	$ 1,212,168	$ 274,276	$ 2,929,738
Business-type activities:						
Employment security	$ 566			$ 133,352	$ 76,773	$ 210,691
Sewer treatment loan			$ 6			6
Nonmajor enterprise funds	64,774		3	370		65,147
Total—business-type activities	$ 65,340		$ 9	$ 133,722	$ 76,773	$ 275,844

NOTE 14

Governmental Fund Balances

Balances as of June 30, 2021, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
General operations:			
Legislature			$ 65,169
Constitutional offices	$ 12,952	$ 20,838	75,145
Administrative services		52,461	2,533,160
Children's services	5,538		7,975
Public health	28,549	257,224	1,148,874
Human services	8,711	3,894	65,758
Business and industry development	5,650	576	513,629
Judicial	16,730	13,200	9,061
Natural resources	16,311	34,496	37,734
Public safety	64	58,335	127,375
Agriculture		930	44,686
Employment and business regulation	10,685	184,152	43,790
Other	60,151	14,456	16,614
Total general fund	$ 165,341	$ 640,562	$ 4,688,970
Education Fund			
After school program	$ 47,419		
Lottery for education	234,913		
Energy efficient school initiative	1,256		
TN Promise Scholarship Endowment Fund	413,656		
Other	1,864	$ 22,166	$ 131,156
Total education fund	$ 699,108	$ 22,166	$ 131,156
Highway Fund			
State matching	$ 871,486		
Railway, aeronautics, and waterway program		$ 145,067	
State aid		69,891	
Future highway projects			$ 82,365
Railroad inspection		2,286	
Aeronautics Economic Development			35,151
Other			21,091
Total highway fund	$ 871,486	$ 217,244	$ 138,607
Capital Projects Fund			
Total capital projects fund	$ 50,403		$ 972,527
Nonmajor Governmental Funds			
Debt service			$ 16,100
Chairs of excellence	$ 336,369		
Criminal injuries		$ 6,198	
Wildlife resources	80,081	19,298	
Underground storage tanks	56,425		
Enhanced emergency 911	29,960	5,523	
Environmental protection		44,432	
Solid and hazardous waste	51	12,906	
Parks acquisition		68,049	
Other	28,145	43,402	
Total nonmajor governmental funds	$ 531,031	$ 199,808	$ 16,100

Budget Stabilization Accounts

The state maintains two stabilization accounts: (1) the General Fund's Reserve for Revenue Fluctuations ("Rainy Day") and (2) the Education Fund's General Shortfall Reserve (Lottery for Education Account).

(1) General Fund's Reserve for Revenue Fluctuations. In accordance with *Tennessee Code Annotated* (TCA) 9-4-211, the state established a reserve account in the General Fund known as the "Reserve for Revenue Fluctuations." Beginning in fiscal year 1999, at least 10 percent of the estimated growth in state tax revenues to be allocated to the General and Education funds must be allocated to this account. Once the amount equals 8 percent of the estimated state tax revenues allocated to the General Fund and Education Fund, the following must be allocated to the account:

The lesser of:
(a) At least 10 percent (10%) of the estimated growth in state tax revenues to be allocated to the General Fund and Education Fund.
(b) An amount to maintain the account at eight percent (8%) of the estimated tax revenues allocated to the General Fund and Education Fund.

Amounts available in the revenue fluctuation reserve may be used by the Commissioner of Finance and Administration to offset shortfalls in state tax revenues which may occur and for which funds are not otherwise available. Upon determining that it is likely that amounts in the revenue fluctuation reserve will be required to be utilized to meet a shortfall of state tax revenue, the Commissioner shall report this determination immediately to the Chairs of the Finance, Ways, and Means Committees of the Senate and the House of Representatives. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of one hundred million dollars ($100,000,000) or one half (1/2) of the amount available in the reserve may be used by the Commissioner to meet expenditure requirements in excess of budgeted appropriation levels. The General Fund's Reserve for Revenue Fluctuations is reported as unassigned fund balance and has a balance of $1.45 billion as of June 30, 2021.

(2) Education Fund's General Shortfall Reserve Account. In accordance with *Tennessee Code Annotated* (TCA) 4-51-111, the state transferred one hundred million dollars ($100,000,000) from the Lottery for Education Account to the General Shortfall Reserve Account. The resources of this account may be used when the net lottery proceeds are not sufficient to meet the amount appropriated for educational programs and other purposes consistent with Article XI, Section 5 of the Constitution of Tennessee. In the event this account is drawn upon in any fiscal year, the account shall be brought back to its prior level in subsequent fiscal years.

In addition to the $100 million mentioned, the State Funding Board may recommend appropriation of funds to the account if it is deemed to have an inadequate balance. Likewise, the State Funding Board may recommend appropriation of funds from the account if adequate funds are deemed to be available in the account and if such funds are needed for educational programs and other authorized purposes, provided that the appropriation of funds from the account would not bring its balance below $100 million. As of June 30, 2021, this account has a balance of $100 million and is reported as restricted fund balance in the Education Fund.

NOTE 15
Component Units

A. Component Units – Condensed Financial Statements

Below are the condensed financial statements of the component units for the State of Tennessee as of June 30, 2021 (expressed in thousands):

Condensed Statement of Net Position
Component Units

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total Component Units
Assets						
Cash, investments, and other assets	$ 3,431,023	$ 277,831	$ 1,600,854	$ 1,434,258	$ 245,937	$ 6,989,903
Due from primary government	6		21,646	65,169	1,484	88,305
Due from other component units					1,896,988	1,896,988
Restricted assets	186,188	530	1,245,343	2,223,137	292,788	3,947,986
Capital assets, net	5,171	1,868	3,552,877	3,039,146	50,525	6,649,587
Total assets	3,622,388	280,229	6,420,720	6,761,710	2,487,722	19,572,769
Deferred outflows	4,103		181,058	142,317	43,447	370,925
Liabilities						
Accounts payable and other current liabilities	97,982	124,089	258,386	308,234	21,348	810,039
Due to primary government		153,600	9,975	1,448	912	165,935
Due to other component units			791,742	1,105,246		1,896,988
Long-term liabilities	2,977,731	2,510	526,722	547,428	2,318,433	6,372,824
Total liabilities	3,075,713	280,199	1,586,825	1,962,356	2,340,693	9,245,786
Deferred inflows	2,107		102,503	120,607	3,048	228,265
Net position						
Net investment in capital assets	5,171	1,868	2,778,791	1,908,862	46,948	4,741,640
Restricted	494,520	30	1,049,469	2,106,930	23,894	3,674,843
Unrestricted	48,980	(1,868)	1,084,190	805,272	116,586	2,053,160
Total net position	$ 548,671	$ 30	$ 4,912,450	$ 4,821,064	$ 187,428	$ 10,469,643

Condensed Statement of Activities

Component Units

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
Expenses	$ 533,614	$ 1,945,963	$ 2,838,153	$ 2,430,154	$ 254,407	$ 8,002,291
Program Revenues						
Charges for services	164,147	1,945,939	909,502	836,710	114,353	3,970,651
Operating grants and contributions	382,474	28	1,151,820	1,323,919	9,517	2,867,758
Capital grants and contributions			175,066	117,307	6,254	298,627
Total program revenues	546,621	1,945,967	2,236,388	2,277,936	130,124	7,137,036
Net program revenues (expense)	13,007	4	(601,765)	(152,218)	(124,283)	(865,255)
General Revenues						
Payments from primary government	277		929,981	652,390	109,099	1,691,747
Unrestricted grants and contributions			83,027		9,732	92,759
Unrestricted investment earnings	20	400	166,355	25,733	110	192,618
Miscellaneous			3,051	1,362		4,413
Total general revenues	297	400	1,182,414	679,485	118,941	1,981,537
Contributions to permanent funds			21,800	101,099		122,899
Change in net position	13,304	404	602,449	628,366	(5,342)	1,239,181
Net Position- July 1, restated	535,367	(374)	4,310,001	4,192,698	192,770	9,230,462
Net Position - June 30	$ 548,671	$ 30	$ 4,912,450	$ 4,821,064	$ 187,428	$ 10,469,643

Significant transactions between the major component units–State University and Community College System, University of Tennessee (UT) and the Tennessee Education Lottery Corporation (TELC)–and the primary government consist of the following:

- State appropriations from the education fund in the amount of $952 million were made to the State University and Community College System and $652 million to UT.
- Capital project expenditures in the amount of $235 million were made for the State University and Community College System and $104.5 million to UT in the form of expenditures in the capital projects fund for projects at these school systems.
- The State University and Community College System paid the primary government $63.2 million to reimburse the state for projects that were not a part of the capital appropriations.
- The TELC generated net lottery proceeds of $482.3 million for the state's Lottery for Education Account.

The most significant transaction among component units is that in which the Tennessee State School Bond Authority, a nonmajor component unit, makes loans to the University of Tennessee and the State University and Community College System to finance certain capital projects. At June 30, 2021 the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	$ 39,720	$ 747,759
University of Tennessee	39,240	1,060,096
Total	$ 78,960	$ 1,807,855

B. Major Component Units – Long-Term Debt

Tennessee Housing Development Agency (THDA)
Bonds Payable at June 30, 2021, is shown below (expressed in thousands):

Homeownership program revenue bonds, housing finance program bonds, and residential finance program bonds, various series, .20% to 4.65%, due in amounts of principal and interest ranging from $102.3 million in 2022 to $3.5 million in 2052	$ 2,845,645
Plus unamortized bond premium	64,126
Less unamortized bond discount	(367)
Total bonds payable	$ 2,909,404

The revenue bonds listed above are not obligations of the state. They are secured by pledges from the facilities to which they relate and by certain other revenues, fees, and assets of the THDA.

Bond sales during the year ended June 30, 2021, included the following issues:

- July 2020—Residential Finance program bonds of $145 million
- October 2020— Residential Finance program bonds of $145 million
- April 2021—Residential Finance program bonds of $149.9 million

Redemption of Bonds and Notes
During the year ended June 30, 2021, bonds were retired at par before maturity in the Homeownership Program in the amount of $14,675,000, in the Housing Finance Program in the amount of $13,070,000, and in the Residential Finance Program in the amount of $365,065,000. The respective carrying values of the bonds were $15,106,459, $13,426,876, and $374,364,466. This resulted in revenue to the Homeownership Program of $431,459, to the Housing Finance Program of $356,876, and to the Residential Finance Program of $9,299,466.

On July 16, 2020, the agency issued $145,000,000 in Residential Finance Program Bonds, Issue 2020-3. On October 28, 2020, the agency issued $145,000,000 in Residential Finance Program Bonds, Issue 2020-4. On April 28, 2021, the agency issued $149,900,000 in Residential Finance Program Bonds, Issue 2021-1.

Debt Service requirements to maturity for revenue bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2022	$ 13,585	$ 88,750	$ 102,335
2023	99,235	89,052	188,287
2024	101,550	86,936	188,486
2025	103,720	84,617	188,337
2026	106,475	82,111	188,586
2027-2031	539,775	367,106	906,881
2032-2036	520,115	285,847	805,962
2037-2041	549,550	197,089	746,639
2042-2046	484,850	105,383	590,233
2047-2051	323,370	25,235	348,605
2052	3,420	51	3,471
	$ 2,845,645	$1,412,177	$ 4,257,822

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of $2,845,645 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of $2,845,645 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The agency has a line of credit in the amount of $75,000,000. The unused portion as of June 30, 2021, is $73,221,799.

C. Nonmajor Component Units – Long-Term Debt

Tennessee Local Development Authority (TLDA)
Bonds Payable at June 30, 2021, is shown below (expressed in thousands):

Revenue bonds, 4% to 4.375%, due in generally decreasing amounts of principal and interest from $272 thousand in 2022 to $21 thousand in 2029	$ 1,250
Plus unamortized bond premium	-
Less unamortized bond discount	(7)
Total bonds payable	$ 1,243

The revenue bonds listed above are not obligations of the state. They are secured by pledges of resources from the facilities to which they relate and by certain other revenues, fees, and assets of TLDA.

Debt Service requirements to maturity for TLDA's revenue bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Interest	Total Requirements
2022	$ 220	$ 52	$ 272
2023	230	43	273
2024	240	34	274
2025	245	24	269
2026	260	13	273
2027-2029	55	5	60
	$ 1,250	$ 171	$ 1,421

Tennessee State School Bond Authority (TSSBA)
Bonds and Revolving Credit Facility Payable at June 30, 2021, are shown below (expressed in thousands):

Revenue bonds, various Series, 0% to 5%, due in decreasing amounts of principal and interest from $134.8 million in 2022 to $4.9 million in 2050	$ 2,050,570
Plus unamortized bond premium	143,676
Less unamortized bond discount	(18)
Total bonds payable	$ 2,194,228
Revolving credit facility, interest rates ranging from 0.5% to 0.7%, varying maturities	$ 115,521

The revenue bonds and credit facility listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees, and assets of the TSSBA.

Bond sales during the year ended June 30, 2021, included the following issues:

- February 2021— 2021 Series A Bonds of $713.4 million

On February 24, 2021, the Authority issued the 2021 Series A Bonds (Federally Taxable) ("2021A"). The 2021A taxable bond proceeds in the amount of $713,365,000 were issued to advance refund $115,125,000 of the 2012 Series A bonds; $42,245,000 of the 2012 Series C bonds; $98,525,000 of the 2013 Series A Bonds; $47,245,000 of the 2014 Series A bonds; $76,325,000 of the 2014 Series B bonds; and $226,150,000 of the 2015 Series B bonds. The balance of the proceeds of the 2021A bonds will be used to pay for construction costs of a certain project and various costs of issuance.

The 2021 Series A refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $24,188,644. This amount is reported as a deferred outflow of resources and is being charged to operations through the year 2046 using the straight-line method. The 2021 Series A refunding resulted in a reduction of total debt service payments of $134,393,335 over the next 26 years and an economic gain (difference between the present values of the old and new debt service payments) of $112,382,633.33. The funds provided for the advance refundings were placed in an irrevocable refunding trust fund to pay the principal and interest on the refunded bonds on each principal and interest payment date to and including the respective redemption date for the respective redemption price then due on the refunded bonds.

Debt Service requirements to maturity for TSSBA's revenue and direct placement bonds payable at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Interest	Total Requirements
2022	$ 78,960	$ 55,829	$ 134,789
2023	92,000	50,133	142,133
2024	88,755	47,098	135,853
2025	90,020	44,113	134,133
2026	268,270	40,897	309,167
2027-2031	615,080	160,198	775,278
2032-2036	323,170	109,864	433,034
2037-2041	277,660	64,445	342,105
2042-2046	180,840	23,401	204,241
2047-2050	35,815	2,746	38,561
	$ 2,050,570	$ 598,724	$ 2,649,294

Revolving Credit Facility Program
The Authority issues short-term debt to finance certain capital projects for the State's higher education institutions. On June 2, 2021, the Authority entered into an Amended and Restated Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The original RCA dated March 20, 2014, as amended and extended, expired upon the issuance of the new RCA. The RCA permits loans (the Revolving Credit Facility or RCF) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed $300,000,000. As of June 30, 2021, the unused portion of the RCF was $184,479,310. As of June 30, 2020, the unused portion of the RCF was $225,519,310. The RCF may be issued as tax-exempt or as taxable loans. As of June 30, 2021, $82,607,265 of tax-exempt RCF loans and $32,913,425 of taxable RCF loans were outstanding. As of June 30, 2020, $51,367,265 of tax-exempt RCF loans and $23,113,425 of taxable RCF loans were outstanding.

Events of Default
Debt under the Higher Education Facilities Programs is secured by a payment from the annual financing charges by the Tennessee Board of Regents and the Board of

Trustees of the University of Tennessee (the "Boards"). In the event the Authority has been notified that one of the Boards has insufficient funds to make a full payment, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the Board has failed to pay and request the Commissioner to intercept sufficient available appropriations. The Commissioner will, within one business day, notify his accounting staff to withhold the Legislative appropriations as may be required to make the Board whole with respect to the unpaid annual financing charges.

Debt under the Qualified Zone Academy Bond Program was secured by an annual payment by each borrower. A borrower is a Local Government Unit. In the event a borrower failed to make a loan repayment in full, the Assistant Secretary to the Authority was required to notify the Commissioner of Finance and Administration that the borrower had failed to pay and request the Commissioner to intercept sufficient available state-shared taxes to the borrower. The Commissioner was required to, within three business days, notify the borrower of the failure to pay. If the borrower failed to remit the full amount within 10 days of the notice, the Commissioner was required to notify the accounting staff to withhold the state-shared taxes as may be required to make the Board whole with respect to the unpaid annual financing charges.

Debt under the Qualified School Construction Bond Program is secured by a monthly payment from each borrower. A borrower is a Local Government Unit. In the event a borrower has failed to make a loan repayment in full, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the borrower has failed to pay and request the Commissioner to intercept sufficient available state-shared taxes to the borrower. The Commissioner will notify the Division of Accounts, to withhold the state-shared taxes due and payable to the Local Government Unit starting with the payment due to the Local Government Unit on the 20th day of the current month in the amount of the unpaid loan payment to the Authority. The Division of Accounts will deposit such available state-shared tax, as soon as available, with the representatives of the TSSBA and prior to releasing any remaining funds to the Local Government Unit. The Division of Accounts will continue such monthly deposits to the Authority's account until notified by the Commissioner of Finance and Administration that the Local Government Unit is current on all of its obligations to the TSSBA. The TSSBA will use the proceeds of the state-shared tax intercept to timely fund debt service and sinking fund payments due on the Bond Debt Service Payment Dates and to fully fund the Local Government Unit's portion of the Sinking Fund.

If the Authority should default in the payment of the principal, sinking fund installments, or interest, the bond resolutions contain a provision that the Trustee may proceed, (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (5) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

D. Component Units – Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2021, follows (expressed in thousands):

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds, notes, and loans payable:					
University of Tennessee (UT)	$ 1,070,553	$ 496,805	$ (460,846)	$ 1,106,512	$ 39,556
State University and Community College System (SUCCS)	781,094	339,020	(317,664)	802,450	41,940
Tennessee Housing Development Agency (THDA)	2,880,811	451,525	(422,932)	2,909,404	83,215
Nonmajor component units	2,337,711	758,365	(782,075)	2,314,001	79,570
Nonmajor component units-direct borrowings	30,145	-	(30,145)	-	-
Long-term debt	$ 7,100,314	$ 2,045,715	$ (2,013,662)	$ 7,132,367	$ 244,281
Other long-term liabilities:					
Compensated absences:					
UT	91,294	37,766	(33,665)	95,395	33,665
SUCCS	84,562	43,879	(39,493)	88,948	17,115
THDA	1,685	1,376	(1,194)	1,867	861
Tennessee Education Lottery Corporation (TELC)	745	721	(731)	735	735
Nonmajor component units	1,832	1,825	(1,925)	1,732	923
Due to grantors, unearned revenue, annuities payable, prizes annuities payable:					
UT	28,165	3,340	(6,371)	25,134	-
SUCCS	29,911	2,347	(18,215)	14,043	-
TELC	2,148	-	(373)	1,775	134
THDA	896	18,841	(2,575)	17,162	-
Escrow deposits and arbitrage rebate payable:					
THDA	36,917	131,884	(128,014)	40,787	23,609
Pension:					
UT	-	-		204,249	-
SUCCS	-	-		273,273	-
THDA	-	-		7,122	-
Nonmajor component units	-	-		2,145	-
Other postemployment benefits:					
UT	-	-		138,202	-
SUCCS	-	-		135,487	-
THDA	-	-		1,389	-
Nonmajor component units	-	-		555	-
Component units long-term liabilities	$ 7,378,469	$ 2,287,694	$ (2,246,218)	$ 8,182,367	$ 321,323

The Tennessee State School Bond Authority, a nonmajor component unit, issues revenue bonds to make loans to higher education institutions in the state. The nonmajor component units' bonds payable includes the indebtedness on which the University of Tennessee and the State University and Community College System's loans payable are based.

The University of Tennessee component units are not included in the above schedule. At year end, University of Tennessee foundations' long-term liabilities amounted to $77.272 million ($3.643 million due within one year).

E. Endowments – Component Units

If a donor has not provided specific instructions to the University of Tennessee and State University and Community College System institutions, state law (TCA 35-10-104) permits each institution to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the institution is required to consider the institution's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The University of Tennessee chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, 4.5 percent of a seven-year moving average of the fair value of endowment investments has been authorized for expenditure. In fiscal year 2016, the University began transitioning to a seven-year moving average, by adding one year's value to the moving average calculation. This transition was complete in fiscal year 2019. The remaining amount after distributions, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2021, net appreciation of $262.337 million is available to be spent, of which $257.285 million is restricted to specific purposes.

While some State University and Community College System institutions/foundations spend all investment income, others choose to spend only a portion of the investment income (including changes in the value of investments) each year. Under the various spending plans established by each institution/foundation, different percentages and/or amounts have been authorized for expenditure. The remaining amounts, if any, are retained to be used in future years when the amounts computed using the spending plans exceed the investment income. At June 30, 2021, net appreciation of $23.053 million is available to be spent, of which $22.531 million is restricted to specific purposes.

NOTE 16

Risk Management

A. Teacher Group Insurance

The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers and other education system employees of the political subdivisions of the state. In accordance with Tennessee Code Annotated 8-27-302, all local education agencies are eligible to participate. Fund members at June 30, 2021, included 121 local education agencies and one education cooperative, with 51,022 active teachers and support personnel enrolled in one of four health care options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

The Teacher Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan.

The Teacher Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Teachers and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Teacher Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Teacher Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Rosa L. Parks Avenue, 21st Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2021	2020
Unpaid claims at beginning of year	$ 30,870	$ 32,504
Incurred claims:		
Provision for insured events of the current year	607,094	549,424
Increase (decrease) in provision for insured events of prior years	(1,259)	(662)
Total incurred claims expenses	605,835	548,762
Payments:		
Claims attributable to insured events of the current year	570,449	518,780
Claims attributable to insured events of prior years	29,378	31,616
Total payments	599,827	550,396
Total unpaid claims at end of year	$ 36,878	$ 30,870

B. Local Government Group Insurance

The Local Government Group Insurance Fund, a public entity risk pool, was established in July 1991 to provide a program of health insurance coverage for employees of local governments and quasi-governmental organizations that were established for the primary purpose of providing services for or on the behalf of state and local governments. In accordance with Tennessee Code Annotated 8-27-401 and 8-27-702, all local governments and quasi-governmental organizations described above are eligible to participate. Fund members at June 30, 2021, included 70 counties, 196 municipalities and 119 quasi-governmental organizations, with 16,486 active employees maintaining coverage through one of four options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

The Local Government Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions insured events, which includes estimates of both future payments of losses and related claim adjustment accurately, reporting enrollment to vendors, the processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan.

The Local Government Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Local Government Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Local Government Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Rosa L. Parks Avenue, 21st Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed, the Local Government Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2021	2020
Unpaid claims at beginning of year	$ 8,436	$ 9,941
Incurred claims:		
Provision for insured events of the current year	181,339	155,903
Increase (decrease) in provision for insured events of prior years	1,949	(1,595)
Total incurred claims expenses	183,288	154,308
Payments:		
Claims attributable to insured events of the current year	168,473	147,505
Claims attributable to insured events of prior years	10,285	8,308
Total payments	178,758	155,813
Total unpaid claims at end of year	$ 12,966	$ 8,436

C. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300 thousand per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime, and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25 thousand to $75 thousand of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake, named storm, wind/hail, and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $500 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in the New Madrid Zone. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past three fiscal years. All agencies and authorities of the state participate in the RMF, except for the Dairy Promotion Board and the Certified Cotton Growers' Organization. The Tennessee Education Lottery Corporation participates in the RMF for general liability purposes but is responsible for its own worker's compensation coverage.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The present value of the casualty liability as actuarially determined was $131.2 million (discounted at 1.0 percent) at June 30, 2021 and $135.02 million (discounted at 1.0 percent) at June 30, 2020. The accrued liability for incurred property losses was $13.96 million at June 30, 2021 and $12.71 million at June 30, 2020. The changes in the balances of the claims liabilities during fiscal years 2020 and 2021 were as follows (expressed in thousands):

	2020-2021	2019-2020
Beginning of Fiscal Year Liability	$ 191,803	$ 144,905
Current Year Claims and Changes in Estimates	32,046	82,608
Claim Payments	(30,347)	(35,710)
Balance at Fiscal Year-End	$ 193,502	$ 191,803

The RMF held $234 million in cash at June 30, 2021 and $231 million in cash at June 30, 2020 that is designated for payment of these claims.

The RMF allocates the cost of providing claims servicing and claims payment by charging a premium to each agency based on a percentage of each organization's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole.

D. Employee Group Insurance

The Employee Group Insurance Fund, an entity other than a pool, was established in 1979 to provide a program of health insurance coverage for the employees of the state with the risk retained by the state; therefore, it is accounted for as an Internal Service Fund. In accordance with Tennessee Code Annotated 8-27-202 and 8-27-204, all state employees and certain former employees with work related injuries are eligible to participate. Fund members at June 30, 2021, included 61,028 active employees enrolled in one of three options: premier preferred provider organization plan (PPO),

standard preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA).

The Employee Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Employee Group Insurance Fund considers investment income in determining if a premium deficiency exists.

As discussed, the Employee Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2021	2020
Unpaid claims at beginning of year	$ 47,586	$ 54,367
Incurred claims:		
Provision for insured events of the current year	893,908	825,694
Increase (decrease) in provision for insured events of prior years	4,355	(5,968)
Total incurred claims expenses	898,263	819,726
Payments:		
Claims attributable to insured events of the current year	836,260	778,402
Claims attributable to insured events of prior years	51,662	48,105
Total payments	887,922	826,507
Total unpaid claims at end of year	$ 57,927	$ 47,586

E. CoverKids

The CoverKids program was launched in 2007 as part of the federally funded Children's Health Insurance Program (CHIP) and provides healthcare to children and maternity coverage for pregnant women. In accordance with Tennessee Code Annotated 71-3-1103, the CoverKids program serves eligible uninsured children who are not eligible for health care services under any part of Tennessee's Medicaid program. Emphasis is placed on preventive care and the services most needed by children, including vaccinations, physician visits, and hospitalization in addition to behavioral health, vision, and dental benefits. Enrollment in the CoverKids program totaled 43,235 at June 30, 2021.

As part of the federally funded CHIP program, CoverKids receives the majority of funding from the Federal Government at an approximately 83/17 ratio match. There are no monthly premiums and the program has no deductibles. Members pay affordable co-pays for services. CoverKids members used the CoverKids Provider Network administered by BlueCare through December 31, 2020. Thereafter, CoverKids moved from paying member claims to paying a per member per month capitation fee to managed care organizations (MCOs). The three MCOs available to CoverKids are Amerigroup Community Care, BlueCare Tennessee, and United Healthcare Community Plan. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2021	2020
Unpaid claims at beginning of year	$ 5,173	$ 5,224
Incurred claims:		
Provision for insured events of the current year	54,751	97,385
Increase (decrease) in provision for insured events of prior years	(1,302)	1,620
Total incurred claims expenses	53,449	99,005
Payments:		
Claims attributable to insured events of the current year	54,703	92,199
Claims attributable to insured events of prior years	3,919	6,857
Total payments	58,622	99,056
Total unpaid claims at end of year	$ -	$ 5,173

NOTE 17

Other Postemployment Benefits (OPEB)

For the year ended June 30, 2021, primary government employers reported $1.3 billion of net OPEB liability, $310.7 million of deferred outflows of resources related to OPEB, $333.3 million of deferred inflows of resources related to OPEB, $86.1 million of OPEB expense and $132.2 million of deferred outflows of benefits paid

subsequent to the measurement date. Component unit employers reported $275.5 million of net OPEB liability, $50.8 million of deferred outflows of resources related to OPEB, $166.6 million of deferred inflows of resources related to OPEB, $8.4 million of OPEB expense, and $49.5 million of deferred outflows of benefits paid subsequent to the measurement date. These totals are aggregated for all OPEB plans the above employers participate in.

A. Closed Employee Group OPEB Plan

1. General information about the OPEB plan

Plan description−Employees of the state and of certain discretely presented component units, who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The component units participating in the plan are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay retiree benefits for EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at https://www.tn.gov/finance/rd-doa/opeb22121/

Benefits provided−The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard PPO plan or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent.

Employees covered by benefit terms−At July 1, 2020, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	5,074	2,058
Inactive employees entitled to but not yet receiving benefit payments	77	30
Active employees eligible for benefit payments	24,891	17,325
	30,042	19,413

Contributions−Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. These payments are made to the OPEB Trust. Employers currently contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. During the fiscal year ended June 30, 2021, the total ADC for primary government and component unit employers was $87.3 million and $49.8 million respectively. The OPEB Trust recognized contributions of $99.1 million from the primary government and $49.5 million from the component units during the reporting period. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

2. Net OPEB Liability

The primary government and component unit employers EGOP related net OPEB liabilities of $561.6 million and $275.5 million, respectively, was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions−The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	9.02 percent for 2021, decreasing annually to an ultimate rate of 4.50 percent for 2031 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Annuitants Mortality Table projected generationally with Scale MP-2016 from the central year for pre-retirement. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Long-term expected rate of return−The long-term expected rate of return of 6 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. TCA 8-27-802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

	Allocation Range		
Asset Class	Minimum	Maximum	Target Allocation
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best-estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.11%
Developed market international equity	5.19%
Emerging market international equity	5.29%
Cash (Gov't)	-0.69%
Private equity and strategic lending	4.11%
U.S. fixed income	0.00%
Real estate	3.72%

Discount rate−The discount rate used to measure the total OPEB liability was 6 percent. This was the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the ADC rates. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability (expressed in thousands):

EGOP- Primary government	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2019	$ 786,714	$ 144,202	$ 642,512
Changes for the year:			
Service cost	26,249		26,249
Interest	46,916		46,916
Differences between expected and actual experience	(25,201)		(25,201)
Change in assumptions	(25,485)		(25,485)
Contributions from employer		103,683	(103,683)
OPEB plan net investment income		(2,975)	2,975
Changes in proportion and differences between contributions and proportionate share of contributions	(4,221)	(1,541)	(2,680)
Benefit payments	(54,077)	(54,077)	-
Net changes	(35,819)	45,090	(80,909)
Balances at June 30, 2020	$ 750,895	$ 189,292	$ 561,603

EGOP- Component units	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2019	$ 379,169	$ 69,501	$ 309,668
Changes for the year:			
Service cost	12,876		12,876
Interest	23,015		23,015
Differences between expected and actual experience	(12,362)		(12,362)
Change in assumptions	(12,502)		(12,502)
Contributions from employer		49,339	(49,339)
OPEB plan net investment income		(1,460)	1,460
Changes in proportion and differences between contributions and proportionate share of contributions	4,221	1,541	2,680
Benefit payments	(26,063)	(26,063)	-
Net changes	(10,815)	23,357	(34,172)
Balances at June 30, 2020	$ 368,354	$ 92,858	$ 275,496

Changes in assumptions—The excise tax was removed from the liability calculation, as of the measurement date, due to a change in federal law concerning health benefits provided to employees. Other minor changes include a change in the long term inflation rate, adjustments to the medical and drug trend rate to reflect more recent experience and a change in the expected per capita health claims. These changes combined to decrease the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate—The following presents the primary government and component unit employers net OPEB liability related to the EGOP, as well as what the net OPEB liability would be if calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate (expressed in thousands):

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Primary government	$ 615,973	$ 561,603	$ 511,867
Component units	299,960	275,496	252,705

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate−The following presents the primary government and component unit employers net OPEB liability related to the EGOP, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8.02 percent decreasing to 3.50 percent) or 1-percentage-point higher (10.02 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease (8.02% decreasing to 3.50%)	Healthcare Cost Trend Rates (9.02% decreasing to 4.50%)	1% Increase (10.02% decreasing to 5.50%)
Primary government	$ 498,209	$ 561,603	$ 634,865
Component units	244,498	275,496	311,051

OPEB plan fiduciary net position− Detailed information about the State of Tennessee Postemployment Benefits Trust fiduciary net position is available in the separately issued financial report. This trust was established to accumulate the assets used to pay benefits for participants in the EGOP.

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense−For the fiscal year ended June 30, 2021, the primary government recognized OPEB expense of $37.7 million. Component unit employers recognized OPEB expense of $8.4 million.

Deferred outflows of resources and deferred inflows of resources− For the fiscal year ended June, 30, 2021, the primary government and component unit employers reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

EGOP- Primary government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 54,903
Changes of assumptions	$ 28,894	148,059
Difference between project and actual earnings on plan investments	10,743	
Changes in proportion and differences between contributions and proportionate share of contributions	62,556	26,890
Contributions subsequent to the measurement date	99,096	
Total	$ 201,289	$ 229,852

EGOP- Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 26,933
Changes of assumptions	$ 14,174	72,631
Difference between project and actual earnings on plan investments	5,270	
Changes in proportion and differences between contributions and proportionate share of contributions	31,338	67,004
Contributions subsequent to the measurement date	49,514	
Total	$ 100,296	$ 166,568

The amounts shown above for "contributions subsequent to the measurement date" for the primary government and component units will be recognized as a reduction to net OPEB liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows (expressed in thousands):

EGOP- Primary government	
For the year ended June 30:	
2022	$ (25,482)
2023	(25,482)
2024	(25,482)
2025	(25,600)
2026	(22,692)
Thereafter	(2,921)

EGOP- Component units	
For the year ended June 30:	
2022	$ (22,596)
2023	(22,596)
2024	(22,596)
2025	(22,654)
2026	(22,401)
Thereafter	(2,943)

In the tables above, for the primary government and component units, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

B. Closed Tennessee OPEB Plan

1. General information about the OPEB plan

Plan description−Employees of the state and of certain discretely presented component units, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions. However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The component units participating in the plan are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The state is responsible for the liability related to both primary government and component unit retirees. This plan also serves eligible post-65 retirees of local education agencies and local governments. The state is a governmental nonemployer contributing entity for eligible post-65 retirees of local education agencies.

Benefits provided−The state offers the TNP to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Tennessee Code Annotated (TCA) 8-27-209, benefits are established and amended by cooperation of insurance committees created by TCAs 8-27-201, 8-27-301, and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible, and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The state contributes to the premiums of state and component unit retirees, as well as, to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms−At July 1, 2020, the following employees of the state and certain component units were covered by the benefit terms of the TNP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	9,209	6,248
Inactive employees entitled to but not yet receiving benefit payments	5,792	3,130
Active employees	27,089	19,791
	42,090	29,169

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301, and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the State of Tennessee paid $4.8 million and $2.5 million to the TNP for OPEB benefits as they came due for primary government and component unit employees, respectively.

2. Total OPEB Liability

The state's total OPEB liabilities of $125.8 million and $80.4 million, related to benefits offered to primary government and component unit employees, respectively,

was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial assumptions–The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Annuitants Mortality Table projected generationally with Scale MP-2016 from the central year for pre-retirement. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate–The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond Buyer GO 20-Bond Municipal Bond Index.

Changes in the Total OPEB Liability (expressed in thousands):

TNP Primary government	Total OPEB Liability (a)
Balances at June 30, 2019	$ 107,046
Changes for the year:	
Service cost	1,599
Interest	3,719
Differences between expected and actual experience	(535)
Change in assumptions	19,166
Changes in proportion and differences between contributions and proportionate share of contributions	(225)
Benefit payments	(4,955)
Net changes	18,769
Balances at June 30, 2020	$ 125,815

TNP Component units	Total OPEB Liability (a)
Balances at June 30, 2019	$ 68,000
Changes for the year:	
Service cost	1,022
Interest	2,376
Differences between expected and actual experience	(342)
Change in assumptions	12,244
Changes in proportion and differences between contributions and proportionate share of contributions	225
Benefit payments	(3,148)
Net changes	12,377
Balances at June 30, 2020	$ 80,377

Changes in assumptions–The discount rate was changed from 3.51 percent as of the beginning of the measurement period to 2.21 percent as of June 30, 2020. This change in assumption increased the total OPEB liability by 17.5 percent. Other changes include a slight decrease in the long-term inflation rate and updated medical and drug trend rates. These changes had minimal impact on total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate–The following presents the state's total OPEB liability for primary government and component unit retirees participating in the TNP, as well as what the total OPEB liability would be if it were

calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate (expressed in thousands):

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Primary government	$ 144,000	$ 125,815	$ 110,803
Component units	91,490	80,377	71,147

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense−For the fiscal year ended June 30, 2021, the state recognized OPEB expense of $6.2 million and $4.5 million, for the primary government and component unit retirees, respectively.

Deferred outflows of resources and deferred inflows of resources−For the fiscal year ended June 30, 2021, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources (expressed in thousands):

TNP Primary government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 2,803
Changes of assumptions	$ 17,453	4,297
Changes in proportion and differences between contributions and proportionate share of contributions	1,217	2,245
Payments subsequent to the measurement date	4,812	
Total	$ 23,482	$ 9,345

TNP Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 1,791
Changes of assumptions	$ 11,150	2,745
Changes in proportion and differences between contributions and proportionate share of contributions	2,245	1,217
Payments subsequent to the measurement date	2,543	
Total	$ 15,938	$ 5,753

The amounts shown above for "payments subsequent to the measurement date" for the primary government and component units will be recognized as a reduction to total OPEB liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

TNP Primary government	
For the year ended June 30:	
2022	$ 832
2023	832
2024	832
2025	2,560
2026	3,120
Thereafter	1,149
TNP Component units	
For the year ended June 30:	
2022	$ 1,115
2023	1,115
2024	1,116
2025	1,742
2026	1,795
Thereafter	759

In the tables above, for the primary government and component units, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

C. Special Funding Situation

The state is in a special funding situation and reports a liability, deferred outflows of resources, deferred inflows of resources, and expense related to its statutory requirement to contribute to the closed Teacher Group OPEB Plan (TGOP) and TNP for eligible retired and disabled teachers employed by local education agencies.

1. General information about the OPEB plan

Plan description−The Tennessee Department of Finance and Administration administers the closed TGOP as well as the closed TNP. Both plans are considered to be multiple-employer defined benefit plans that are used to provide postemployment benefits other than pensions. However, for accounting purposes, these plans will be treated as single-employer plans. All eligible pre-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in

the TGOP. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the primary government, certain component units of the state, and certain local governmental entities. These plans are closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided−The state offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers and disabled participants of local education agencies. The TNP is offered to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. This insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. An insurance committee created in accordance with Tennessee Code Annotated (TCA) 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO, or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the TGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Individual employers may also provide a direct subsidy, according to their own policies and TCA. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCAs 8-27-201, 8-27-301, and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible, and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The TGOP and TNP are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. For the TNP, insurance committees, created in accordance with TCAs 8-27-201, 8-27-301, and 8-27-701, cooperate to establish the required payments to the plan by member employers and employees through the premiums established for retired members. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2021, the state paid $14 million and $11.7 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

Actuarial assumptions−The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	Health trend for the TGOP is 9.02 percent in 2021, decreasing annually to an ultimate rate of 4.50 percent for 2031 and later years. As it relates to the TNP, the premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012-June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Annuitants Mortality Table projected generationally with Scale MP-2016 from the central year for pre-retirement. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a negative 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate−The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond Buyer GO 20-Bond Municipal Bond Index.

Sensitivity of proportionate share of collective total OPEB liability to changes in the discount rate−The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP and TNP, as well as what the share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate (expressed in thousands):

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Share of collective total OPEB liability- TGOP	$ 279,110	$ 260,059	$ 241,751
Share of collective total OPEB liability- TNP	312,833	266,093	228,593

Sensitivity of proportionate share of collective total OPEB liability to changes in the healthcare cost trend rate−The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP, as well as, what the share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8.02 percent decreasing to 3.50 percent) or 1-percentage-point higher (10.02 percent decreasing to 5.50 percent) than the current healthcare cost trend. Premium subsidies in the TNP are projected to remain unchanged, and consequently, trend rates are not applicable (expressed in thousands):

	1% Decrease (8.02% decreasing to 3.50%)	Healthcare Cost Trend Rates (9.02% decreasing to 4.50%)	1% Increase (10.02% decreasing to 5.50%)
Share of collective total OPEB liability- TGOP	$ 230,788	$ 260,059	$ 294,665

2. Total OPEB Liability

At June 30, 2021, the state reported a liability of $260.1 million and $266.1 million for its proportionate shares of the collective total OPEB liability from special funding situations related to the TGOP and TNP, respectively. The total OPEB liabilities were measured as of June 30, 2020, by an actuarial valuation dated July 1, 2020. The state's portion of the collective total OPEB liability was based on a projection of the state's long-term share of contributions to the OPEB plan relative to the projected share of benefit payments of all participating employers, actuarially determined. At June 30, 2020, the state's proportion of the collective total Local Education Agency employer liabilities for the TGOP and TNP was 28.2 percent and 76.2 percent, respectively. This resulted in a change in proportion from the prior measurement date of (.13) percent and 3.5 percent to the TGOP and TNP, respectively.

Changes in assumptions−The discount rate was changed from 3.51 percent as of the beginning of the measurement period to 2.21 percent as of June 30, 2020. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates, as well as a slight decrease in the inflation rate.

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense− For the year ended June 30, 2021, the state recognized OPEB expense of $18.7 million and $19.1 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2021, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB, as a result of special funding situations, from the following sources (expressed in thousands):

TGOP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 8,659	$ 21,844
Changes of assumptions	28,698	20,515
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	11,486	12,994
Payments subsequent to the measurement date	14,001	
Total	$ 62,844	$ 55,353

TNP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 6,554	$ 15,465
Changes of assumptions	51,798	19,369
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	72,663	1,671
Payments subsequent to the measurement date	11,728	
Total	$ 142,743	$ 36,505

The amounts shown above for "payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

TGOP	
For the year ended June 30:	
2022	$ (1,267)
2023	(1,267)
2024	(1,267)
2025	(1,267)
2026	(1,235)
Thereafter	(207)
TNP	
For the year ended June 30:	
2022	$ 16,411
2023	16,411
2024	16,452
2025	16,633
2026	10,092
Thereafter	18,511

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

D. State of Tennessee Postemployment Benefits Trust

The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established for the purpose of pre-funding OPEB accrued by employees of the state and certain component units. While the trustees have the discretion to also establish a trust for the purpose of pre-funding OPEB accrued by authorized employees of local education agencies, at this time, the OPEB Trust is limited to eligible pre-65 retirees that participate in the EGOP. Please refer to note 17A for the EGOP plan description, information on plan investments, and any actuarial assumptions not listed in sections that follow. Actuarial procedures were used to roll forward the total OPEB liability, as determined in the employer reporting valuation, to the OPEB plan's fiscal year end.

Management of the underlying plan being served by the OPEB Trust is vested in the insurance committee established in TCA 8-27-201. The trustees of the OPEB Trust were established in TCA 8-27-801 to be the four trustees designated in TCA 8-27-205(f). These designated individuals include the Commissioner of Finance and Administration, the Chair of the Finance, Ways and Means Committee of the Senate, the Chair of the Finance, Ways and Means Committee of the House of Representatives and the chair of the consolidated retirement board. The trustees are responsible for the establishment of any trust for the purpose of pre-funding OPEB, as well as for the adoption of an investment policy authorizing how assets in the OPEB Trust may be invested. The investment of OPEB Trust assets is administered by the state treasurer.

Rate of return−For the year ended June 30, 2021, the annual money-weighted rate of return on investments was 29.76 percent. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability−The components of the net OPEB liability for the OPEB Trust at June 30, 2021, were as follows (expressed in thousands):

Total OPEB liability	$ 1,153,592
Plan fiduciary net position	(446,656)
Net OPEB liability	$ 706,936
Plan fiduciary net position as a percentage of the total OPEB liability	38.72%

Discount rate−The discount rate used to measure the total OPEB liability was 6%.

Sensitivity of net OPEB liability to changes in the discount rate− The following presents the net OPEB liability of the OPEB Trust, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate (expressed in thousands).

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB Liability	$ 788,057	$ 706,936	$ 632,173

Sensitivity of net OPEB liability to changes in the healthcare cost trend rate− The following presents the net OPEB liability of the OPEB Trust, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8.02 percent decreasing to 3.50 percent) or 1-percentage-point higher (10.02 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands).

	1% Decrease (8.02% decreasing to 3.50%)	Healthcare Cost Trend Rates (9.02% decreasing to 4.50%)	1% Increase (10.02% decreasing to 5.50%)
Net OPEB Liability	$ 600,835	$ 706,936	$ 829,454

NOTE 18

Pension plans

A. Tennessee Consolidated Retirement System (TCRS)

TCRS is a public employee retirement system comprised of defined benefit pension plans covering Tennessee state employees, employees of the state's higher education systems, teachers, and employees of political subdivisions in Tennessee. The TCRS was established in 1972 by a statutory enactment of the Tennessee General Assembly. The provisions of the TCRS are codified in Tennessee Code Annotated Title 8, chapters 34-37. In accordance with Tennessee Code Annotated Title 8, Chapter 34, Section 202, all funds invested, securities, cash, and other property of the TCRS are held in trust and can be expended only for the purposes of the trust. Although the assets for all pension plans within the TCRS are commingled for investment purposes, the assets of each separate plan may legally be used only for the payment of benefits to the members of that plan and for its administration, in accordance with the terms of the plan.

The Tennessee Department of Treasury, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/.

B. Defined Benefit Plan

Closed State and Higher Education Employee Pension Plan

1. General information about the pension plan

Plan description−Employees of the state and four of its discretely presented component units becoming members of TCRS before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is one of several comprising the TCRS administered Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

Benefits provided−Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to the Social Security Integration Level)	X	1.50%	X	Years of Service Credit	X	105%
PLUS						
Average of Member's Highest Compensation for 5 Consecutive Years (over the Social Security Integration Level)	X	1.75%	X	Years of Service Credit	X	105%

A reduced early retirement benefit is available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms−At the measurement date of June 30, 2020, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60,183
Inactive employees entitled to but not yet receiving benefits	39,152
Active employees	35,025
	134,360

Contributions−Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory, except for a small group of public safety officers and judges. The state makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, employer contributions by the state were $301 million based on an average rate of 20.74 percent of covered payroll. For the year ended June 30, 2021, employer contributions by the four previously mentioned component units were $125.9 million based on an average rate of 20.24 percent of covered payroll.

By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

2. Net Pension Liability (Asset)

The net pension liability (asset) of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions−The total pension liability as of June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019, with static projection to 6 years beyond the valuation date.

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projection. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a comparison of historical market returns and future capital market projections.

Discount rate−The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the state will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset) (expressed in thousands):

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	$ 11,877,038	$ 10,888,087	$ 988,951
Effects of change in proportion	43,478	39,857	3,621
Adjusted balance at 6/30/2019	11,920,516	10,927,944	992,572
Changes for the year:			
Service cost	120,580		120,580
Interest	847,695		847,695
Differences between expected and actual experience	27,728		27,728
Contributions-employer		305,873	(305,873)
Contributions-employees		263	(263)
Net investment income		532,295	(532,295)
Benefit payments, including refunds of employee contributions	(697,506)	(697,506)	
Administrative expense		(2,228)	2,228
Other		848	(848)
Net changes	$ 298,497	$ 139,545	$ 158,952
Balance at 6/30/20	$ 12,219,013	$ 11,067,489	$ 1,151,524

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	$ 5,082,703	$ 4,659,488	$ 423,215
Effects of change in proportion	(43,478)	(39,857)	(3,621)
Adjusted balance at 6/30/2019	5,039,225	4,619,631	419,594
Changes for the year:			
Service cost	50,973		50,973
Interest	358,351		358,351
Differences between expected and actual experience	11,722		11,722
Contributions-employer		129,304	(129,304)
Contributions-employees		111	(111)
Net investment income		225,020	(225,020)
Benefit payments, including refunds of employee contributions	(294,861)	(294,861)	
Administrative expense		(942)	942
Other		358	(358)
Net changes	$ 126,185	$ 58,990	$ 67,195
Balance at 6/30/20	$ 5,165,410	$ 4,678,621	$ 486,789

Sensitivity of the net pension liability to changes in the discount rate–The following presents the net pension liability of the State of Tennessee and the four mentioned component units calculated using the discount rate of 7.25 percent, as well as, what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage–point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate (expressed in thousands):

Primary Government

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	$ 2,552,316	$ 1,151,524	$ (29,832)

Component Units

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	$ 1,078,955	$ 486,789	$ (12,611)

3. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense−For the year ended June 30, 2021, the state and the four mentioned component units recognized pension expense of $346.1 million and $140.9 million, respectively.

Deferred outflows of resources and deferred inflows of resources−For the year ended June 30, 2021, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,216	$ 10,461
Net difference between projected and actual earnings on pension plan investments	$ 71,559	
Effects of change in proportion	$ 4,235	$ 128
Contributions subsequent to the measurement date of June 30, 2020	$ 301,037	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as a reduction to net pension liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2022	$ (25,735)
2023	30,091
2024	44,916
2025	49,149
	$ 98,421

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,041	$ 4,422
Net difference between projected and actual earnings on pension plan investments	$ 30,251	
Effects of change in proportion	$ 128	$ 4,235
Contributions subsequent to the measurement date of June 30, 2020	$ 125,947	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as a reduction to net pension liability in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2022	$ (13,710)
2023	9,708
2024	18,988
2025	20,777
	$ 35,763

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

4. Payable to the Pension Plan

At June 30, 2021, the state reported a payable of $10.1 million and the four mentioned component units reported a payable of $10.3 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2021.

State and Higher Education Employee Retirement Plan

1. General information about the pension plan

Plan description−Employees of the state and four of its discretely presented component units becoming members of TCRS after June 30, 2014, are provided with pensions through the State and Higher Education Employee Retirement Plan. This plan is one of several comprising the TCRS administered Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee.

Benefits provided−Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90, in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by multiplying the member's highest five consecutive year average compensation by 1.0 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit, but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Members and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms−At the measurement date of June 30, 2020, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	16,179
Active employees	25,017
	41,234

Contributions−Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. Employers make contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the state for the year ended June 30, 2021, to the State and Higher Education Employee Retirement Plan were $15.4 million, which is 1.89 percent of covered payroll. Employer contributions by the four previously mentioned component units were $7.4 million, which is 1.80 percent of covered payroll.

The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as, an amortized portion of any unfunded liability.

2. Net Pension Liability (Asset)

The net pension asset of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions−The total pension liability as of June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019 (generational projection).

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projection. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a comparison of historical market returns and future capital market projections.

Discount rate—The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the state will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset) (expressed in thousands):

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	$ 128,492	$ 157,222	$ (28,730)
Effects of change in proportion	(1,287)	(1,574)	287
Adjusted balance at 6/30/2019	127,205	155,648	(28,443)
Changes for the year:			
Service cost	49,305		49,305
Interest	12,678		12,678
Differences between expected and actual experience	1,317		1,317
Contributions-employer		13,579	(13,579)
Contributions-employees		37,976	(37,976)
Net investment income		8,882	(8,882)
Benefit payments, including refunds of employee contributions	(3,285)	(3,285)	
Administrative expense		(1,469)	1,469
Other		36	(36)
Net changes	$ 60,015	$ 55,719	$ 4,296
Balance at 6/30/20	$ 187,220	$ 211,367	$ (24,147)

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	$ 57,016	$ 69,764	$ (12,748)
Effects of change in proportion	1,287	1,574	(287)
Adjusted balance at 6/30/2019	58,303	71,338	(13,035)
Changes for the year:			
Service cost	22,598		22,598
Interest	5,811		5,811
Differences between expected and actual experience	603		603
Contributions-employer		6,224	(6,224)
Contributions-employees		17,405	(17,405)
Net investment income		4,071	(4,071)
Benefit payments, including refunds of employee contributions	(1,506)	(1,506)	
Administrative expense		(673)	673
Other		17	(17)
Net changes	$ 27,506	$ 25,538	$ 1,968
Balance at 6/30/20	$ 85,809	$ 96,876	$ (11,067)

Sensitivity of the net pension asset to changes in the discount rate–The following presents the net pension asset of the State of Tennessee and the four previously mentioned component units calculated using the discount rate of 7.25 percent, as well as, what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage–point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate (expressed in thousands):

Primary Government

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	$ 23,278	$ (24,147)	$ (59,951)

Component Units

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	$ 10,669	$ (11,067)	$ (27,477)

3. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense–For the year ended June 30, 2021, the state and the four previously mentioned component units recognized pension expense of $13.2 million and $5.9 million, respectively.

Deferred outflows of resources and deferred inflows of resources–For the year ended June 30, 2021, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,699	$ 763
Assumption changes	$ 674	
Net difference between projected and actual earnings on pension plan investments	$ 2,485	
Effects of change in proportion	$ 926	$ 94
Contributions subsequent to the measurement date of June 30, 2020	$ 15,398	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2022	$ 614
2023	922
2024	1,091
2025	1,230
2026	356
Thereafter	714
	$ 4,927

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 779	$ 350
Assumption changes	$ 309	
Net difference between projected and actual earnings on pension plan investments	$ 1,139	
Effects of change in proportion	$ 94	$ 926
Contributions subsequent to the measurement date of June 30, 2020	$ 7,392	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2022	$ 112
2023	253
2024	330
2025	394
2026	(5)
Thereafter	(39)
	$ 1,045

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

4. Payable to the Pension Plan

At June 30, 2021, the state reported a payable of $561 thousand and the four previously mentioned component units reported a payable of $668 thousand for the outstanding amount of contributions to the pension plan required at year ended June 30, 2021.

C. Defined Contribution Plan

The Tennessee Department of Treasury sponsors and, through third-party service providers, administers two defined contribution pension plans.

Optional Retirement Plan (ORP) – The ORP is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 of the TCA. This statute also sets out the plan provisions. The plan provisions may be amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the State University and Community College System institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. As of June 30, 2021, there were 36,593 ORP accounts with balances, of those 12,921 are from active members.

Employer and employee contribution amounts are set in statute and made on a pre-tax basis. For employees employed prior to July 1, 2014, plan members are noncontributory. The State of Tennessee institutions of higher education contribute 10 percent of the employee's base salary, plus 1 percent on the part of the employee's base salary in excess of the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP, and the State of Tennessee institutions of higher education will contribute 9 percent of the employee's base salary. For fiscal year ended June 30,2021, the State of Tennessee institutions of higher education recognized pension expenses of $99.5 million for their contributions to the ORP and reported a related total liability of $2.4 million at June 30, 2021.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Tennessee Department of Treasury has selected investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another.

State of Tennessee 401(k) Plan – The State of Tennessee 401(k) Plan is a defined contribution plan established pursuant to the Internal Revenue Code, Section 401(k). IRC Sections 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The plan is available to state and higher education employees, K-12 public school employees, and employees of political subdivisions that elect to participate. A 401(k) participant directs contributions to specific investment products made available by the plan's service provider.

The plan is completely voluntary for employees hired prior to July 1, 2014. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees of the state and its higher education institutions and local education agencies hired after June 30, 2014, are automatically enrolled to contribute 2 percent of salary to the state's 401(k) plan with the employer contributing an additional 5 percent to the plan. Employees may opt out of the 2 percent auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5 percent employer contribution to the 401(k) plan. For the fiscal year ended June 30, 2021, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a state matching contribution of up to $50 per month. The funding of this match is subject to state appropriations each year. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee. Employees will vest immediately to both the employee and the employer match.

During fiscal year ended June 30, 2021, the plan had 106,008 active members from the state and its higher education institutions, 53,630 from the local education agencies, and 12,240 from the political subdivisions. For fiscal year ended June 30, 2021, the state and the four mentioned component units recognized pension expenses of $94.5 million for its contributions to the Section 401(k) plans and reported a related liability of $4.5 million at June 30, 2021.

NOTE 19

External Investment Pools

A. State Pooled Investment Fund

The State Pooled Investment Fund (SPIF) is an external investment pool sponsored by the State of Tennessee. The external portion of SPIF is the Local Government Investment Pool (LGIP) and is reported as a separate

investment pool fund, a custodial fund. The internal portion, consisting of funds belonging to the state and its component units, has been included in the various funds and component units.

B. Intermediate Term Investment Fund

The Intermediate Term Investment Fund (ITIF) is an external investment pool sponsored by the State of Tennessee. All funds in the ITIF at June 30, 2021, consist of funds belonging to entities outside of the state's financial reporting entity, and have been included as a separate external investment pool fund, a custodial fund.

C. Tennessee Retiree Group Trust

The Tennessee Retiree Group Trust (TRGT) is an external investment pool sponsored by the State of Tennessee. The external portion of the TRGT is the External Retirement Investment Fund (ERIF) which is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the state, has been included in the various funds.

A copy of the SPIF, ITIF, and TRGT report can be obtained at https://treasury.tn.gov/ or by calling (615) 741-2956.

NOTE 20

Contingencies

A. Litigation

The state is involved in various pending litigation matters in which it is contesting vigorously. Some of these cases could include claims, which normally recur in governmental operations and may result in future losses to the state or have a future budgetary programmatic impact. Those unfavorable outcomes, which could result in future programmatic costs, will be addressed in future budgets. Other potential losses resulting from unfavorable verdicts in legal proceedings are estimated to cost the state approximately $38.6 million. This would have a .095% impact on the budget.

B. Gain Contingencies

a. Tobacco settlement

In November 1998, Tennessee joined 45 other states, the District of Columbia and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek redress against the tobacco companies for violations of state consumer and antitrust laws. The Master Settlement Agreement (MSA) includes base payments to all states and territories through 2025 and continues in perpetuity. Since the agreement is complex, the annual payments have, and will continue to be, subject to a number of adjustments including inflation, volume and non-participating manufacturers (NPM). Some of these adjustments, such as the inflation adjustment, result in the State receiving higher payments. Other factors, such as volume adjustment and the market share adjustment can work to reduce annual payments. Third party lawsuits may also affect future payments. The net effect of potential adjustments, and therefore the amount that Tennessee will receive each year from this settlement, remains indeterminate.

b. Opioid Settlement

Tennessee has participated in agreements with different companies to resolve legal claims against them for their role in the opioid crisis. Tennessee was one of 47 states that settled a suit with a consulting firm for the company's role in helping opioid companies promote their drugs. Additionally, there is a pending agreement with an opioid manufacturer and another pending agreement with three major pharmaceutical distributors. Whether these agreements become effective depends on whether a critical threshold of political subdivisions join the settlements. Additionally, estimations of amounts to be received in the future will be dependent upon the level of participation by local cities and counties.

c. Unemployment Compensation

Since the unprecedented increase in claims resulting from the economic impact of the coronavirus disease pandemic, unemployment insurance programs have become a target for fraud with significant numbers of imposter claims being filed with stolen or synthetic identities. A fraud overpayment occurs when a claimant knowingly gives false information or withholds information and as a result receives benefits that should not have been received. Recoveries of overpayments because of fraudulent claims are not considered realizable beyond a reasonable doubt (or recognized in the Employment Security Fund) until collected or until the overpayment has been investigated and confirmed to be the result of a knowing and willful act or concealment of facts.

Tennessee law provides severe penalties for any individual who commits benefit payment fraud. The benefits received must be repaid plus penalties and interest. In addition, the claimant shall remain disqualified from future benefits so long as any

portion of the overpayment or interest on the overpayment is still outstanding. The offense is a felony and upon conviction, an individual may be fined up to $3,000 and sentenced to prison for one to six years.

C. Pollution Remediation Obligations

The state has recognized a liability for its pollution remediation obligations based on guidance in GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. A pollution remediation obligation is a liability to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments, site cleanups, and postremediation monitoring. The recognition of a pollution remediation obligation is required when any of the following obligating events occur:

- The state is compelled to take remediation action because of imminent danger to the public;
- The state is in violation of pollution related permit or license;
- The state is identified as a responsible party or potentially responsible party by a regulator;
- The state is named or has evidence that it will be named in a lawsuit; or
- The state commences or legally obligates itself to commence pollution remediation activities.

The pollution remediation obligation is an estimate and this estimate is subject to change resulting from price increases or decreases, changes in technology, or changes in legal or regulatory requirements. In addition, recoveries from other responsible parties can reduce the state's obligation. Several agencies within state government have programs to investigate and oversee remediation activities. These program personnel have the expertise to estimate the remediation obligations based on prior experience with similar remediation activities. These obligations are measured at current value using the expected cash flow technique. In addition, historical data is used in the estimation process for common sites with which the state has experience.

The state's pollution remediation obligations are primarily from chemical, fuel, and asbestos contamination. These obligations are the result of violations of various federal and state environmental laws.

During the fiscal year, the state spent $2.8 million for remediation activities and had an expected recovery of $53 thousand from responsible parties. At June 30, 2021, the state had a pollution remediation obligation of $54.1 million and an estimated potential recovery of $4.7 million from other responsible parties.

D. Federal Grants

The state receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially, all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies or their representatives. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities when the loss becomes probable and reasonably estimable.

An audit of the Medical Assistance Program (TennCare) has resulted in likely questioned costs that could be determined to be disallowances by the U.S. Department of Health and Human Services (HHS). These questioned costs relate to expenditures for uncompensated cost of care (UCC) at public hospitals for Medicaid enrollees and uninsured patients. The HHS Centers for Medicare and Medicaid Services (CMS) have not acted upon the audit findings which include $359.5 million to $767.5 million of questioned costs.

Note 21

Tax Abatements

The State of Tennessee provides tax abatements through five programs subject to the requirements of GASB Statement No. 77: the Manufacturing and Industrial Machinery Program, the Job Creation Program, the Community Investment Program, the Development Opportunity Program and the Warehouse or Distribution Facility and Qualified Data Programs.

A. Manufacturing and Industrial Machinery Program

This program provides reductions in franchise and excise taxes to improve productivity and encourage investment in manufacturing and machinery among certain Tennessee businesses. The program is established under TCA 67-4-2009 and TCA 67-4-2109. Abatements may be granted to taxpayers who make qualified capital investments. Abatements are obtained through a

business plan filed before the investment is made. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement for industrial machinery is calculated using between 3% and 10% of the purchase price of the qualified machinery. The renewable energy manufacturing tax credit is based on how much more the taxpayer pays for electricity than the maximum certified rate. Recapture provisions provide that, if the required purchase amount of equipment is not met during the investment period, the taxpayer shall be subject to an assessment equal to the amount of the credit taken for which the taxpayer failed to qualify plus interest.

B. Job Creation Program

This program provides reductions in franchise and excise taxes to encourage companies to create and retain jobs. The program is established under TCA 67-4-2109. Abatements may be granted to businesses agreeing to create and retain a certain number of jobs. Abatements are obtained through a business plan filed before the investment is made. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement is calculated using the size of investment, number of jobs created, and project location.

C. Community Investment Program

This program provides reductions in franchise and excise taxes to encourage the issuance of qualified loans or investments to low-income housing entities. The program is established under TCA 67-4-2109. Abatements may be granted to financial institutions providing low-interest loans to non-profit organizations and government agencies that agree to build and renovate low-income housing. Abatements are obtained through a certification from THDA before making the loans. The abatement is administered as a credit on a business' franchise and excise tax return. The amount of the abatement is calculated using either (1) the percentage of the loan or long-term investment made or (2) percentage annually of the unpaid principal balance of the loan made.

D. Development Opportunity Program

This program provides for credits on franchise and excise taxes for investments contributing to small and rural development and brownfield development opportunities. The programs are established under TCA 67-4-2009 and TCA 67-4-2109. The amount of the small and rural development abatement is calculated using 10% of the financial institution's contribution to the rural or small business opportunity fund. The amount of the brownfield development credit is based on the location and amount of the investment. Abatements are obtained through a business plan filed before the contribution is made. Recapture provisions for the small and rural development program provide that, if at the close of the tenth year of the period during which the credit is allowed, the taxpayer or its assignee has received repayment, or retains any right to repayment, the department is entitled to recapture the credit allowed by increasing the franchise or excise tax liability given to the financial institution. The following table shows the amount of taxes abated by the state during the fiscal year ended June 30, 2021.

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Manufacturing and Industrial Machinery Program	$50,740
Job Creation Program	98,178
Community Investment Program	58,013
Development Opportunity Program	7,782

E. Warehouse or Distribution Facility and Qualified Data Center Programs

These programs provide for sales or use tax exemptions on purchases of material handling and racking systems equipment to encourage investments in qualified warehouses or distribution centers and purchases of computers, computer networks, software, systems and peripheral hardware devices to encourage investments in qualified data centers.

The warehouse or distribution program is established under TCA 67-6-102(46), and for applications received by October 1, 2019, TCA 67-6-318. Abatements may be granted to taxpayers who make capital investments in the building, construction or renovation of qualified warehouses or distribution centers. Abatements are obtained through an application and business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment or building materials. Recapture provisions provide that, if the required investment is not made within the stipulated period; the taxpayer shall be subject to assessment for any tax, penalty or interest that would otherwise have been due.

The qualified data center program is established under TCA 67-6-102(79). Abatements may be granted to taxpayers who make capital investments in a qualified data center. Abatements are obtained through an application and business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment and/or software.

Since the tax returns filed with the state do not require the exempt sales or purchases to be reported by category, the amount of exempt purchases made by qualified warehouse or distribution centers or qualified data centers is only available in the books and records of the vendors and their customers. Thus, the estimate of the gross dollar amount, on an accrual basis, by which the state's tax revenues were reduced by these exemptions, is not available. However, based on the applications received and approved during the fiscal year, the estimated equipment purchase amounts total $927 million.

Note 22

Impairments and Insurance Recoveries

For the year ended June 30, 2021, a total impairment loss of $3.4 million was included in the health and social services function due to software development stoppages.

Note 23

Subsequent Events

A. Primary government

Subsequent to June 30, the state issued $15 million in tax-exempt general obligation commercial paper. In July 2021, the state issued 2021 Series A tax-exempt general obligation bonds in the amount of $168 million at a premium of $43.4 million, 2021 Series B refunding taxable general obligation bonds in the amount of $491 million at par. The Series A issuance was used to redeem commercial paper, fund certain capital projects, and refund a portion of 2011 Series B and 2012 Series B. The Series B issuance was used to redeem a portion of 2009 Series D, 2011 Series A, 2012 Series A, 2014 Series A, 2014 Series B, and 2015 Series A.

Subsequent to June 30, the state made a one-time additional contribution of $250 million to the Public Employee Retirement Plan for the state and higher education employees.

B. Component units

Subsequent to June 30, the Tennessee Housing Development Agency had the following revenue bond issuances: 2021-2 in September 2021 in the amount of $100 million, and 2021-3 in December 2021 in the amount of $175 million.

Subsequent to June 30, the Tennessee State School Bond Authority has issued $20 million in revolving credit facility.

Subsequent to June 30, the University of Tennessee merged with Martin Methodist College located in Pulaski Tennessee. This merger creates the University of Tennessee's fifth campus, UT Southern. At June 30, 2021, Martin Methodist College had total assets of $36.5 million, total liabilities of $7.4 million, and total net assets of $29.1 million.

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REQUIRED SUPPLEMENTARY INFORMATION

Infrastructure Assets Reported Using the Modified Approach

A. Roadways

Measurement Scale
The state uses a condition assessment method called the Maintenance Quality Assurance (MQA) program. The MQA program consists of 62 roadway characteristics and each characteristic is grouped into one of six elements. The elements are: mainline pavement, roadway shoulder, roadside, drainage, traffic, and ramps. The MQA provides a condition assessment, in the form of a Level-of-Service (LOS) grade, for roadway assets by evaluating roadway segments. Each segment measures a 0.10 of a mile (528 feet) and is randomly selected each fiscal year. The LOS grade for each individual characteristic is given an "A" or 4.0 through "F" or 0.0 with 4.0 being a perfect grade. The grade is calculated by dividing the total deficiency by the total inventory for each characteristic. This results in a score for each element. Each element score is then multiplied by a weighted element score and the six weighted scores are summed to the overall score.

Established Condition Level
The state intends to maintain roadways so that the reported condition level each year does not fall below 2.846 for MQA.

Assessed Conditions
The following table presents the MQA of all rated segments.

For the Period Ended	Maintenance Quality Assurance
06/30/21	3.368
06/30/20	3.289
06/30/19	3.006

Estimated and Actual Costs to Maintain
The following table presents the state's estimate of spending to preserve and maintain the roadways at or above, the "Established Condition Level" cited above, and the actual amount spent (in thousands):

For the Period Ended	Estimated	Actual
06/30/21	$ 547,685	$ 582,408
06/30/20	481,703	660,630
06/30/19	450,813	633,360
06/30/18	447,013	543,913
06/30/17	440,913	419,788

* Actual and estimated maintenance/preservation expenses are determined using the accrual basis of accounting.

B. Bridges

Measurement Scale
The state maintains information on its 8,401 bridges in compliance with the National Bridge Inventory (NBI) guidelines established by the Federal Highway Administration. Bridges are inspected at least once every two years and the results are coded on a 0 to 9 scale (with 9 being the most desirable). A bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy, is classified as "structurally deficient." A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as "functionally obsolete." A functionally obsolete bridge cannot properly accommodate the current traffic.

Established Condition Level
The state intends to maintain bridges so that 75 percent or more of the total deck area is not classified as structurally deficient or functionally obsolete.

Assessed Conditions
The following table presents the percentage of deck area whose condition assessment did not meet the criteria of structurally deficient or functionally obsolete according to the NBI.

For the Two-Year Period Ended	Percentage of Deck Area Not Structurally Deficient or Functionally Obsolete
06/30/20	85%
06/30/18	85%
06/30/16	85%

Estimated and Actual Costs to Maintain
The following table presents the state's estimate of spending to preserve and maintain the bridges at or above, the "Established Condition Level" cited above, and the actual amount spent (in thousands):

For the Period Ended	Estimated	Actual
06/30/21	$ 54,000	$ 84,646
06/30/20	50,525	85,505
06/30/19	44,330	46,978
06/30/18	41,610	57,541
06/30/17	41,610	52,468

* Actual and estimated maintenance/preservation expenses are determined using the accrual basis of accounting.

Other Postemployment Benefits Information

A. Schedule of Changes in the Net OPEB Liability and Related Ratios

State of Tennessee
Other Postemployment Benefits
Schedule of Changes in the Net OPEB Liability and Related Ratios
(expressed in thousands)

CLOSED EMPLOYEE GROUP OPEB PLAN
Primary Government

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 47,219	$ 42,521	$ 44,521	$ 26,249
Interest	28,003	32,021	34,324	46,916
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(37,420)	(14,447)	(25,201)
Changes of assumptions	(40,226)	46,108	(149,693)	(25,485)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618	(4,221)
Benefit payments	(61,649)	(57,061)	(61,238)	(54,077)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)	(35,819)
Total OPEB liability-beginning	942,627	915,974	912,629	786,714
Total OPEB liability-ending (a)	$ 915,974	$ 912,629	$ 786,714	$ 750,895
Plan fiduciary net position				
Contributions-employer	$ -	$ -	$ 260,984	$ 103,683
Net investment income	-	-	3,487	(2,975)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)	(1,541)
Benefit payments, including refunds of employee contributions	-	-	(61,238)	(54,077)
Net change in plan fiduciary net position	-	-	144,202	45,090
Plan fiduciary net position-beginning	-	-	-	144,202
Plan fiduciary net position-ending (b)	$ -	$ -	$ 144,202	$ 189,292
Net OPEB liability - ending (a)-(b)	$ 915,974	$ 912,629	$ 642,512	$ 561,603
Covered-employee payroll	$ 1,369,106	$ 1,416,041	$ 1,463,373	$ 1,414,478
Net OPEB liability as a percentage of covered-employee payroll	66.90%	64.45%	43.91%	39.70%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

State of Tennessee
Other Postemployment Benefits
Schedule of Changes in the Net OPEB Liability and Related Ratios
(expressed in thousands)

CLOSED EMPLOYEE GROUP OPEB PLAN
Component Units

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 21,990	$ 22,020	$ 21,458	$ 12,876
Interest	13,041	16,582	16,543	23,015
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(19,378)	(6,963)	(12,362)
Changes of assumptions	(18,733)	23,877	(72,147)	(12,502)
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)	4,221
Benefit payments	(28,710)	(26,573)	(31,713)	(26,063)
Net change in total OPEB liability	(12,412)	46,042	(93,440)	(10,815)
Total OPEB liability-beginning	438,979	426,567	472,609	379,169
Total OPEB liability-ending (a)	$ 426,567	$ 472,609	$ 379,169	$ 368,354
Plan fiduciary net position				
Contributions-employer	$ -	$ -	$ 40,502	$ 49,339
Net investment income	-	-	1,681	(1,460)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031	1,541
Benefit payments, including refunds of employee contributions	-	-	(31,713)	(26,063)
Net change in plan fiduciary net position	-	-	69,501	23,357
Plan fiduciary net position-beginning	-	-	-	69,501
Plan fiduciary net position-ending (b)	$ -	$ -	$ 69,501	$ 92,858
Net OPEB liability - ending (a)-(b)	$ 426,567	$ 472,609	$ 309,668	$ 275,496
Covered-employee payroll	$ 1,353,254	$ 1,339,543	$ 1,260,809	$ 1,183,016
Net OPEB liability as a percentage of covered-employee payroll	31.52%	35.28%	24.56%	23.29%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

State of Tennessee
Other Postemployment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios
(expressed in thousands)

CLOSED TENNESSEE OPEB PLAN
Primary Government

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 2,560	$ 2,046	$ 1,480	$ 1,599
Interest	3,455	3,790	3,792	3,719
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)	(535)
Changes of assumptions	(9,094)	(743)	1,843	19,166
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591	(225)
Benefit payments	(4,588)	(4,696)	(4,833)	(4,955)
Net change in total OPEB liability	(7,667)	(6,334)	3,003	18,769
Total OPEB liability-beginning	118,044	110,377	104,043	107,046
Total OPEB liability-ending	$ 110,377	$ 104,043	$ 107,046	$ 125,815
Covered-employee payroll	$ 1,420,835	$ 1,541,486	$ 1,575,865	$ 1,561,360
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%	8.06%

Component Units

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 1,551	$ 1,353	$ 940	$ 1,022
Interest	2,093	2,507	2,409	2,376
Changes of benefit terms	-	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)	(342)
Changes of assumptions	(5,511)	(492)	1,171	12,244
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)	225
Benefit payments	(2,780)	(2,845)	(3,197)	(3,148)
Net change in total OPEB liability	(4,647)	1,937	(821)	12,377
Total OPEB liability-beginning	71,531	66,884	68,821	68,000
Total OPEB liability-ending	$ 66,884	$ 68,821	$ 68,000	$ 80,377
Covered-employee payroll	$ 1,574,315	$ 1,524,863	$ 1,484,617	$ 1,414,167
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%	5.68%

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

B. Schedule of Contributions

State of Tennessee
Other Postemployment Benefits
Schedule of Contributions to State of Tennessee Postemployment Benefits Trust
(expressed in thousands)

CLOSED EMPLOYEE GROUP OPEB PLAN
Primary Government

	2019	2020	2021
Actuarially determined contribution	$ 88,739	$ 95,731	$ 87,287
Contributions in relation to the actuarially determined contribution	260,984	103,683	99,096
Contribution deficiency (excess)	(172,245)	(7,952)	(11,809)
Covered-employee payroll	$ 1,463,373	$ 1,414,478	$ 1,371,486
Total OPEB contributions as a percentage of covered-employee payroll	17.83%	7.33%	7.23%

Component Units

	2019	2020	2021
Actuarially determined contribution	$ 47,071	$ 49,665	$ 49,787
Contributions in relation to the actuarially determined contribution	40,502	49,339	49,514
Contribution deficiency (excess)	6,569	326	273
Covered-employee payroll	$ 1,260,809	$ 1,183,016	$ 1,117,645
Total OPEB contributions as a percentage of covered-employee payroll	3.21%	4.17%	4.43%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	16 years
Asset valuation	Market value on measurement date
Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	Mortality tables used in the July 1, 2017, actuarial valuation of the Tennessee Consolidated Retirement System. RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year for pre-retirement. For post-retirement the tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females.

C. Schedule of the State's Proportionate Share of the Collective Total OPEB Liability

State of Tennessee
Other Postemployment Benefits
Schedule of the State's Proportionate Share of the Collective Total OPEB Liability
Special Funding Situation
(expressed in thousands)

CLOSED TEACHER GROUP OPEB PLAN

	2018	2019	2020	2021
State's proportion of the collective total OPEB liability	29%	26%	28%	28%
State's proportionate share of the collective total OPEB liability	$ 256,924	$ 216,247	$ 232,297	$ 260,059

CLOSED TENNESSEE OPEB PLAN

	2018	2019	2020	2021
State's proportion of the collective total OPEB liability	54%	75%	73%	76%
State's proportionate share of the collective total OPEB liability	$ 215,044	$ 206,298	$ 222,668	$ 266,093

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to these two OPEB plans.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Pension Plan Information

A. Schedules of Changes in Net Pension Liability

State of Tennessee
Tennessee Consolidated Retirement Fund
Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Closed State and Higher Education Employee Pension Plan of TCRS
(expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability							
Service cost	$ 201,090	$ 200,001	$ 193,571	$ 183,931	$ 181,736	$ 175,903	$ 171,553
Interest	1,024,003	1,044,475	1,089,027	1,117,928	1,146,606	1,180,782	1,206,046
Differences between actual and expected experience	(186,051)	170,534	(30,039)	97,904	83,828	(29,767)	39,450
Changes of assumptions				406,329			
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)
Net change in total pension liability	297,662	626,398	412,065	931,466	498,106	371,074	424,682
Total pension liability-beginning	13,822,970	14,120,632	14,747,030	15,159,095	16,090,561	$16,588,667	$16,959,741
Total pension liability-ending (a)	$ 14,120,632	$ 14,747,030	$ 15,159,095	$ 16,090,561	$16,588,667	$ 16,959,741	$ 17,384,423
Plan fiduciary net position							
Contributions-employer	$410,608	$392,466	$366,962	$360,337	$436,666	$433,581	$435,177
Contributions-employee	1,676	915	1,176	625	406	864	374
Net investment income	1,931,471	407,762	350,633	1,481,770	1,167,919	1,096,732	757,315
Benefit payments, including refunds of employee contributions	(741,380)	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)
Administrative expense	(2,791)	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)	(3,170)
Other	-	17,333	2,158	2,067	(14,702)	2,411	1,206
Net change in plan fiduciary net position	1,599,584	27,061	(123,219)	966,432	672,295	574,324	198,535
Plan fiduciary net position-beginning	11,831,098	13,430,682	13,457,743	13,334,524	14,300,956	$14,973,251	$15,547,575
Plan fiduciary net position-ending (b)	$ 13,430,682	$ 13,457,743	$ 13,334,524	$ 14,300,956	$14,973,251	$ 15,547,575	$ 15,746,110
Net pension liability (asset)-ending (a)-(b)	$ 689,950	$ 1,289,287	$ 1,824,571	$ 1,789,605	$ 1,615,416	$ 1,412,166	$ 1,638,313
Plan fiduciary net position as a percentage of total pension liability	95.11%	91.26%	87.96%	88.88%	90.26%	91.67%	90.58%
Covered payroll	$ 2,658,354	$ 2,540,327	$ 2,375,501	$ 2,333,672	$ 2,280,469	$ 2,213,382	$ 2,173,446
Net pension liability (asset) as a percentage of covered payroll	25.95%	50.75%	76.81%	76.69%	70.84%	63.80%	75.38%

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

State of Tennessee
Tennessee Consolidated Retirement Fund
Schedule of Changes in the State of Tennessee's Net Pension Liability (Asset) and Related Ratios
Based on Participation in the State and Higher Education Employee Retirement Plan of TCRS
(expressed in thousands)

	2016	2017	2018	2019	2020	2021
Total pension liability						
Service cost	$ 7,431	$ 18,693	$ 33,132	$ 46,815	$ 57,928	$ 71,903
Interest	279	1,883	4,504	8,091	12,715	18,489
Differences between actual and expected experience	(1,164)	689	272	451	(931)	1,920
Changes of assumptions			1,638			
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406	87,521
Total pension liability-beginning		6,536	27,568	65,824	$119,102	$185,508
Total pension liability-ending (a)	$ 6,536	$ 27,568	$ 65,824	$ 119,102	$ 185,508	$ 273,029
Plan fiduciary net position						
Contributions-employer	$4,214	$11,923	$20,449	$28,663	$15,572	$19,803
Contributions-employee	5,154	15,113	25,927	36,495	45,105	55,381
Net investment income	142	600	6,595	9,733	13,806	12,953
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)	(2,142)
Other			134			53
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308	81,257
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678	226,986
Plan fiduciary net position-ending (b)	$ 9,317	$ 35,994	$ 86,565	$ 157,678	$ 226,986	$ 308,243
Net pension liability (asset)-ending (a)-(b)	$ (2,781)	$ (8,426)	$ (20,741)	$ (38,576)	$ (41,478)	$ (35,214)
Plan fiduciary net position as a percentage of total pension liability	142.55%	130.56%	131.51%	132.39%	122.36%	112.90%
Covered payroll	$ 107,086	$ 305,424	$ 518,664	$ 727,339	$ 900,952	$ 1,105,290
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4.00%)	(5.30%)	(4.60%)	(3.19%)

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

B. Schedules of Contributions

Schedule of the State of Tennessee's Contributions
Closed State and Higher Education Employee Pension Plan
(expressed in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 410,608	$ 392,466	$ 366,114	$ 360,434	$ 435,455	$ 433,581	$ 435,177	$ 426,985
Contributions in relation of the actuarially determined contribution	410,608	392,466	366,114	360,434	435,455	433,581	435,177	426,985
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,658,354	$ 2,540,327	$ 2,375,501	$ 2,333,672	$ 2,280,469	$ 2,213,382	$ 2,173,446	$ 2,073,599
Contributions as a percentage of covered payroll	15.45%	15.45%	15.41%	15.44%	19.09%	19.59%	20.02%	20.59%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates for 2021 were calculated based on the June 30, 2019, actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

Schedule of the State of Tennessee's Contributions
State and Higher Education Employee Retirement Plan
(expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 2,142	$ 6,446	$ 6,232	$ 9,820	$ 15,572	$ 19,803	$ 22,790
Contributions in relation of the actuarially determined contribution	4,255	12,016	20,339	28,611	15,572	19,803	22,790
Contribution deficiency (excess)	$ (2,113)	$ (5,570)	$ (14,107)	$ (18,791)	$ -	$ -	$ -
Covered payroll	$ 107,086	$ 305,424	$ 518,664	$ 727,339	$ 900,952	$ 1,105,290	$ 1,223,688
Contributions as a percentage of covered payroll	3.97%	3.93%	3.92%	3.93%	1.73%	1.79%	1.86%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates for 2021 were calculated based on the June 30, 2019, actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

The Closed State and Higher Education Pension Plan and the State and Higher Education Retirement Plan are parts of TCRS, a public employee retirement system.

The information of the annual money-weighted rate of return of the system is presented in TCRS's financial report which can be obtained at https://treasury.tn.gov/.

State of Tennessee Postemployment Benefits Trust Information

A. Schedule of Changes in the Plan Net OPEB Liability and Related Ratios

State of Tennessee
Postemployment Benefits Trust
Schedule of Changes in the Closed EGOP's Net OPEB Liability and Related Ratios
(expressed in thousands)

	2019	2020	2021
Total OPEB liability			
Service cost	$65,979	$40,419	$40,282
Interest	50,851	72,620	70,591
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	(37,425)	(25,926)
Changes of assumptions	(199,731)	(31,242)	(29,109)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)
Net change in total OPEB liability	($175,852)	($35,768)	($20,026)
Total OPEB liability-beginning	1,385,238	1,209,386	1,173,618
Total OPEB liability-ending (a)	$1,209,386	$1,173,618	$1,153,592
Plan fiduciary net position			
Contributions-employer	$301,486	$153,022	$148,609
Net investment income	5,167	(4,435)	91,762
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)
Administrative expense	-	-	-
Net change in plan fiduciary net position	213,702	68,447	$164,507
Plan fiduciary net position-beginning	-	213,702	282,149
Plan fiduciary net position-ending (b)	$213,702	$282,149	$446,656
Net OPEB liability-ending (a)-(b)	$995,684	$891,469	$706,936
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%	38.72%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

For 2019, the amount noted for change in assumptions is primarily due to the change in discount rate used to roll the total liability forward from the June 30, 2018 actuarial date to June 30, 2019.

B. Schedule of Contributions

Schedule of Employer Contributions to the State of Tennessee Postemployment Benefits Trust (expressed in thousands)

	2019	2020	2021
Actuarially determined contribution	$135,810	$145,397	$137,075
Contributions in relation of the actuarially determined contribution	301,486	153,022	148,609
Contribution deficiency (excess)	($165,676)	($7,625)	($11,534)

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	16 years
Asset valuation	Market value on measurement date
Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	Mortality tables used in the July 1, 2017, actuarial valuation of the Tennessee Consolidated Retirement System. RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year for pre-retirement. For post-retirement the tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females.

C. Schedule of Investment Returns

Schedule of Investment Returns
State of Tennessee Postemployment Benefits Trust

	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	6%	-0.95%	29.76%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Required Supplementary Information
Major Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 8,151,316	$ 8,151,316	$ 10,106,246	$ 1,954,930
Licenses, fines, fees, and permits	516,527	516,527	522,173	5,646
Investment income	63,700	63,700	25,755	(37,945)
Federal	12,539,402	15,724,373	15,230,077	(494,296)
Departmental services	2,082,651	2,256,896	2,449,724	192,828
Other	188,682	188,682	275,280	86,598
Total revenues	23,542,278	26,901,494	28,609,255	1,707,761
EXPENDITURES				
General government				
Legislative	117,209	118,083	51,429	66,654
Secretary of State	74,430	74,969	44,585	30,384
Comptroller	154,035	155,158	111,211	43,947
Treasurer	43,256	57,405	43,999	13,406
Governor	5,892	5,892	5,324	568
Commissions	111,455	128,728	102,019	26,709
Finance and Administration	1,006,358	1,504,587	527,980	976,607
General Services	81,160	51,196	29,902	21,294
Revenue	136,440	511,746	420,983	90,763
Miscellaneous Appropriations	2,793	2,793	-	2,793
Health and social services				
Veterans Services	9,477	9,197	7,602	1,595
Labor and Workforce Development	334,220	350,139	246,148	103,991
TennCare	13,728,247	13,749,261	13,076,166	673,095
Mental Health	442,512	460,437	419,087	41,350
Intellectual Disabilities	222,828	222,184	191,535	30,649
Health	843,859	1,517,662	1,104,327	413,335
Human Services	3,219,895	4,296,469	3,997,222	299,247
Children's Services	978,691	986,301	917,748	68,553
Law, justice, and public safety				
Judicial	437,031	446,527	408,966	37,561
Correction	1,157,752	1,128,126	1,007,223	120,903
Probation and Paroles	9,024	8,588	8,298	290
Military	117,611	463,692	417,234	46,458
Bureau of Criminal Investigation	97,230	97,176	90,878	6,298
Safety	293,120	297,105	255,952	41,153
Recreation and resources development				
Agriculture	138,979	247,111	203,007	44,104
Tourist Development	35,304	62,429	54,429	8,000
Environment and Conservation	337,969	352,575	262,429	90,146
Economic and Community Development	720,520	869,299	277,816	591,483
Regulation of business and professions				
Commerce and Insurance	111,452	112,691	97,261	15,430
Financial Institutions	31,210	31,160	20,800	10,360
Total expenditures	24,999,959	28,318,686	24,401,560	3,917,126
Excess (deficiency) of revenues over (under) expenditures	(1,457,681)	(1,417,192)	4,207,695	5,624,887
OTHER FINANCING SOURCES (USES)				
Insurance claims recoveries	(672)	673	673	-
Transfers in	73,580	57,021	57,021	-
Transfers out	(1,967,014)	(537,019)	(537,019)	-
Total other financing sources (uses)	(1,894,106)	(479,325)	(479,325)	-
Net change in fund balances	(3,351,787)	(1,896,517)	3,728,370	5,624,887
Fund balances (budgetary basis), July 1, restated	5,602,545	5,602,545	5,602,545	-
Fund balances (budgetary basis), June 30	$ 2,250,758	$ 3,706,028	$ 9,330,915	$ 5,624,887

STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Required Supplementary Information
Major Governmental Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Education			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 5,536,400	$ 5,536,400	$ 6,692,907	$ 1,156,507
Licenses, fines, fees, and permits	2,962	2,962	4,662	1,700
Investment income	175	175	194	19
Federal	1,555,348	3,265,131	1,645,133	(1,619,998)
Departmental services	92,242	318,098	144,680	(173,418)
Other	403,020	403,020	500,266	97,246
Total revenues	7,590,147	9,525,786	8,987,842	(537,944)
EXPENDITURES				
Education	6,947,227	9,020,036	7,086,287	1,933,749
Higher education	2,203,170	2,147,517	2,119,346	28,171
Total expenditures	9,150,397	11,167,553	9,205,633	1,961,920
Excess (deficiency) of revenues over (under) expenditures	(1,560,250)	(1,641,767)	(217,791)	1,423,976
OTHER FINANCING SOURCES (USES)				
Transfers in	1,842,493	1,842,493	412,498	(1,429,995)
Transfers out	(80,622)	(119,534)	(119,534)	-
Total other financing sources (uses)	1,761,871	1,722,959	292,964	(1,429,995)
Net change in fund balance	201,621	81,192	75,173	(6,019)
Fund balances (budgetary basis), July 1, restated	363,731	363,731	363,731	-
Fund balances (budgetary basis), June 30	$ 565,352	$ 444,923	$ 438,904	$ (6,019)

	Highway			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 716,000	$ 716,000	$ 726,647	$ 10,647
Licenses, fines, fees, and permits	310,344	310,344	323,231	12,887
Federal	1,041,382	4,146,898	1,047,434	(3,099,464)
Departmental services	38,761	210,021	42,672	(167,349)
Other	10,975	10,975	10,197	(778)
Total revenues	2,117,462	5,394,238	2,150,181	(3,244,057)
EXPENDITURES				
Transportation	3,400,326	6,683,414	2,135,196	4,548,218
Total expenditures	3,400,326	6,683,414	2,135,196	4,548,218
Excess (deficiency) of revenues over (under) expenditures	(1,282,864)	(1,289,176)	14,985	1,304,161
OTHER FINANCING SOURCES (USES)				
Bond authorizations	124,000	50,000	-	(50,000)
Transfers in	-	80,412	80,412	-
Transfers out	(2,771)	(2,771)	(2,771)	-
Total other financing sources (uses)	121,229	127,641	77,641	(50,000)
Net change in fund balance	(1,161,635)	(1,161,535)	92,626	1,254,161
Fund balances (budgetary basis), July 1	1,162,594	1,162,594	1,162,594	-
Fund balances (budgetary basis), June 30	$ 959	$ 1,059	$ 1,255,220	$ 1,254,161

	State Shared Taxes			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 1,416,985	$ 1,416,985	$ 1,416,985	$ -
Licenses, fines, fees, and permits	220	220	220	-
Total revenues	1,417,205	1,417,205	1,417,205	-
EXPENDITURES				
General government	1,417,205	1,417,205	1,417,205	-
Total expenditures	1,417,205	1,417,205	1,417,205	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-

STATE OF TENNESSEE
Required Supplementary Information
Note to RSI
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

1. Explanation for differences between the budgetary revenues, expenditures, and other financing sources (uses) and the GAAP revenues, expenditures, and other financing sources (uses).

	Education
Revenues	
Actual amount (budgetary basis)	$ 8,987,842
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	111,190
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 9,099,032
Expenditures	
Actual amount (budgetary basis)	$ 9,205,633
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	31,194
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 9,236,827
Other financing sources (uses)	
Actual amount (budgetary basis)	$ 292,964
The transfers out to the Tennessee Promise Scholarship Endowment Fund were eliminated in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	80,622
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 373,586

2. Budgetary process

The law requires the Governor to submit a recommended budget to the General Assembly annually. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the departments in the general fund and the special revenue funds (except Fraud and Economic Crime, Agricultural Promotion Boards, Opioid Abatement Fund and Tennessee Promise Scholarship Endowment Fund, included in the Education Trust Fund), and for the debt service fund. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the department level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval.

Generally, appropriations lapse at the end of each fiscal year. It is the state's budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment for the highway fund and these appropriations do not lapse at year-end but are reappropriated for subsequent year expenditure. There were no outstanding encumbrances reported as of June 30, 2021. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $102.7 million were required.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds—A description of these funds is found later in this section.

Debt Service Fund—The debt service fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

Permanent Funds—A description of these funds is found later in this section.

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type
June 30, 2021
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 407,166	$ 8,528	$ 47,387	$ 463,081
Investments	17,904	-	491,187	509,091
Receivables, net	41,029	8,114	1,230	50,373
Due from other funds	44	-	-	44
Due from component units	-	-	1,391	1,391
Loans receivable	-	4,119	-	4,119
Prepayments and others	20	-	-	20
Total assets	$ 466,163	$ 20,761	$ 541,195	$ 1,028,119
LIABILITIES				
Accounts payable and accruals	72,711	68	1,158	73,937
Due to other funds	198	-	-	198
Due to component units	1,196	-	2,564	3,760
Unearned revenue	8	-	-	8
Total liabilities	74,113	68	3,722	77,903
DEFERRED INFLOWS OF RESOURCES	1,270	4,593	-	5,863
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ -	$ -	$ 197,414	$ 197,414
Restricted	190,972	-	340,059	531,031
Committed	199,808	-	-	199,808
Assigned	-	16,100	-	16,100
Total fund balances	390,780	16,100	537,473	944,353
Total liabilities, deferred inflows of resources and fund balances	$ 466,163	$ 20,761	$ 541,195	$ 1,028,119

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - By Fund Type
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use	$ -	$ 78,865	$ -	$ 78,865
Fuel	21,895	74,000	-	95,895
Business	-	186,635	-	186,635
Other	55,825	-	-	55,825
Licenses, fines, fees, and permits	283,952	2,700	5,200	291,852
Investment income	(139)	-	86,514	86,375
Federal	54,828	-	-	54,828
Departmental services	28,287	984	-	29,271
Other	1	-	-	1
Total revenues	444,649	343,184	91,714	879,547
EXPENDITURES				
General government	34,300	-	-	34,300
Education	-	-	8,816	8,816
Law, justice and public safety	6,556	-	-	6,556
Recreation and resources development	214,424	-	29	214,453
Regulation of business and professions	143,891	-	-	143,891
Debt service:				
Principal	-	142,111	-	142,111
Interest	-	67,305	-	67,305
Debt issuance costs	-	1,581	-	1,581
Total expenditures	399,171	210,997	8,845	619,013
Excess (deficiency) of revenues over (under) expenditures	45,478	132,187	82,869	260,534
OTHER FINANCING SOURCES (USES)				
Transfers in	3,380	3,707	-	7,087
Transfers out	(465)	(137,222)	-	(137,687)
Total other financing sources (uses)	2,915	(133,515)	-	(130,600)
Net change in fund balances	48,393	(1,328)	82,869	129,934
Fund balances, July 1, restated	342,387	17,428	454,604	814,419
Fund balances, June 30	$ 390,780	$ 16,100	$ 537,473	$ 944,353

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STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Debt Service Fund
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 339,500	$ 339,500	$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Departmental services	984	984	-
Total revenues	343,184	343,184	-
EXPENDITURES			
Debt service	210,998	210,997	1
Total expenditures	210,998	210,997	1
Excess (deficiency) of revenues over (under) expenditures	132,186	132,187	1
OTHER FINANCING SOURCES (USES)			
Transfers in	3,707	3,707	-
Transfers out	(137,222)	(137,222)	-
Total other financing sources (uses)	(133,515)	(133,515)	-
Net change in fund balances	(1,329)	(1,328)	1
Fund balances (budgetary basis), July 1	17,428	17,428	-
Fund balances (budgetary basis), June 30	$ 16,099	$ 16,100	$ 1

NONMAJOR SPECIAL REVENUE FUNDS

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Wildlife Resources Agency—This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Criminal Injuries Compensation—The Treasury Department administers this fund for the award of compensation to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Solid Waste—This program is administered by the Department of Environment and Conservation. Revenues collected for a tipping fee on solid waste are used to provide grants to local governments to reduce the solid waste going into landfills.

Help America Vote—This program is administered by the Secretary of State. Federal funds, along with state matching dollars, are used in implementing the provisions of the federal Help America Vote Act. The provisions of the act require the funds be used to improve election administration and to replace punch card and lever voting machines.

Environmental Protection—This program is administered by the Department of Environment and Conservation. Revenues collected from the various fees under the environmental protection fund are used to offset the cost of administering regulatory environmental programs.

Hazardous Waste—This program is administered by the Department of Environment and Conservation. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities.

Parks Acquisition—This program is administered jointly by the Departments of Environment and Conservation, Agriculture, and Wildlife Resources. Revenues collected from the transfer of real property are used to acquire parks by both local and state governments.

Supreme Court Boards—This organization was formed by the Tennessee Supreme Court to consider and investigate alleged grounds for discipline or alleged incapacity of any attorney and to provide continuing legal education for attorneys. Revenues are collected from attorneys.

Underground Storage Tanks—This program is administered by the Department of Environment and Conservation. Revenues are collected primarily from a tax of four tenths of a cent per gallon on petroleum products and an annual fee on owners and operators of underground storage tanks containing petroleum substances.

Enhanced Emergency 911 Service—This program is administered by the Department of Commerce and Insurance. Revenues are collected from a monthly fee on users of cellular telephone services. This fee is used to enhance the effectiveness of response times when a cellular user calls 911.

Driver Education—This program is administered by the Department of Safety. Highway safety is promoted by providing driver education and training in schools, colleges, and community organizations. The $2 fee for moving traffic violations is the source of funding for this program.

Abandoned Land Program—This program is administered by the Department of Environment and Conservation. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations.

Agricultural Non-Point Water Pollution—This program is administered by the Department of Agriculture. Revenues collected from the transfer of real property are used to abate pollution from agricultural sources.

Salvage Title Enforcement—This program is administered by the Department of Revenue. Revenues are collected on the titlement of salvage vehicles and are used to enforce motor vehicle title and salvage laws and inspection of rebuilt vehicles.

Agricultural Promotion Boards—These boards were formed to promote the consumption of agricultural products. Revenue is derived from an assessment levied on the commercial producers of certain agricultural products.

Drycleaner's Environmental Response—This program is administered by the Department of Environment and Conservation. Revenues collected from drycleaners are an annual registration fee and a fee for the various dry-cleaning solvents used.

Agricultural Regulatory Fund—This program is administered by the Department of Agriculture. Revenues are collected from fees on the various agricultural related industries regulated by the department. These fees are then used in the administration of this regulatory function.

Tennessee Public Utility Commission—This commission is responsible for executing and enforcing all statutes governing utilities. Revenues are derived principally from inspection and supervision fees.

Fraud and Economic Crime—This program is administered by the District Attorneys General of the State. Revenues are collected from individuals prosecuted for bad checks. These monies are used to increase resources available to prosecute bad check cases.

Vehicle Tag and Analogous Fees—This fund is to account for the collection and disbursement of revenues produced from the sale or renewal of special purpose motor vehicle registration plates and other state fees that are allocated to nonprofit and other external organizations as authorized by state statute.

Opioid Abatement Fund—This fund is to account for expenses incurred for purposes of funding and supporting opioid abatement and remediation purposes and related administrative costs. This fund is the designated repository of funds that are either dedicated to opioid abatement or remediation or are otherwise directed to abatement or remediation and that are received by the state pursuant to a judgement on opioid-related claims, a recovery in bankruptcy on opioid-related claims, or a settlement of opioid-related claims.

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
ASSETS				
Cash and cash equivalents	$ 77,936	$ 7,424	$ 6,309	$ 45,999
Investments	17,904	-	-	-
Receivables, net	9,865	5,624	631	2
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	$ 105,705	$ 13,048	$ 6,940	$ 46,001
LIABILITIES				
Accounts payable and accruals	5,066	6,840	907	41,427
Due to other funds	144	10	-	-
Due to component units	1,116	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	6,326	6,850	907	41,427
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 80,081	$ -	$ -	$ 4,574
Committed	19,298	6,198	6,033	-
Total fund balances	99,379	6,198	6,033	4,574
Total liabilities, deferred inflows of resources and fund balances	$ 105,705	$ 13,048	$ 6,940	$ 46,001

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ 44,433	$ 7,143	$ 67,252	$ 5,297	$ 58,999	$ 22,924	$ 1,365
-	-	-	-	-	-	-
-	124	4,747	10	1,933	13,639	63
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 44,433	$ 7,267	$ 71,999	$ 5,307	$ 60,932	$ 36,563	$ 1,428
1	343	3,950	69	4,507	1,036	16
-	-	-	-	-	44	-
-	-	-	-	-	-	-
-	-	-	7	-	-	-
1	343	3,950	76	4,507	1,080	16
-	-	-	-	-	-	-
$ -	$ 51	$ -	$ 5,231	$ 56,425	$ 29,960	$ -
44,432	6,873	68,049	-	-	5,523	1,412
44,432	6,924	68,049	5,231	56,425	35,483	1,412
$ 44,433	$ 7,267	$ 71,999	$ 5,307	$ 60,932	$ 36,563	$ 1,428

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
ASSETS				
Cash and cash equivalents	$ 6,574	$ 13,534	$ 3,595	$ 613
Investments	-	-	-	-
Receivables, net	6	1,267	-	45
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	20
Total assets	$ 6,580	$ 14,801	$ 3,595	$ 678
LIABILITIES				
Accounts payable and accruals	148	729	60	101
Due to other funds	-	-	-	-
Due to component units	-	80	-	-
Unearned revenue	-	-	-	-
Total liabilities	148	809	60	101
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 6,028	$ -	$ -	$ -
Committed	404	13,992	3,535	577
Total fund balances	6,432	13,992	3,535	577
Total liabilities and fund balances	$ 6,580	$ 14,801	$ 3,595	$ 678

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ 865	$ 11,489	$ 7,591	$ 3,280	$ 1,931	$ 12,613	$ 407,166
-	-	-	-	-	-	17,904
-	3	3	-	462	2,605	41,029
-	-	44	-	-	-	44
-	-	-	-	-	-	20
$ 865	$ 11,492	$ 7,638	$ 3,280	$ 2,393	$ 15,218	$ 466,163
15	-	277	-	1,893	5,326	72,711
-	-	-	-	-	-	198
-	-	-	-	-	-	1,196
-	-	1	-	-	-	8
15	-	278	-	1,893	5,326	74,113
-	-	-	-	-	1,270	1,270
$ -	$ -	$ -	$ -	$ -	$ 8,622	$ 190,972
850	11,492	7,360	3,280	500	-	199,808
850	11,492	7,360	3,280	500	8,622	390,780
$ 865	$ 11,492	$ 7,638	$ 3,280	$ 2,393	$ 15,218	$ 466,163

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
REVENUES				
Taxes:				
Fuel	$ 2,767	$ -	$ -	$ -
Other	20,843	-	2,403	-
Licenses, fines, fees, and permits	51,944	6,976	6,565	-
Investment income	(320)	4	4	4
Federal	34,722	5,151	1	7,780
Departmental services	22,059	-	38	-
Other	-	1	-	-
Total revenues	132,015	12,132	9,011	7,784
EXPENDITURES				
General government	-	12,109	-	7,864
Law, justice and public safety	-	-	-	-
Recreation and resources development	113,611	-	3,911	-
Regulation of business and professions	-	-	-	-
Total expenditures	113,611	12,109	3,911	7,864
Excess (deficiency) of revenues over (under) expenditures	18,404	23	5,100	(80)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,852	-	18	-
Transfers out	(215)	-	-	-
Total other financing sources (uses)	1,637	-	18	-
Net change in fund balances	20,041	23	5,118	(80)
Fund balances, July 1, restated	79,338	6,175	915	4,654
Fund balances, June 30	$ 99,379	$ 6,198	$ 6,033	$ 4,574

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ -	$ -	$ -	$ -	$ 19,128	$ -	$ -
-	-	20,843	-	-	-	-
48,900	134	-	5,550	2,230	127,301	621
29	5	47	4	44	17	-
-	964	2,002	-	1,293	1,564	-
-	4,336	-	310	86	2	-
-	-	-	-	-	-	-
48,929	5,439	22,892	5,864	22,781	128,884	621
-	-	-	-	-	-	-
-	-	-	5,770	-	-	490
40,643	6,743	10,763	-	19,924	-	-
-	-	-	-	-	143,891	-
40,643	6,743	10,763	5,770	19,924	143,891	490
8,286	(1,304)	12,129	94	2,857	(15,007)	131
-	1,089	-	71	170	21	11
-	-	(250)	-	-	-	-
-	1,089	(250)	71	170	21	11
8,286	(215)	11,879	165	3,027	(14,986)	142
36,146	7,139	56,170	5,066	53,398	50,469	1,270
$ 44,432	$ 6,924	$ 68,049	$ 5,231	$ 56,425	$ 35,483	$ 1,412

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
REVENUES				
Taxes:				
Fuel	$ -	$ -	$ -	$ -
Other	-	9,620	-	910
Licenses, fines, fees, and permits	21	-	2,507	-
Investment income	5	8	-	1
Federal	374	-	2	-
Departmental services	-	-	-	7
Other	-	-	-	-
Total revenues	400	9,628	2,509	918
EXPENDITURES				
General government	-	-	1,956	-
Law, justice and public safety	-	-	-	-
Recreation and resources development	66	5,983	-	998
Regulation of business and professions	-	-	-	-
Total expenditures	66	5,983	1,956	998
Excess (deficiency) of revenues over (under) expenditures	334	3,645	553	(80)
OTHER FINANCING SOURCES (USES)				
Transfers in	1	-	36	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1	-	36	-
Net change in fund balances	335	3,645	589	(80)
Fund balances, July 1, restated	6,097	10,347	2,946	657
Fund balances, June 30	$ 6,432	$ 13,992	$ 3,535	$ 577

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 21,895
-	-	-	-	1,206	-	55,825
485	12,206	5,174	432	4,284	8,622	283,952
1	8	-	-	-	-	(139)
-	-	975	-	-	-	54,828
-	39	1,410	-	-	-	28,287
-	-	-	-	-	-	1
486	12,253	7,559	432	5,490	8,622	444,649
-	-	6,881	-	5,490	-	34,300
-	-	-	296	-	-	6,556
390	11,392	-	-	-	-	214,424
-	-	-	-	-	-	143,891
390	11,392	6,881	296	5,490	-	399,171
96	861	678	136	-	8,622	45,478
5	-	106	-	-	-	3,380
-	-	-	-	-	-	(465)
5	-	106	-	-	-	2,915
101	861	784	136	-	8,622	48,393
749	10,631	6,576	3,144	500	-	342,387
$ 850	$ 11,492	$ 7,360	$ 3,280	$ 500	$ 8,622	$ 390,780

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Wildlife Resources Agency		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 17,450	$ 23,610	$ 6,160
Licenses, fines, fees, and permits	51,502	51,944	442
Investment income (loss)	-	(320)	(320)
Federal	30,445	34,722	4,277
Departmental services	13,837	22,059	8,222
Other	-	-	-
Total revenues	113,234	132,015	18,781
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	124,725	113,611	11,114
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	124,725	113,611	11,114
Excess (deficiency) of revenues over (under) expenditures	(11,491)	18,404	29,895
OTHER FINANCING SOURCES (USES)			
Transfers in	1,852	1,852	-
Transfers out	(215)	(215)	-
Total other financing sources (uses)	1,637	1,637	-
Net change in fund balances	(9,854)	20,041	29,895
Fund balances (budgetary basis), July 1	79,338	79,338	-
Fund balances (budgetary basis), June 30	$ 69,484	$ 99,379	$ 29,895

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Criminal Injuries Compensation			Solid Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 2,558	$ 2,403	$ (155)
12,237	6,976	(5,261)	5,749	6,565	816
-	4	4	-	4	4
4,138	5,151	1,013	-	1	1
-	-	-	1	38	37
10	1	(9)	-	-	-
16,385	12,132	(4,253)	8,308	9,011	703
-	-	-	-	-	-
-	-	-	-	-	-
16,385	12,109	4,276	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,308	3,911	4,397
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,385	12,109	4,276	8,308	3,911	4,397
-	23	23	-	5,100	5,100
-	-	-	18	18	-
-	-	-	-	-	-
-	-	-	18	18	-
-	23	23	18	5,118	5,100
6,175	6,175	-	915	915	-
$ 6,175	$ 6,198	$ 23	$ 933	$ 6,033	$ 5,100

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Help America Vote		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	4	4
Federal	26,500	7,780	(18,720)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	7,784	(18,716)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	27,500	7,864	19,636
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	27,500	7,864	19,636
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(80)	920
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,000)	(80)	920
Fund balances (budgetary basis), July 1	4,654	4,654	-
Fund balances (budgetary basis), June 30	$ 3,654	$ 4,574	$ 920

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Environmental Protection			Hazardous Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
54,829	48,900	(5,929)	-	134	134
-	29	29	-	5	5
-	-	-	1,891	964	(927)
-	-	-	4,404	4,336	(68)
-	-	-	-	-	-
54,829	48,929	(5,900)	6,295	5,439	(856)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,829	40,643	14,186	10,327	6,743	3,584
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,829	40,643	14,186	10,327	6,743	3,584
-	8,286	8,286	(4,032)	(1,304)	2,728
-	-	-	1,089	1,089	-
-	-	-	-	-	-
-	-	-	1,089	1,089	-
-	8,286	8,286	(2,943)	(215)	2,728
36,146	36,146	-	7,139	7,139	-
$ 36,146	$ 44,432	$ 8,286	$ 4,196	$ 6,924	$ 2,728

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Parks Acquisition		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 6,931	$ 20,843	$ 13,912
Licenses, fines, fees, and permits	-	-	-
Investment income	-	47	47
Federal	2,000	2,002	2
Departmental services	-	-	-
Other	-	-	-
Total revenues	8,931	22,892	13,961
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	12,931	10,763	2,168
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	12,931	10,763	2,168
Excess (deficiency) of revenues over (under) expenditures	(4,000)	12,129	16,129
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(4,250)	11,879	16,129
Fund balances (budgetary basis), July 1	56,170	56,170	-
Fund balances (budgetary basis), June 30	$ 51,920	$ 68,049	$ 16,129

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Supreme Court Boards			Underground Storage Tanks		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 18,951	$ 19,128	$ 177
5,489	5,550	61	4,443	2,230	(2,213)
-	4	5	-	44	44
-	-	-	1,973	1,293	(680)
-	310	310	-	86	86
-	-	-	-	-	-
5,489	5,864	375	25,367	22,781	(2,586)
5,935	5,770	165	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	25,618	19,924	5,694
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,935	5,770	165	25,618	19,924	5,694
(446)	94	540	(251)	2,857	3,108
71	71	-	170	170	-
-	-	-	-	-	-
71	71	-	170	170	-
(375)	165	540	(81)	3,027	3,108
5,066	5,066	-	53,398	53,398	-
$ 4,691	$ 5,231	$ 540	$ 53,317	$ 56,425	$ 3,108

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Enhanced Emergency 911 Service		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	112,114	127,301	15,187
Investment income	-	17	17
Federal	-	1,564	1,564
Departmental services	-	2	2
Other	-	-	-
Total revenues	112,114	128,884	16,770
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	149,392	143,891	5,501
Revenue	-	-	-
Total expenditures	149,392	143,891	5,501
Excess (deficiency) of revenues over (under) expenditures	(37,278)	(15,007)	22,271
OTHER FINANCING SOURCES (USES)			
Transfers in	21	21	-
Transfers out	-	-	-
Total other financing sources (uses)	21	21	-
Net change in fund balances	(37,257)	(14,986)	22,271
Fund balances (budgetary basis), July 1	50,469	50,469	-
Fund balances (budgetary basis), June 30	$ 13,212	$ 35,483	$ 22,271

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Driver Education			Abandoned Land Program		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
828	621	(207)	500	21	(479)
-	-	-	-	5	5
-	-	-	918	374	(544)
-	-	-	-	-	-
-	-	-	-	-	-
828	621	(207)	1,418	400	(1,018)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
829	490	339	-	-	-
-	-	-	-	-	-
-	-	-	1,418	66	1,352
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
829	490	339	1,418	66	1,352
(1)	131	132	-	334	334
11	11	-	1	1	-
-	-	-	-	-	-
11	11	-	1	1	-
10	142	132	1	335	334
1,270	1,270	-	6,097	6,097	-
$ 1,280	$ 1,412	$ 132	$ 6,098	$ 6,432	$ 334

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Agricultural Non-Point Water Pollution		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 3,188	$ 9,620	$ 6,432
Licenses, fines, fees, and permits	-	-	-
Investment income	-	8	8
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	3,188	9,628	6,440
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	10,188	5,983	4,205
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	10,188	5,983	4,205
Excess (deficiency) of revenues over (under) expenditures	(7,000)	3,645	10,645
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(7,000)	3,645	10,645
Fund balances (budgetary basis), July 1	10,347	10,347	-
Fund balances (budgetary basis), June 30	$ 3,347	$ 13,992	$ 10,645

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Salvage Title Enforcement			Drycleaner's Environmental Response		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
1,941	2,507	566	1,939	485	(1,454)
-	-	-	-	1	1
-	2	2	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,941	2,509	568	1,939	486	(1,453)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,940	390	1,550
-	-	-	-	-	-
-	-	-	-	-	-
2,342	1,956	386	-	-	-
2,342	1,956	386	1,940	390	1,550
(401)	553	954	(1)	96	97
36	36	-	5	5	-
-	-	-	-	-	-
36	36	-	5	5	-
(365)	589	954	4	101	97
2,946	2,946	-	749	749	-
$ 2,581	$ 3,535	$ 954	$ 753	$ 850	$ 97

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Agricultural Regulatory Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	11,272	12,206	934
Investment income	-	8	8
Federal	-	-	-
Departmental services	2	39	37
Other	-	-	-
Total revenues	11,274	12,253	979
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Safety	-	-	-
Agriculture	11,392	11,392	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	11,392	11,392	-
Excess (deficiency) of revenues over (under) expenditures	(118)	861	979
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(118)	861	979
Fund balances (budgetary basis), July 1	10,631	10,631	-
Fund balances (budgetary basis), June 30	$ 10,513	$ 11,492	$ 979

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Tennessee Public Utility Commission			Vehicle Tag and Analogous Fees		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 1,206	$ 1,206	$ -
7,004	5,174	(1,830)	4,284	4,284	-
-	-	-	-	-	-
969	975	6	-	-	-
1,431	1,410	(21)	-	-	-
-	-	-	-	-	-
9,404	7,559	(1,845)	5,490	5,490	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,404	6,881	2,523	-	-	-
-	-	-	5,490	5,490	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,404	6,881	2,523	5,490	5,490	-
-	678	678	-	-	-
106	106	-	-	-	-
-	-	-	-	-	-
106	106	-	-	-	-
106	784	678	-	-	-
6,576	6,576	-	500	500	-
$ 6,682	$ 7,360	$ 678	$ 500	$ 500	$ -

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Total Nonmajor Special Revenue Funds		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 50,284	$ 76,810	$ 26,526
Licenses, fines, fees, and permits	274,131	274,898	767
Investment income (loss)	-	(140)	(140)
Federal	68,834	54,828	(14,006)
Departmental services	19,675	28,280	8,605
Other	10	1	(9)
Total revenues	412,934	434,677	21,743
EXPENDITURES			
Judicial	5,935	5,770	165
Secretary of State	27,500	7,864	19,636
Treasurer	16,385	12,109	4,276
Commissions	9,404	6,881	2,523
Finance and Administration	5,490	5,490	-
Safety	829	490	339
Agriculture	21,580	17,375	4,205
Environment and Conservation	115,371	82,440	32,931
Wildlife Resources	124,725	113,611	11,114
Commerce and Insurance	149,392	143,891	5,501
Revenue	2,342	1,956	386
Total expenditures	478,953	397,877	81,076
Excess (deficiency) of revenues over (under) expenditures	(66,019)	36,800	102,819
OTHER FINANCING SOURCES (USES)			
Transfers in	3,380	3,380	-
Transfers out	(465)	(465)	-
Total other financing sources (uses)	2,915	2,915	-
Net change in fund balances	(63,104)	39,715	102,819
Fund balances (budgetary basis), July 1	338,586	338,586	-
Fund balances (budgetary basis), June 30	$ 275,482	$ 378,301	$ 102,819

PERMANENT FUNDS

Chairs of Excellence Fund—This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the State University and Community College System and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Other—This column includes various smaller funds in which legal restrictions require that the principal remain intact and only the earnings may be spent.

STATE OF TENNESSEE
Combining Balance Sheet
Permanent Funds
June 30, 2021
(Expressed in Thousands)

	Chairs of Excellence	Other Permanent Funds	Total Permanent Funds
ASSETS			
Cash and cash equivalents	$ 6,328	$ 41,059	$ 47,387
Investments	435,518	55,669	491,187
Receivables, net	1,216	14	1,230
Due from component units	1,391	-	1,391
Total assets	$ 444,453	$ 96,742	$ 541,195
LIABILITIES			
Accounts payable and accruals	1,158	-	1,158
Due to component units	2,564	-	2,564
Total liabilities	3,722	-	3,722
FUND BALANCES			
Nonspendable			
Permanent fund and endowment corpus	$ 104,362	$ 93,052	$ 197,414
Restricted	336,369	3,690	340,059
Total fund balances	440,731	96,742	537,473
Total liabilities and fund balances	$ 444,453	$ 96,742	$ 541,195

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Chairs of Excellence	Other Permanent Funds	Total Permanent Funds
REVENUES			
Licenses, fines, fees, and permits	$ -	$ 5,200	$ 5,200
Investment income	87,598	(1,084)	86,514
Total revenues	87,598	4,116	91,714
EXPENDITURES			
Education	8,816	-	8,816
Recreation and resources development	-	29	29
Total expenditures	8,816	29	8,845
Excess (deficiency) of revenues over (under) expenditures	78,782	4,087	82,869
Net change in fund balances	78,782	4,087	82,869
Fund balances, July 1, restated	361,949	92,655	454,604
Fund balances, June 30	$ 440,731	$ 96,742	$ 537,473

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NONMAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's nonmajor enterprise operations are described below.

Teacher Group Insurance—Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of currently employed teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

Local Government Group Insurance—Established in July 1991, this fund is used to account for revenues received and claims paid on behalf of active employees of local governments and quasi-governmental organizations established for the primary purpose of providing services for or on the behalf of state and local governments. This plan is similar to the plan offered to state employees.

Drinking Water Loan—Created in 1998, this fund provides loans to local governments and utility districts for the improvement of drinking water systems. The initial sources of the monies are federal grants and state appropriations.

Grain Indemnity—This program is administered by the Department of Agriculture. Revenues are collected from fees on grain sold by producers. These revenues are to be used to protect commodity producers in the event of the financial failure of a commodity dealer or warehouseman.

Energy Efficient Schools Initiative—Created to award grants and loans to local school systems for capital outlay projects which meet established energy efficient design and technology guidelines for school facilities.

Client Protection—Created by the Tennessee Supreme Court, this fund provides services to protect clients from dishonest conduct by attorneys. Revenue is mainly generated through annual registration fees for attorneys.

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2021
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
ASSETS				
Current assets:				
Cash and cash equivalents	$ 255,203	$ 53,954	$ 106,226	$ 10,131
Receivables:				
Accounts receivable	1,954	610	-	-
Loans receivable	-	-	7,754	-
Total current assets	257,157	54,564	113,980	10,131
Noncurrent assets:				
Loans receivable	-	-	99,190	-
Total noncurrent assets	-	-	99,190	-
Total assets	257,157	54,564	213,170	10,131
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	48,903	16,210	3	-
Unearned revenue	101	71	-	-
Total current liabilities	49,004	16,281	3	-
Noncurrent liabilities:				
Others	-	-	3,271	-
Total noncurrent liabilities	-	-	3,271	-
Total liabilities	49,004	16,281	3,274	-
NET POSITION				
Unrestricted	208,153	38,283	209,896	10,131
Total net position	$ 208,153	$ 38,283	$ 209,896	$ 10,131

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2021
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 16,690	$ 1,479	$ 443,683
-	-	2,564
10,408	-	18,162
27,098	1,479	464,409
57,109	-	156,299
57,109	-	156,299
84,207	1,479	620,708
-	31	65,147
37	-	209
37	31	65,356
-	-	3,271
-	-	3,271
37	31	68,627
84,170	1,448	552,081
$ 84,170	$ 1,448	$ 552,081

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
Operating revenues				
Charges for services	$ -	$ -	$ 1,482	$ -
Investment income	-	-	61	-
Premiums	566,354	161,926	-	-
Total operating revenues	566,354	161,926	1,543	-
Operating expenses				
Contractual services	25,734	8,213	737	140
Benefits	544,612	169,060	-	-
Other	3,997	1,256	-	-
Total operating expenses	574,343	178,529	737	140
Operating income (loss)	(7,989)	(16,603)	806	(140)
Nonoperating revenues (expenses)				
Grants	-	-	4,894	-
Interest income	174	41	-	8
Other	-	-	(920)	-
Total nonoperating revenues (expenses)	174	41	3,974	8
Income (loss) before contributions and transfers	(7,815)	(16,562)	4,780	(132)
Transfers in	-	-	4,594	-
Transfers out	-	-	-	-
Change in net position	(7,815)	(16,562)	9,374	(132)
Net position, July 1, restated	215,968	54,845	200,522	10,263
Net position, June 30	$ 208,153	$ 38,283	$ 209,896	$ 10,131

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 726	$ 287	$ 2,495
14	-	75
-	-	728,280
740	287	730,850
30	695	35,549
-	-	713,672
-	-	5,253
30	695	754,474
710	(408)	(23,624)
-	-	4,894
-	1	224
-	-	(920)
-	1	4,198
710	(407)	(19,426)
-	-	4,594
(600)	-	(600)
110	(407)	(15,432)
84,060	1,855	567,513
$ 84,170	$ 1,448	$ 552,081

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Teacher Group Insurance	Local Government Group Insurance	Drinking Water	Grain Indemnity
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 573,037	$ 165,452	$ -	$ -
Payments to suppliers	(565,054)	(174,933)	-	-
Payments for interfund services used	(599)	(131)	(737)	(140)
Net cash provided by (used for) operating activities	7,384	(9,612)	(737)	(140)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants received	-	-	4,894	-
Transfers in	-	-	4,594	-
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	9,488	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans issued and other disbursements to borrowers	-	-	(7,595)	-
Collection of loan principal	-	-	27,075	-
Interest received	174	41	1,546	8
Net cash provided by (used for) investing activities	174	41	21,026	8
Net increase (decrease) in cash and cash equivalents	7,558	(9,571)	29,777	(132)
Cash and cash equivalents, July 1, restated	247,645	63,525	76,449	10,263
Cash and cash equivalents, June 30	$ 255,203	$ 53,954	$ 106,226	$ 10,131
Reconciliation of operating income to net cash provided by (used for) operating activities				
Operating income (loss)	$ (7,989)	$ (16,603)	$ 806	$ (140)
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Interest income	-	-	(1,482)	-
Investment income	-	-	(61)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in receivables	6,074	1,879	-	-
Increase (decrease) in accounts payable	9,271	5,084	-	-
Increase (decrease) in unearned revenue	28	28	-	-
Total adjustments	15,373	6,991	(1,543)	-
Net cash provided by (used for) operating activities	$ 7,384	$ (9,612)	$ (737)	$ (140)

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Energy Efficient Schools Initiative	Client Protection	Total Nonmajor Enterprise Funds
$ 30	$ 287	$ 738,806
-	(664)	(740,651)
(30)	-	(1,637)
-	(377)	(3,482)
-	-	4,894
-	-	4,594
(600)	-	(600)
(600)	-	8,888
(12,090)	-	(19,685)
10,851	-	37,926
595	1	2,365
(644)	1	20,606
(1,244)	(376)	26,012
17,934	1,855	417,671
$ 16,690	$ 1,479	$ 443,683
$ 710	$ (408)	$ (23,624)
(696)	-	(2,178)
(14)	-	(75)
-	-	7,953
-	31	14,386
-	-	56
(710)	31	20,142
$ -	$ (377)	$ (3,482)

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Strategic Technology Solutions—A division of the Department of Finance and Administration, functions as the data and voice service bureau for state government.

Risk Management—Administered by the Treasury Department, this fund is used to pay awards for claims made against the state and for damage to state owned property.

Motor Vehicle Management—A division of the Department of General Services, is responsible for administering a uniform program for the operation and maintenance of all state vehicles.

General Services Printing—A division of the Department of General Services, operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville. In addition, this division provides photographic services to the various state agencies.

Facilities Revolving Fund—Created in 1989, this fund provides the maintenance, repair and total housing needs of state government for all office and warehouse space in the state, except institutional space.

Employee Group Insurance Fund—Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. This fund primarily includes employees of the state, University of Tennessee, and the State University and Community College System. Group life and accident insurance premiums, dental premiums, and long-term care premiums paid to private insurance companies are also recorded in this fund.

Postal Services—A division of the Department of General Services, is responsible for processing and distributing incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

Central Procurement Office—A division of the Department of General Services, is responsible for the procurement of supplies, equipment, and certain specialized services.

Distribution Center—A division of the Department of General Services, is responsible for the purchasing of office supplies and the receipt and distribution of surplus property for all state government and quasi-governmental entities that opt to use this service.

Records Management—A division of the Secretary of State, is responsible for the retention and disposal of official records for state government.

Human Resources—This fund's responsibilities include providing departments with applicants for employment, providing training to state employees, and administering the Sick Leave Bank.

Division of Accounts—A division of the Department of Finance and Administration, is responsible for the centralized accounting function for the state.

TRICOR (Tennessee Rehabilitative Initiative in Correction)—Manages correctional industry, agriculture, and service operations. Its purpose is to employ and train inmates and provide products and services to state agencies, local governments, and not for profit organizations.

Edison—Maintained by the Department of Finance and Administration's Enterprise Resource Planning division, is the state's integrated software package for administrative business functions such as financials and accounting, procurement, payroll, benefits, and personnel administration.

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2021
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
ASSETS						
Current assets:						
Cash and cash equivalents	$ 108,600	$ 234,195	$ 56,245	$ 1,239	$ 329,828	$ 271,864
Receivables, net	1,251	319	39	-	554	2,720
Due from other funds	238	-	-	-	505	-
Due from component units	-	43	-	-	9	-
Inventories, at cost	354	-	-	235	-	-
Prepayments	-	-	-	14	-	-
Total current assets	110,443	234,557	56,284	1,488	330,896	274,584
Noncurrent assets:						
Due from other funds	9	-	-	-	-	-
Net investment in capital leases	-	-	-	-	5,575	-
Restricted net pension assets	928	-	10	24	-	-
Capital assets:						
Land, at cost	-	-	-	-	62,414	-
Structures and improvements, at cost	-	-	-	-	881,735	-
Machinery and equipment, at cost	69,849	-	189,742	3,224	2,246	-
Less: Accumulated depreciation	(47,747)	-	(114,350)	(2,402)	(306,643)	-
Construction in progress	-	-	-	-	11,961	-
Total noncurrent assets	23,039	-	75,402	846	657,288	-
Total assets	133,482	234,557	131,686	2,334	988,184	274,584
DEFERRED OUTFLOWS OF RESOURCES	24,345	-	276	543	1,606	-
LIABILITIES						
Current liabilities:						
Accounts payable	15,403	621	2,959	404	11,043	74,278
Accrued payroll and related deductions	8,376	-	90	181	-	-
Due to other funds	-	12	-	11	3	1
Due to component units	-	59	-	-	7	57
Lease obligations payable	-	-	-	-	472	-
Bond payable	-	-	-	-	13,349	-
Unearned revenue	-	1	-	-	-	42,212
Others	-	83,835	-	-	-	-
Total current liabilities	23,779	84,528	3,049	596	24,874	116,548
Noncurrent liabilities:						
Pension	40,782	-	441	1,031	-	-
Lease obligations payable	-	-	-	-	6,149	-
Commercial paper payable	-	-	-	-	63,332	-
Bonds payable	-	-	-	-	123,740	-
Others	17,037	109,667	290	482	-	-
Total noncurrent liabilities	57,819	109,667	731	1,513	193,221	-
Total liabilities	81,598	194,195	3,780	2,109	218,095	116,548
DEFERRED INFLOWS OF RESOURCES	5,988	-	327	331	34	-
NET POSITION						
Net investment in capital assets	22,102	-	75,392	822	446,243	-
Restricted for:						
Capital projects	-	-	-	-	1,276	-
Pensions	928	-	10	24	-	-
Unrestricted	47,211	40,362	52,453	(409)	324,142	158,036
Total net position	$ 70,241	$ 40,362	$ 127,855	$ 437	$ 771,661	$ 158,036

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2021
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 4,061	$ 3,074	$ 1,368	$ 101	$ 11,246	$ 17,860	$ 6,233	$ 32,411	$ 1,078,325
2	569	4	-	-	2	1,231	-	6,691
-	-	-	-	-	-	-	-	743
-	-	-	11	-	-	-	-	63
168	-	25	-	-	-	2,107	-	2,889
408	-	-	-	-	-	-	-	422
4,639	3,643	1,397	112	11,246	17,862	9,571	32,411	1,089,133
-	-	-	-	-	-	-	-	9
-	-	-	-	-	-	-	-	5,575
20	60	9	4	72	200	40	109	1,476
-	-	-	-	-	-	746	-	63,160
-	-	-	-	-	-	2,950	-	884,685
4,735	21	77	12	170	400	9,369	113,511	393,356
(3,895)	(19)	(77)	(12)	(126)	(391)	(6,147)	(111,999)	(593,808)
-	-	-	-	-	-	140	-	12,101
860	62	9	4	116	209	7,098	1,621	766,554
5,499	3,705	1,406	116	11,362	18,071	16,669	34,032	1,855,687
236	987	394	144	2,963	12,523	1,132	2,764	47,913
303	171	16	36	103	258	1,323	1,284	108,202
98	425	81	40	937	2,642	431	1,059	14,360
-	-	-	-	46	-	-	-	73
-	-	-	1	180	-	-	-	304
-	-	-	-	-	-	-	-	472
-	-	-	-	-	-	-	-	13,349
-	-	-	-	-	-	-	-	42,213
-	-	-	-	-	-	-	-	83,835
401	596	97	77	1,266	2,900	1,754	2,343	262,808
386	2,148	504	221	4,470	16,281	2,543	4,887	73,694
-	-	-	-	-	-	-	-	6,149
-	-	-	-	-	-	-	-	63,332
-	-	-	-	-	-	-	-	123,740
209	713	306	98	1,979	7,595	1,045	2,719	142,140
595	2,861	810	319	6,449	23,876	3,588	7,606	409,055
996	3,457	907	396	7,715	26,776	5,342	9,949	671,863
272	306	372	35	1,574	2,280	616	754	12,889
840	2	-	-	44	9	7,058	1,512	554,024
-	-	-	-	-	-	-	-	1,276
20	60	9	4	72	200	40	109	1,476
3,607	867	512	(175)	4,920	1,329	4,745	24,472	662,072
$ 4,467	$ 929	$ 521	$ (171)	$ 5,036	$ 1,538	$ 11,843	$ 26,093	$ 1,218,848

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Operating revenues						
Charges for services	$ 261,499	$ 59,263	$ 46,406	$ 5,502	$ 158,443	$ 1,000
Premiums	-	-	-	-	-	777,737
Total operating revenues	261,499	59,263	46,406	5,502	158,443	778,737
Operating expenses						
Personal services	124,453	-	1,227	2,911	-	-
Contractual services	129,833	12,425	4,889	2,856	89,554	37,253
Materials and supplies	11,519	-	15,264	835	1,943	-
Rentals and insurance	12	20,104	9,247	10	45,611	-
Depreciation and amortization	12,068	-	17,043	412	17,209	-
Benefits	-	25,470	126	-	-	826,058
Other	4,744	-	-	2	6	4,963
Total operating expenses	282,629	57,999	47,796	7,026	154,323	868,274
Operating income (loss)	(21,130)	1,264	(1,390)	(1,524)	4,120	(89,537)
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	227	-	201	-
Gain on sales of capital assets	-	-	-	-	(256)	-
Interest income	-	171	-	-	249	232
Interest expense	-	-	-	-	(5,815)	-
Total nonoperating revenues (expenses)	-	171	227	-	(5,621)	232
Income (loss) before contributions and transfers	(21,130)	1,435	(1,163)	(1,524)	(1,501)	(89,305)
Capital contributions	-	-	636	-	206	-
Transfers in	7,846	-	4,671	394	13,082	-
Transfers out	(16)	-	-	-	(19)	-
Change in net position	(13,300)	1,435	4,144	(1,130)	11,768	(89,305)
Net position, July 1	83,541	38,927	123,711	1,567	759,893	247,341
Net position, June 30	$ 70,241	$ 40,362	$ 127,855	$ 437	$ 771,661	$ 158,036

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 16,078	$ 10,510	$ 3,113	$ 1,123	$ 15,074	$ 43,607	$ 23,442	$ 24,435	$ 669,495
-	-	-	-	-	-	-	-	777,737
16,078	10,510	3,113	1,123	15,074	43,607	23,442	24,435	1,447,232
1,592	6,162	1,471	606	14,435	45,007	6,437	14,587	218,888
2,010	3,784	1,072	588	1,853	4,326	8,882	8,980	308,305
12,028	1	693	2	71	94	6,620	122	49,192
110	6	2	1	14	8	145	3	75,273
178	1	-	-	17	2	520	954	48,404
-	-	-	-	-	-	-	-	851,654
-	3	5	-	14	4	332	2	10,075
15,918	9,957	3,243	1,197	16,404	49,441	22,936	24,648	1,561,791
160	553	(130)	(74)	(1,330)	(5,834)	506	(213)	(114,559)
-	-	-	-	-	-	2,728	-	3,156
-	-	-	-	-	-	(149)	-	(405)
-	-	-	-	-	-	-	-	652
-	-	-	-	-	-	-	-	(5,815)
-	-	-	-	-	-	2,579	-	(2,412)
160	553	(130)	(74)	(1,330)	(5,834)	3,085	(213)	(116,971)
-	-	-	-	-	-	-	-	842
45	37	58	9	223	3,175	86	153	29,779
-	-	-	-	-	-	-	-	(35)
205	590	(72)	(65)	(1,107)	(2,659)	3,171	(60)	(86,385)
4,262	339	593	(106)	6,143	4,197	8,672	26,153	1,305,233
$ 4,467	$ 929	$ 521	$ (171)	$ 5,036	$ 1,538	$ 11,843	$ 26,093	$ 1,218,848

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 8,032	$ 19,943	$ 560	$ 26	$ 6,129	$ 360,906
Receipts from interfund services provided	253,723	39,389	43,578	5,476	149,658	464,817
Payments to suppliers	(129,384)	(48,601)	(25,611)	(2,432)	(68,139)	(888,178)
Payments to employees	(118,621)	-	(1,282)	(3,007)	-	(2,385)
Payments for interfund services used	(15,102)	(7,927)	(4,809)	(1,059)	(73,901)	(1,563)
Net cash provided by (used for) operating activities	(1,352)	2,804	12,436	(996)	13,747	(66,403)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	7,827	-	4,671	394	13,066	-
Net cash provided by (used for) noncapital financing activities	7,827	-	4,671	394	13,066	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(5,465)	-	(20,770)	-	(45,851)	-
Bond and commercial paper proceeds	-	-	-	-	58,278	-
Proceeds from sale of capital assets	-	-	5,045	-	580	-
Insurance claims recoveries	-	-	227	-	201	-
Principal payments	-	-	-	-	(23,731)	-
Interest paid	-	-	-	-	(7,089)	-
Net cash provided by (used for) capital and related financing activities	(5,465)	-	(15,498)	-	(17,612)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	171	-	-	250	232
Net cash provided by (used for) investing activities	-	171	-	-	250	232
Net increase (decrease) in cash and cash equivalents	1,010	2,975	1,609	(602)	9,451	(66,171)
Cash and cash equivalents, July 1	107,590	231,220	54,636	1,841	320,377	338,035
Cash and cash equivalents, June 30	$ 108,600	$ 234,195	$ 56,245	$ 1,239	$ 329,828	$ 271,864
Reconciliation of operating income to net cash provided by (used for) operating activities						
Operating income (loss)	$ (21,130)	$ 1,264	$ (1,390)	$ (1,524)	$ 4,120	$ (89,537)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	12,068	-	17,043	412	17,209	-
Loss (gain) on disposal of capital assets	4,652	-	(2,376)	-	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in receivables	(145)	(122)	42	-	25	9,149
(Increase) decrease in due from other funds	402	-	-	-	725	-
(Increase) decrease in due from component units	-	68	-	-	(9)	-
(Increase) decrease in inventories	49	-	-	36	-	-
(Increases) decreases in assets held for sale	-	-	65	-	-	-
(Increase) decrease in prepaids	-	-	-	(14)	-	-
(Increase) decrease in net pension assets	125	-	1	7	-	-
(Increase) decrease in deferred outflows of resources	4,873	-	(6)	(24)	-	-
Increase (decrease) in accounts payable	3,257	1,530	(844)	222	(4,882)	13,789
Increase (decrease) in due to other funds	(457)	8	(4)	(2)	(50)	(9)
Increase (decrease) in due to component units	-	56	-	-	6	(18)
Increase (decrease) in deferred inflows of resources	(5,046)	-	(95)	(109)	-	-
Increase (decrease) in unearned revenue	-	-	-	-	(3,397)	223
Total adjustments	19,778	1,540	13,826	528	9,627	23,134
Net cash provided by (used for) operating activities	$ (1,352)	$ 2,804	$ 12,436	$ (996)	$ 13,747	$ (66,403)
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	$ -	$ -	$ 636	$ -	$ 206	$ -
Assets acquired by transfer	19	-	-	-	16	-
Capital assets disposed of by transfer	(16)	-	-	-	(19)	-
Amortization of bond premium	-	-	-	-	2,030	-
Amortization of bond discount	-	-	-	-	(986)	-
Total noncash capital and related financing activities	$ 3	$ -	$ 636	$ -	$ 1,247	$ -

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 42	$ 4,078	$ 664	$ 64	$ 94	$ 117	$ 10,459	$ 132	$ 411,246
16,036	6,814	2,462	1,060	14,979	43,521	12,748	24,303	1,078,564
(12,792)	(1,358)	(853)	(494)	(758)	(801)	(14,743)	(6,400)	(1,200,544)
(1,715)	(6,084)	(1,558)	(587)	(14,494)	(41,747)	(6,519)	(14,464)	(212,463)
(1,181)	(3,264)	(881)	(114)	(1,123)	(3,650)	(1,746)	(2,376)	(118,696)
390	186	(166)	(71)	(1,302)	(2,560)	199	1,195	(41,893)
45	37	58	9	223	3,175	86	153	29,744
45	37	58	9	223	3,175	86	153	29,744
(143)	-	-	-	-	-	(2,517)	(170)	(74,916)
-	-	-	-	-	-	-	-	58,278
-	-	-	-	-	-	36	-	5,661
-	-	-	-	-	-	2,728	-	3,156
-	-	-	-	-	-	-	-	(23,731)
-	-	-	-	-	-	-	-	(7,089)
(143)	-	-	-	-	-	247	(170)	(38,641)
-	-	-	-	-	-	-	-	653
-	-	-	-	-	-	-	-	653
292	223	(108)	(62)	(1,079)	615	532	1,178	(50,137)
3,769	2,851	1,476	163	12,325	17,245	5,701	31,233	1,128,462
$ 4,061	$ 3,074	$ 1,368	$ 101	$ 11,246	$ 17,860	$ 6,233	$ 32,411	$ 1,078,325
$ 160	$ 553	$ (130)	$ (74)	$ (1,330)	$ (5,834)	$ 506	$ (213)	$ (114,559)
178	1	-	-	17	2	520	954	48,404
-	-	-	-	-	-	-	-	2,276
-	383	12	-	-	-	(235)	-	9,109
-	-	-	-	-	30	-	1	1,158
-	-	-	1	-	-	-	-	60
(1)	-	54	-	-	-	(791)	-	(653)
-	-	-	-	-	-	-	-	65
(22)	-	-	-	-	-	622	-	586
2	14	-	1	26	(1)	7	23	205
4	47	(8)	(23)	(324)	1,327	39	(383)	5,522
156	(468)	(1)	46	767	3,502	59	1,444	18,577
(4)	(22)	(5)	(3)	(84)	(174)	(99)	(53)	(958)
-	-	-	-	180	-	-	-	224
(83)	(322)	(88)	(19)	(554)	(1,412)	(429)	(578)	(8,735)
-	-	-	-	-	-	-	-	(3,174)
230	(367)	(36)	3	28	3,274	(307)	1,408	72,666
$ 390	$ 186	$ (166)	$ (71)	$ (1,302)	$ (2,560)	$ 199	$ 1,195	$ (41,893)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 842
-	-	-	-	-	-	-	-	35
-	-	-	-	-	-	-	-	(35)
-	-	-	-	-	-	-	-	2,030
-	-	-	-	-	-	-	-	(986)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,886

FIDUCIARY FUNDS

The Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. The state reports three trusted types of fiduciary funds: pension and other employee benefit trust funds, investment trust funds, and private-purpose trust funds. The state also reports custodial type funds, which are non-trusted arrangements.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS:

1. PENSION TRUST FUNDS

- **The Tennessee Consolidated Retirement System (TCRS)** was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. The level of contributions is determined by an actuarial valuation.
    - The Public Employee Retirement Plan covers employees of the state and its higher education institutions and employees of political subdivisions in Tennessee.
    - The Teacher Legacy Pension Plan covers employees of local education agencies who were hired before July 1, 2014.
    - The Teacher Hybrid Pension Plan covers employees of local education agencies who were hired after June 30, 2014.
- **Defined Contribution Pension Plan Fund**–A pension trust fund administered by Treasury. The State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for higher education institutions, and the 3121 plans are collectively reported as the Defined Contribution Pension Plan Fund, a fiduciary component unit. The Defined Contribution Pension Plan Fund accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 401(k), 401(a), and 3121, and are offered to employees of the state, the state's higher education institutions, and local and education agencies. Employer and employee contribution amounts are set in statute and made on a pre-tax basis.

2. OTHER EMPLOYEE BENEFITS TRUST FUNDS

- **The Deferred Compensation Plan Fund–** An employee benefit trust fund accounts for participant earnings deferred in accordance with Internal Revenue Code Section 457. The plan is administered by Treasury and is offered to state and higher education institution employees. K-12 teachers may participate in the 457(b) Plan if their local board of education has elected to offer the plan. This fund is a fiduciary component unit.
- **Other Employee Benefit Trust Funds**—This includes the Employee Flexible Benefits fund which was established in January 1988 to account for monies contributed by employees under the IRC Section 125 cafeteria plan. It also includes the State of Tennessee Postemployment Benefits Trust fund which was established in January 2019 to account for employer contributions and benefit payments made for other postemployment benefits offered to eligible retired employees of the state and certain component units.
- **Higher Education 403(b) Plan Fund**– An employee benefit trust fund accounts for the participant earnings deferred in accordance with Internal Revenue Code Sections 403(b) for employees of higher education institutions within the meaning of Section 170(b)(l)(A)(ii) of the Internal Revenue Code. The State University and Community College System (SUCCS) and the University of Tennessee established 403(b) Retirement Plans (Plan), effective January 1, 2009. Effective October 9, 2019, pursuant to Tennessee Code Annotated, Section 8-25-104, the State of Tennessee assumed sponsorship of both plans and the Chair of the Board of Trustees for the Tennessee Consolidated Retirement System became the Administrator of the Plans. The Plans are governmental plans within the meaning of Code Section 414(d) and Section 3(32) of the Employee Retirement Income Security Act of 1974.

INVESTMENT TRUST FUNDS:

- **External Retirement Investment Fund**—This fund accounts for assets in the custody of the Treasurer, solely for investment purposes, that consist exclusively of assets of local government and local education agency retirement accounts.

PRIVATE-PURPOSE TRUST FUNDS:

- **College Savings Plan**— This fund accounts for the activity in the college savings plan created in September 2012 named the Tennessee Stars College Savings 529 Program (TNStars). This program offers parents and other interested persons a way to save for children's college expenses with investment options and special tax

advantages. The program is not guaranteed by the State of Tennessee or any other entity.

- **Other**—These funds account for trust arrangements under which the principal and income benefit individuals or private organizations. These funds include funds from liquidated assets of domestic insurance companies that are in receivership and held for the benefit of policy holders, creditors, and other claimants. Other funds also include funds held in individual accounts under the state's Achieving a Better Life Experience (ABLE) Act program.

CUSTODIAL FUNDS:

- **Local Government Tax Fund**—The purpose of this fund is to account for local levied taxes collected by the state and distributed to the various counties and cities of the state.

- **Local Government Investment Pool**—This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earning. Through this program, the participating local governments achieve higher investment income by pooling their funds than they realize individually.

- **Intermediate Term Investment Fund**—This fund was created for deposits with the state treasurer to be a longer-term option for investment of funds as an alternative to the State Pooled Investment Fund, which includes the Local Government Investment Pool ("LGIP").

- **Custodial Accounts**—This fund is used to account for monies held by the State that are not in trusts or equivalent arrangements. The monies belong to individuals or other organizations. These include patient and resident trusts, restitution recoveries pending distribution and other various funds.

- **Retiree Health Funds**—These funds are used to account for funding received and claims paid on behalf of retirees who elect coverage. Pre- and post-65 retired employees of local education and local government employers and post-65 retired employees of the state and its higher education institutions are included.

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2021
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ASSETS				
Cash and cash equivalents	$ 12,508	$ 11,481	$ 223	$ 56,514
Cash collateral on loaned securities	1,617,076	1,484,262	28,784	-
Receivables:				
Account	-	-	-	-
Employer contributions	40,268	35,505	2,957	-
Member contributions	10,296	17,980	7,394	-
Loans receivable	-	-	-	31,620
Other	-	-	-	-
Investments, at fair value:				
Mutual funds	-	-	-	9,825,845
Real estate	-	-	-	-
TRGT pooled funds	33,767,815	30,994,378	601,069	86,409
Other	-	-	-	7,294
Capital assets, at cost:				
Machinery and equipment	19,187	17,611	342	-
Less - accumulated depreciation	(14,297)	(13,123)	(254)	-
Total assets	35,452,853	32,548,094	640,515	10,007,682
LIABILITIES				
Accounts payable and accruals	15,880	14,099	572	-
Securities lending collateral	1,617,076	1,484,262	28,784	-
Total liabilities	1,632,956	1,498,361	29,356	-
NET POSITION				
Restricted for				
Pension benefits	33,819,897	31,049,733	611,159	10,007,682
Employee salary deferrals	-	-	-	-
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	$ 33,819,897	$ 31,049,733	$ 611,159	$ 10,007,682

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2021
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 480	$ 9,646	$ 35,862	$ 126,714
-	-	-	3,130,122
-	-	2	2
-	-	-	78,730
-	-	-	35,670
134	-	-	31,754
-	-	871	871
743,496	945,826	416,557	11,931,724
-	40	-	40
15,839	-	-	65,465,510
2,108	-	-	9,402
-	-	-	37,140
-	-	-	(27,674)
762,057	955,512	453,292	80,820,005
-	-	5,379	35,930
-	-	-	3,130,122
-	-	5,379	3,166,052
-	-	-	75,488,471
762,057	955,512	-	1,717,569
-	-	446,656	446,656
-	-	1,257	1,257
$ 762,057	$ 955,512	$ 447,913	$ 77,653,953

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ADDITIONS				
Contributions:				
Members	$ 162,282	$ 164,845	$ 72,213	$ 231,214
Employers	723,254	337,067	29,153	279,097
Transfers in from other plans	-	-	-	35,530
Other	1,076	-	-	238
Total contributions	886,612	501,912	101,366	546,079
Investment income:				
Net increase (decrease) in fair value of investments	7,033,366	6,481,587	116,123	1,872,023
Interest and dividends	-	-	-	275,662
Securities lending income	7,338	6,762	121	-
Total investment income (loss)	7,040,704	6,488,349	116,244	2,147,685
Less: Investment expenses	(34,102)	(31,426)	(563)	-
Securities lending expense	(1,301)	(1,198)	(21)	-
Net investment income (loss)	7,005,301	6,455,725	115,660	2,147,685
Total additions	7,891,913	6,957,637	217,026	2,693,764
DEDUCTIONS				
Benefit payments	1,524,681	1,340,897	104	524,521
Medical payments	-	-	-	-
Deceased member benefit payments	2,790	2,771	80	13,037
Other	-	-	-	-
Member/claimant distributions	24,240	15,880	4,069	-
Administrative expenses	12,680	4,589	2,560	10,923
Total deductions	1,564,391	1,364,137	6,813	548,481
Change in net position	6,327,522	5,593,500	210,213	2,145,283
Net position, July 1, restated	27,492,375	25,456,233	400,946	7,862,399
Net position, June 30	$ 33,819,897	$ 31,049,733	$ 611,159	$ 10,007,682

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 41,133	$ 18,475	$ 5,599	$ 695,761
19	-	148,609	1,517,199
3,837	21,748	-	61,115
-	3	-	1,317
44,989	40,226	154,208	2,275,392
130,652	169,765	87,507	15,891,023
28,340	10,385	8,060	322,447
-	-	-	14,221
158,992	180,150	95,567	16,227,691
-	-	-	(66,091)
-	-	-	(2,520)
158,992	180,150	95,567	16,159,080
203,981	220,376	249,775	18,434,472
40,437	66,028	-	3,496,668
-	-	75,864	75,864
2,205	-	-	20,883
-	-	5,540	5,540
-	-	-	44,189
1,134	-	3,907	35,793
43,776	66,028	85,311	3,678,937
160,205	154,348	164,464	14,755,535
601,852	801,164	283,449	62,898,418
$ 762,057	$ 955,512	$ 447,913	$ 77,653,953

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2021
(Expressed in Thousands)

	External Retirement Investment Fund
ASSETS	
Receivables:	
Investments sold	3,674
Investments, at fair value:	
Private equities	3,742
TRGT pooled funds	292,312
Total assets	299,728
NET POSITION	
Amounts held in trust for:	
Pool participants	299,728
Total net position	$ 299,728

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	External Retirement Investment Fund
ADDITIONS	
Investment income:	
Net increase in fair value of investments	(79)
Interest	$ 54,517
Total investment income	54,438
Less: Investment expenses	(257)
Net investment income	54,181
Capital share transactions:	
Shares sold	59,295
Less: Shares redeemed	(9,828)
Net capital share transactions	49,467
Total additions	103,648
DEDUCTIONS	
Administrative expenses	87
Total deductions	87
Change in net position	103,561
Net position, July 1, restated	196,167
Net position, June 30	$ 299,728

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2021
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalent	$ 8,657	$ 12,528	$ 21,185
Investments, at fair value:			
Mutual funds	258,331	24,438	282,769
Total assets	266,988	36,966	303,954
LIABILITIES			
Accounts payable and accruals	-	34	34
Total liabilities	-	34	34
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	266,988	36,932	303,920
Total net position	$ 266,988	$ 36,932	$ 303,920

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Federal	$ -	$ 193	$ 193
Private	38,257	10,089	48,346
Other	140	2,126	2,266
Total contributions	38,397	12,408	50,805
Investment income:			
Net increase/(decrease) in fair value of investments	53,915	5,448	59,363
Interest	-	1	1
Total investment income	53,915	5,449	59,364
Total additions	92,312	17,857	110,169
DEDUCTIONS			
Payments made under trust agreements	12,949	3,618	16,567
Member/claimant distributions	-	131	131
Administrative expenses	437	137	574
Total deductions	13,386	3,886	17,272
Change in net position	78,926	13,971	92,897
Net position, July 1, restated	188,062	22,961	211,023
Net position, June 30	$ 266,988	$ 36,932	$ 303,920

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Custodial Accounts	Total Custodial Funds
ASSETS				
Cash and cash equivalents	$ 23,791	$ 407,582	$ 87,083	$ 518,456
Receivables:				
Account	1	-	-	1
Taxes	-	381,062	-	381,062
Interest and dividends	-	-	-	-
Other	512	-	-	512
Due from other funds	-	-	10	10
Investments, at fair value:				
Government bonds	-	-	-	-
Investments, at amortized cost:				
Short-term investments	-	-	-	-
Total assets	24,304	788,644	87,093	900,041
LIABILITIES				
Accounts payable and accruals	5,618	-	38	5,656
Due to other governments	-	788,644	36,837	825,481
Total liabilities	5,618	788,644	36,875	831,137
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	18,686	-	50,218	68,904
Amounts held in custody for:				
Pool participants	-	-	-	-
Total net position	$ 18,686	$ -	$ 50,218	$ 68,904

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021
(Expressed in Thousands)

External Investment Pools		
Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
$ 2,023,121	$ 5,289	$ 2,028,410
-	-	-
-	-	-
-	18	18
-	-	-
-	-	-
-	6,740	6,740
2,015,953	-	2,015,953
4,039,074	12,047	4,051,121
-	-	-
-	-	-
-	-	-
-	-	-
4,039,074	12,047	4,051,121
$ 4,039,074	$ 12,047	$ 4,051,121

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Custodial Accounts	Total Custodial Funds
ADDITIONS				
Contributions:				
Members	$ 90,275	$ -	$ -	$ 90,275
Total contributions	90,275	-	-	90,275
Investment income:				
Net increase/(decrease) in fair value of investments	-	-	-	-
Interest	40	-	12	52
Total investment income	40	-	12	52
Less: Investment expenses	-	-	-	-
Net investment income	40	-	12	52
Tax and fee collections for other governments	-	3,696,662	690	3,697,352
Member resources	19,035	-	748,586	767,621
Capital share transactions:				
Shares sold	-	-	-	-
Less: Shares redeemed	-	-	-	-
Net capital share transactions	-	-	-	-
Total additions	109,350	3,696,662	749,288	4,555,300
DEDUCTIONS				
Medical payments	98,951	-	-	98,951
Member/claimant distributions	3,903	-	746,631	750,534
Payments of taxes and fees to other governments	-	3,696,662	690	3,697,352
Administrative expenses	5,554	-	4,415	9,969
Total deductions	108,408	3,696,662	751,736	4,556,806
Change in net position	942	-	(2,448)	(1,506)
Net position, July 1, restated	17,744	-	52,666	70,410
Net position, June 30	$ 18,686	$ -	$ 50,218	$ 68,904

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

External Investment Pools		
Local Government Investment Pool	Intermediate Term Investment Fund	Total External Investment Pools
$ -	$ -	$ -
-	-	-
-	(27)	(27)
7,809	47	7,856
7,809	20	7,829
(1,731)	-	(1,731)
6,078	20	6,098
-	-	-
-	-	-
5,439,744	-	5,439,744
(5,516,738)	-	(5,516,738)
(76,994)	-	(76,994)
(70,916)	20	(70,896)
-	-	-
-	-	-
-	-	-
-	6	6
-	6	6
(70,916)	14	(70,902)
4,109,990	12,033	4,122,023
$ 4,039,074	$ 12,047	$ 4,051,121

COMPONENT UNITS

Tennessee Student Assistance Corporation (TSAC)—The corporation was created by the legislature in 1974 and is responsible for administering student financial assistance programs supported by federal and state funds. In 2015, TSAC's board voted to wind down the activities of the Federal Family Education Loan Program, a loan guarantee program administered by the board and separately reported as another component unit of the state. The portfolio was later transferred to the U.S. Department of Education. In this fiscal year, the remaining balances in this program were reported with the corporation.

Tennessee Community Services Agency—In 1989, the Legislature created twelve Community Services Agencies which are to provide a mechanism to coordinate health care for indigents. In 1996, the title and focus of these agencies changed to that of facilitating the providing of services to children and other citizens from state agencies. The state has significant oversight responsibilities for these agencies; therefore, they have been incorporated into the Annual Comprehensive Financial Report. In 2009, all CSAs merged operations into one agency.

Tennessee Housing Development Agency—Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans, and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Tennessee Education Lottery Corporation—Created by the General Assembly in 2003, the purpose of the corporation is to operate a state lottery with net proceeds to be transferred to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee, consisting primarily of financial assistance to Tennessee citizens to enable such citizens to attend post-secondary educational institutions within Tennessee.

State University and Community College System—Created by the General Assembly in 1972 to serve the state and its citizenry by providing educational opportunities, research, continuing education and public activities. As a system, the institutions span the state and are reported as a coordinated network of public education with each campus offering unique characteristics and services.

The system consists of the following institutions:

UNIVERSITIES
Austin Peay State University, Clarksville
East Tennessee State University, Johnson City
Middle Tennessee State University, Murfreesboro
Tennessee State University, Nashville
Tennessee Technological University, Cookeville
University of Memphis, Memphis

COMMUNITY COLLEGES
Chattanooga State Community College, Chattanooga
Cleveland State Community College, Cleveland
Columbia State Community College, Columbia
Dyersburg State Community College, Dyersburg
Jackson State Community College, Jackson
Motlow State Community College, Tullahoma
Nashville State Community College, Nashville
Northeast State Community College, Blountville
Pellissippi State Community College, Knoxville
Roane State Community College, Harriman
Southwest Tennessee Community College, Memphis
Volunteer State Community College, Gallatin
Walters State Community College, Morristown

COLLEGES OF APPLIED TECHNOLOGY
Athens, Chattanooga, Covington, Crossville, Crump, Dickson, Elizabethton, Harriman, Hartsville, Hohenwald, Jacksboro, Jackson, Knoxville, Livingston, McKenzie, McMinnville, Memphis, Morristown, Murfreesboro, Nashville, Newbern, Oneida, Paris, Pulaski, Ripley, Shelbyville, Whiteville

The purpose of these colleges is to provide occupational and technical training.

The University of Tennessee Board of Trustees—The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time, it has grown into an institution of twenty-four different colleges and schools. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

Local Development Authority—This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. In addition, the Authority may assist small business concerns in financing pollution control facilities, farmers in financing certain capital improvements and airport authorities and municipal airports in financing improvements.

Tennessee Veterans Homes Board—Created in 1988, the primary purpose of the homes is to provide support and care for honorably discharged veterans of the United States Armed Forces. The revenue sources are the Veterans Administration, Medicaid, and a user fee.

Tennessee State School Bond Authority (TSSBA)— Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's higher education institutions. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. The Authority also issues Qualified Zone Academy Bonds, which are part of a federal government program to finance loans to qualifying K-12 schools in the state. In addition, under the American Recovery and Reinvestment Act of 2009, the Authority issued Qualified School Construction Bonds to finance the construction, repair, or rehabilitation of public school facilities.

Certified Cotton Growers' Organization—This organization was formed to aid in the eradication of the boll weevil. Revenues are collected from assessments on cotton growers and from state appropriations.

Access Tennessee—Established in 2007, this health insurance pool offers health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions.

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STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2021
(Expressed in Thousands)

	Governmental Fund Types		Proprietary Fund Types			
	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee
ASSETS						
Cash and cash equivalents	$ 2,905	$ 72	$ 355,161	$ 179,112	$ 1,134,649	$ 1,300,850
Investments	-	-	96,032	-	348,929	61,023
Receivables, net	4,193	15	86,635	89,397	95,713	56,610
Due from primary government	-	732	6	-	21,646	65,169
Inventories, at cost	-	-	-	-	3,122	7,293
Prepayments	-	3	-	9,322	12,895	3,305
Loans receivable	-	-	2,868,339	-	-	-
Other	-	-	24,856	-	5,546	5,177
Restricted assets:						
Cash and cash equivalents	-	-	64,239	530	304,600	287,588
Investments	-	-	121,397	-	758,080	1,623,148
Receivables, net	-	-	322	-	175,586	307,712
Net pension assets	13	7,144	230	-	6,135	4,689
Other	-	-	-	-	942	-
Capital assets:						
Land, at cost	-	-	-	-	177,554	100,093
Infrastructure	-	-	-	-	630,706	263,591
Structures and improvements, at cost	-	-	-	2,635	4,118,641	3,693,447
Machinery and equipment, at cost	16	13	10,706	6,684	580,797	676,214
Less accumulated depreciation	(16)	(8)	(5,535)	(7,451)	(2,160,029)	(1,994,244)
Construction in progress	-	-	-	-	205,208	300,045
Total assets	7,111	7,971	3,622,388	280,229	6,420,720	6,761,710
DEFERRED OUTFLOWS OF RESOURCES	903	782	4,103	-	181,058	142,317
LIABILITIES						
Accounts payable and accruals	343	120	94,809	121,201	169,023	225,643
Due to primary government	-	49	-	153,600	9,975	1,448
Unearned revenue	-	-	1,395	2,888	84,105	70,851
Other	-	-	1,778	-	9,521	17,650
Noncurrent liabilities:						
Due within one year	209	99	107,685	869	59,055	76,864
Due in more than one year	2,835	230	2,870,046	1,641	1,255,146	1,569,900
Total liabilities	3,387	498	3,075,713	280,199	1,586,825	1,962,356
DEFERRED INFLOWS OF RESOURCES	379	470	2,107	-	102,503	120,607
NET POSITION						
Net investment in capital assets	-	5	5,171	1,868	2,778,791	1,908,862
Restricted for:						
Debt service	-	-	-	-	17,278	1,151
Capital projects	-	-	-	-	57,577	63,749
Single family bond programs	-	-	470,431	-	-	-
Pensions	13	7,144	230	-	6,135	4,689
Other	4,150	-	23,859	30	475,270	682,488
Permanent and endowment:						
Expendable	-	-	-	-	23,053	262,337
Nonexpendable	-	-	-	-	470,156	1,092,516
Unrestricted	85	636	48,980	(1,868)	1,084,190	805,272
Total net position	$ 4,248	$ 7,785	$ 548,671	$ 30	$ 4,912,450	$ 4,821,064

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2021
(Expressed in Thousands)

Proprietary Fund Types					
Local Development Authority	Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Component Units
$ 16,215	$ 21,761	$ 36,778	$ 922	$ 46,667	$ 3,095,092
-	-	-	3,894	-	509,878
-	3,521	14,110	35	-	350,229
-	752	-	-	-	88,305
-	509	-	-	-	10,924
-	377	-	-	-	25,902
2,394	-	1,987,830	-	-	4,858,563
-	716	-	8	-	36,303
272	3,863	6,665	-	-	667,757
-	-	273,406	-	-	2,776,031
-	-	-	-	-	483,620
-	1,425	-	-	-	19,636
-	-	-	-	-	942
-	2,467	-	-	-	280,114
-	3,734	-	-	-	898,031
-	53,596	-	-	-	7,868,319
-	4,714	-	-	-	1,279,144
-	(23,440)	-	-	-	(4,190,723)
-	9,449	-	-	-	514,702
18,881	83,444	2,318,789	4,859	46,667	19,572,769
-	3,276	38,486	-	-	370,925
139	1,842	16,335	242	13	629,710
-	863	-	-	-	165,935
-	-	2,173	-	-	161,412
-	141	-	-	-	29,090
220	1,004	78,960	-	-	324,965
1,023	3,066	2,230,787	-	-	7,934,674
1,382	6,916	2,328,255	242	13	9,245,786
-	886	1,313	-	-	228,265
-	46,943	-	-	-	4,741,640
-	429	-	-	-	18,858
-	-	-	-	-	121,326
-	-	-	-	-	470,431
-	1,425	-	-	-	19,636
-	10,733	-	-	-	1,196,530
-	-	-	-	-	285,390
-	-	-	-	-	1,562,672
17,499	19,388	27,707	4,617	46,654	2,053,160
$ 17,499	$ 78,918	$ 27,707	$ 4,617	$ 46,654	$ 10,469,643

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2021
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Component units					
Higher education institutions:					
State University and Community College System	$ 2,838,153	$ 909,502	$ 1,151,820	$ 175,066	$ (601,765)
University of Tennessee	2,430,154	836,710	1,323,919	117,307	(152,218)
Total higher education institutions	5,268,307	1,746,212	2,475,739	292,373	(753,983)
Loan programs:					
Tennessee Student Assistance Corporation	115,696	5,357	486	-	(109,853)
Tennessee Housing Development Agency	533,614	164,147	382,474	-	13,007
Local Development Authority	212	667	13	-	468
Tennessee State School Bond Authority	77,208	62,959	(7,043)	-	(21,292)
Total loan programs	726,730	233,130	375,930	-	(117,670)
Tennessee Education Lottery	1,945,963	1,945,939	28	-	4
Other programs:					
Tennessee Community Services Agency	4,601	1,381	3,021	-	(199)
Access Tennessee Insurance Plan	1,293	45	-	-	(1,248)
Tennessee Veterans' Homes Board	54,979	43,535	13,040	6,254	7,850
Certified Cotton Growers'	418	409	-	-	(9)
Total other programs	61,291	45,370	16,061	6,254	6,394
Total	$ 8,002,291	$ 3,970,651	$ 2,867,758	$ 298,627	$ (865,255)

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2021
(Expressed in Thousands)

	General Revenues						
Payments from Primary Government	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous	Contributions to Permanent Funds	Change in Net Position	Net Position July 1, restated	Net Position June 30
$ 929,981	$ 83,027	$ 166,355	$ 3,051	$ 21,800	$ 602,449	$ 4,310,001	$ 4,912,450
652,390	-	25,733	1,362	101,099	628,366	4,192,698	4,821,064
1,582,371	83,027	192,088	4,413	122,899	1,230,815	8,502,699	9,733,514
109,099	-	-	-	-	(754)	5,002	4,248
277	-	20	-	-	13,304	535,367	548,671
-	-	-	-	-	468	17,031	17,499
-	9,708	-	-	-	(11,584)	39,291	27,707
109,376	9,708	20	-	-	1,434	596,691	598,125
-	-	400	-	-	404	(374)	30
-	-	-	-	-	(199)	7,984	7,785
-	-	37	-	-	(1,211)	47,865	46,654
-	24	-	-	-	7,874	71,044	78,918
-	-	73	-	-	64	4,553	4,617
-	24	110	-	-	6,528	131,446	137,974
$ 1,691,747	$ 92,759	$ 192,618	$ 4,413	$ 122,899	$ 1,239,181	$ 9,230,462	$ 10,469,643

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type Component Units
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Local Development Authority
Operating revenues					
Charges for services	$ 164,147	$ 1,944,873	$ 886,494	$ 813,390	$ 667
Investment income	276	-	6,563	7,039	13
Grants and contributions	-	-	261,549	569,484	-
Other	-	1,066	78,282	93,862	-
Total operating revenues	164,423	1,945,939	1,232,888	1,483,775	680
Operating expenses					
Personal services	24,172	16,551	1,751,995	1,614,753	-
Contractual services	15,959	180,709	-	-	142
Mortgage service fees	-	-	-	-	-
Materials and supplies	1,195	-	610,526	519,573	-
Rentals and insurance	51	1,775	-	-	-
Interest	80,015	-	-	-	70
Depreciation and amortization	4,972	882	130,199	152,404	-
Lottery prizes	-	1,236,252	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	318,586	96,792	-
Benefits	-	-	-	-	-
Other	14,939	8,261	-	-	-
Total operating expenses	141,303	1,444,430	2,811,306	2,383,522	212
Operating income (loss)	23,120	501,509	(1,578,418)	(899,747)	468
Nonoperating revenues (expenses)					
Grant income	382,218	-	880,539	324,905	-
Grant expense	(392,311)	-	-	-	-
Interest expense	-	-	(18,959)	(39,516)	-
Interest income	-	400	165,031	378,549	-
Payments from primary government	277	-	929,981	652,390	-
Grants and contributions	-	-	-	7,082	-
Gifts	-	-	8,236	(8,805)	-
Payments to primary government	-	(501,510)	-	-	-
Other	-	5	18,318	(6,248)	-
Total nonoperating revenues (expenses)	(9,816)	(501,105)	1,983,146	1,308,357	-
Income (loss) before capital grants and contributions	13,304	404	404,728	408,610	468
Capital payments from primary government	-	-	170,286	104,509	-
Capital grants and gifts	-	-	5,635	12,798	-
Additions to permanent endowments	-	-	21,800	101,099	-
Other	-	-	-	1,350	-
Change in net position	13,304	404	602,449	628,366	468
Net position, July 1, restated	535,367	(374)	4,310,001	4,192,698	17,031
Net position, June 30	$ 548,671	$ 30	$ 4,912,450	$ 4,821,064	$ 17,499

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type Component Units
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Proprietary Fund Type Component Units
$ 42,832	$ 62,959	$ 409	$ 45	$ 3,915,816
-	(7,043)	-	-	6,848
-	-	-	-	831,033
702	-	-	-	173,912
43,534	55,916	409	45	4,927,609
26,387	-	-	-	3,433,858
-	2,217	418	173	199,618
-	-	-	-	-
-	-	-	-	1,131,294
-	-	-	1,120	2,946
-	61,860	-	-	141,945
1,842	-	-	-	290,299
-	-	-	-	1,236,252
26,630	-	-	-	26,630
-	-	-	-	415,378
-	-	-	-	-
-	13,131	-	-	36,331
54,859	77,208	418	1,293	6,914,551
(11,325)	(21,292)	(9)	(1,248)	(1,986,942)
13,012	9,708	-	-	1,610,382
-	-	-	-	(392,311)
(109)	-	-	-	(58,584)
28	-	73	37	544,118
-	-	-	-	1,582,648
-	-	-	-	7,082
24	-	-	-	(545)
-	-	-	-	(501,510)
(10)	-	-	-	12,065
12,945	9,708	73	37	2,803,345
1,620	(11,584)	64	(1,211)	816,403
6,254	-	-	-	281,049
-	-	-	-	18,433
-	-	-	-	122,899
-	-	-	-	1,350
7,874	(11,584)	64	(1,211)	1,240,134
71,044	39,291	4,553	47,865	9,217,476
$ 78,918	$ 27,707	$ 4,617	$ 46,654	$ 10,457,610

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STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Type Component Units
For the Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Total Governmental Fund Type Component Units
REVENUES			
Interest on investments	$ 417	$ -	$ 417
Departmental services	114,457	4,402	118,859
Other	68	-	68
Total revenues	114,942	4,402	119,344
EXPENDITURES			
Education	115,655	(1)	115,654
Health and social services	-	4,395	4,395
Total expenditures	115,655	4,394	120,049
Excess (deficiency) of revenues over (under) expenditures	(713)	8	(705)
Fund balances, July 1	7,468	645	8,113
Fund balances, June 30	$ 6,755	$ 653	$ 7,408
Reconciliation to net position:			
Fund balances per above	$ 6,755	$ 653	$ 7,408
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	-	5	5
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(480)	(193)	(673)
Resources and obligations related to pension and other postemployment benefits are not available nor due and payable, respective, in the current period and therefore are not reported in the fund.	(2,027)	7,320	5,293
Net position on statement of net position	$ 4,248	$ 7,785	$ 12,033

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE **Schedule 1**

Debt Service Requirements to Maturity

General Obligation Bonds

June 30, 2021

(Expressed in Thousands)

For the Year Ended June 30	General Long-Term Debt			Facilities Revolving Fund Debt		
	Principal	Interest	Total Require-ments	Principal	Interest	Total Require-ments
2022	$ 142,361	$ 60,402	$ 202,763	$ 13,349	$ 5,102	$ 18,451
2023	135,132	53,995	189,127	12,618	4,466	17,084
2024	132,819	48,322	181,141	12,276	3,916	16,192
2025	125,797	43,073	168,870	12,144	3,415	15,559
2026	123,913	37,786	161,699	11,817	2,895	14,712
2027	118,465	32,702	151,167	10,210	2,413	12,623
2028	114,270	27,860	142,130	9,615	1,982	11,597
2029	107,193	23,074	130,267	8,208	1,578	9,786
2030	84,277	18,756	103,033	6,774	1,227	8,001
2031	74,568	15,092	89,660	5,337	945	6,282
2032	67,928	11,831	79,759	4,102	730	4,832
2033	45,965	9,217	55,182	3,810	547	4,357
2034	39,378	7,183	46,561	3,392	371	3,763
2035	39,378	5,248	44,626	3,392	201	3,593
2036	36,403	3,385	39,788	817	96	913
2037	22,412	1,944	24,356	498	63	561
2038	13,658	1,072	14,730	461	39	500
2039	6,187	419	6,606	217	16	233
2040	6,187	140	6,327	217	6	223
TOTALS	$ 1,436,291	$ 401,501	$ 1,837,792	$ 119,254	$ 30,008	$ 149,262

STATE OF TENNESSEE **Schedule 2**
Schedule of Outstanding Debt
All Fund Types
For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2017	**2018**	**2019**	**2020**	**2021**
Internal service funds:					
General obligation commercial paper	$ 12,788	$ 13,767	$ 25,130	$ 15,063	$ 63,332
Facilities Revolving Fund general obligation bonds	167,529	156,640	142,172	132,553	119,254
	180,317	170,407	167,302	147,616	182,586
General long-term debt:					
General obligation bonds	1,738,001	1,741,155	1,596,443	1,578,402	1,436,291
General obligation commercial paper	180,168	151,409	212,266	105,933	144,011
	1,918,169	1,892,564	1,808,709	1,684,335	1,580,302
Totals for primary government	$ 2,098,486	$ 2,062,971	$ 1,976,011	$ 1,831,951	$ 1,762,888

STATE OF TENNESSEE **Schedule 3**
Schedule of General Obligation
Commercial Paper Outstanding- By Purpose
All Fund Types
June 30, 2021

(Expressed in Thousands)

General obligation commercial paper - Tax exempt		$ 167,880
Purpose:	To finance the construction, improvements, repairs, and replacements of buildings and facilities and the acquisition of land, equipment and other property of the state.	
General obligation commercial paper - Taxable		39,463
Purpose:	To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
Total Outstanding		$ 207,343

STATE OF TENNESSEE **Schedule 4**
Schedule of Outstanding Debt
Component Units
For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2017	**2018**	**2019**	**2020**	**2021**
Component units:					
Local Development Authority bonds	$ 3,130	$ 2,521	$ 2,003	$ 1,543	$ 1,243
Tennessee Housing Development Agency bonds	1,944,050	2,089,025	2,575,725	2,816,040	2,909,404
Veterans' Homes Board loan	5,106	4,255	3,763	3,391	3,011
Tennessee State School Bond Authority bonds	2,002,387	2,208,003	2,125,541	2,288,441	2,194,228
Tennessee State School Bond Authority revolving credit	188,152	95,299	178,739	74,481	115,521
University of Tennessee notes	75	55	-	-	-
University of Tennessee bonds	68,283	65,676	62,987	60,247	57,432
State University and Community College System notes	840	1,372	1,370	6,046	1,089
State University and Community College System commercial paper	3,222	2,722	2,037	1,577	1,108
State University and Community College System loans	-	-	-	730	75
	$ 4,215,245	$ 4,468,928	$ 4,952,165	$ 5,252,496	$ 5,283,111

STATE OF TENNESSEE
Comparative Schedules of Revenues by Source
General Fund
For the Fiscal Years Ended June 30, 2021 and 2020
(Expressed in Thousands)

Revenue by Source	For the Year Ended June 30, 2021	For the Year Ended June 30, 2020
Taxes:		
Sales and use	$ 4,057,986	$ 3,988,573
Gasoline	9,336	9,348
Motor fuel	2,206	2,065
Gasoline inspection	743	706
Total fuel taxes	12,285	12,119
Franchise	1,204,481	986,264
Excise	2,035,940	1,684,492
Gross receipts	215,171	387,246
Beer	12,041	14,836
Alcoholic beverage	69,410	75,824
Mixed drink	-	57,606
Tobacco	29,100	29,207
Business	156,002	278,896
Insurance companies premium	1,108,406	1,047,167
Retaliatory	14,183	11,731
Workers compensation premium	35,939	36,533
Enhanced coverage	602,351	707,370
Medicaid provider	10,923	10,988
Fantasy Sports	265	290
Other	831	1,254
Total business tax	5,495,043	5,329,704
Income	56,245	150,709
Privilege	484,165	377,586
Inheritance and estate	503	1,438
Other	19	5,629
Total other taxes	540,932	535,362
Total taxes	10,106,246	9,865,758
Licenses, fines, fees and permits:		
Motor vehicle registration	53,839	50,846
Motor vehicle title registration fees	20,944	19,531
Drivers licenses	28,638	35,865
Arrests, fines and fees	5,688	7,012
Regulatory board fees	176,897	179,724
Other	236,167	205,623
Total licenses, fines, fees and permits	522,173	498,601
Investment income	25,755	122,768
Federal	15,230,077	11,576,654
Departmental services:		
Charges to the public	309,033	284,655
Interdepartmental charges	1,033,126	886,217
Charges to cities, counties, etc.	1,107,039	1,030,473
Other	526	1,057
Total departmental services	2,449,724	2,202,402
Other	275,280	228,257
Total revenues by source	$ 28,609,255	$ 24,494,440

Schedule 6

STATE OF TENNESSEE
Comparative Schedules of Expenditures by Function and Department
General Fund
For the Fiscal Years Ended June 30, 2021 and 2020
(Expressed in Thousands)

Expenditures by Function and Department	For the Year Ended June 30, 2021	For the Year Ended June 30, 2020
General government:		
Legislative	$ 51,429	$ 48,688
Secretary of State	44,585	43,082
Comptroller	111,211	108,808
Treasurer	43,999	54,980
Governor	5,324	5,233
Commissions	102,019	91,518
Finance and Administration	527,980	186,331
General Services	29,902	29,404
Revenue	420,983	117,486
Total general government	1,337,432	685,530
Health and social services:		
Veterans Services	7,602	7,908
Labor and Workforce Development	246,148	182,838
TennCare	13,076,166	12,551,724
Mental Health	419,087	406,863
Intellectual Disabilities	191,535	146,245
Health	1,104,327	752,592
Human Services	3,997,222	2,373,112
Children's Services	917,748	933,456
Total health and social services	19,959,835	17,354,738
Law, justice and public safety:		
Judicial	408,966	412,334
Correction	1,007,223	1,030,535
Probation and Paroles	8,298	8,520
Military	417,234	264,835
Bureau of Criminal Investigation	90,878	91,901
Safety	255,952	257,759
Total law, justice and public safety	2,188,551	2,065,884
Recreation and resource development:		
Agriculture	203,007	180,164
Tourist Development	54,429	26,800
Environment and Conservation	262,429	235,101
Economic and Community Development	277,816	172,375
Total recreation and resources development	797,681	614,440
Regulation of business and professions:		
Commerce and Insurance	97,261	96,358
Financial Institutions	20,800	21,817
Total regulation of business and professions	118,061	118,175
Intergovernmental revenue sharing	-	1,000,870
Total expenditures by function and department	$ 24,401,560	$ 21,839,637

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Tennessee's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Contents **Page**

Financial Trends **232**
These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.

Revenue Capacity **237**
These schedules contain information to help the reader assess the state's most significant local revenue sources, the sales tax.

Debt Capacity **239**
These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future.

Demographic and Economic Information **241**
These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place.

Operating Information **242**
These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs.

Component Units **245**
These schedules contain debt information related to the University of Tennessee and the Tennessee Board of Regent's institutions – component units of the state. The schedules assist in understanding the resources available to pay debt service.

National Federation of Municipal Analysts Recommended Disclosures for State Debt **250**

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year. No adjustments have been made for prior period adjustments.

Schedule 1

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting, expressed in thousands)

(continued on next page)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government (3)	$ 942,465	$ 987,800	$ 959,641	$ 858,569	$ 981,862	$ 961,058	$ 870,036	$ 937,895	$ 1,143,546	$ 3,267,910
Education	7,018,189	7,083,806	7,383,077	7,302,492	7,507,413	7,927,694	8,234,390	8,576,479	8,898,197	9,495,761
Health and social services	13,952,342	14,079,899	13,912,421	14,258,216	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681	19,105,994
Law, justice, and public safety	1,567,730	1,539,288	1,612,248	1,522,333	1,605,231	1,692,610	1,784,864	1,848,904	2,127,958	2,255,348
Recreation and resources development	646,494	554,421	646,781	666,997	665,491	628,906	716,104	719,649	786,375	935,195
Regulation of business and professions	126,395	158,228	158,644	175,667	194,662	205,684	215,749	217,075	211,446	252,866
Transportation	1,012,399	1,062,091	1,126,744	1,126,447	1,045,959	1,282,462	1,213,247	1,474,457	1,507,127	1,328,049
Intergovernmental revenue sharing (3)	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229	-
Interest on long-term debt	62,119	71,933	67,520	60,622	60,891	58,503	62,430	62,928	58,733	51,097
Payments to fiduciary fund	58,453	22,386	827	400	680	664	372	-	-	-
Total governmental activities expenses	26,238,121	26,404,480	26,765,215	26,952,001	28,037,953	28,807,325	29,599,700	30,394,632	32,744,292	36,692,220
Business-type activities:										
Employment security (1)	1,232,324	750,529	451,470	289,415	241,852	232,690	222,988	205,234	3,969,607	3,931,631
Insurance programs	540,746	544,250	541,205	556,634	585,757	620,734	620,005	672,422	677,269	753,012
Loan programs	1,757	1,577	1,469	1,493	1,865	1,710	1,705	1,613	1,842	1,879
Other	620	163	76	68	367	216	1,014	305	83	695
Total business-type activities expenses	1,775,447	1,296,519	994,220	847,610	829,841	855,350	845,712	879,574	4,648,801	4,687,217
Total primary government expenses	$ 28,013,568	$ 27,700,999	$ 27,759,435	$ 27,799,611	$ 28,867,794	$ 29,662,675	$ 30,445,412	$ 31,274,206	$ 37,393,093	$ 41,379,437
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 673,945	$ 775,135	$ 812,528	$ 787,280	$ 796,608	$ 784,087	$ 1,019,219	$ 1,045,776	$ 1,066,858	$ 1,188,460
Education	56,898	85,722	73,276	58,961	50,274	40,849	38,385	30,633	70,672	67,395
Health and social services	772,850	714,788	756,038	957,133	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321	1,299,646
Law, justice, and public safety	125,879	139,622	140,123	137,905	161,110	168,808	161,132	159,868	153,575	150,230
Recreation and resources development	151,545	155,422	145,675	153,788	164,390	169,896	175,065	184,084	175,672	195,412
Regulation of business and professions	168,590	154,896	165,611	182,959	200,087	194,108	214,121	203,660	208,333	234,485
Transportation	29,601	35,470	31,863	45,840	56,466	59,301	63,670	65,208	57,902	60,841
Operating grants and contributions (4)	11,897,517	11,697,733	11,355,859	11,291,412	11,930,270	11,742,175	12,064,641	11,974,935	13,456,925	17,898,087
Capital grants and contributions	903,281	772,061	762,251	727,573	686,774	695,029	738,173	725,242	948,533	844,303
Total governmental activities program revenues	14,780,106	14,530,849	14,243,224	14,342,851	15,076,112	15,043,279	15,546,052	15,519,936	17,386,791	21,938,859
Business-type activities:										
Charges for services:										
Employment security	769,446	632,408	370,752	343,808	290,005	288,964	260,627	256,943	286,104	265,762
Insurance programs	542,756	569,982	598,209	581,436	565,174	599,635	652,846	702,429	719,987	728,280
Loan programs	15,600	12,450	8,897	8,865	9,214	10,255	11,386	11,850	12,233	12,135
Other	133	231	221	230	239	236	242	155	342	287
Operating grants and contributions (2)	749,005	327,928	134,026	64,053	85,287	57,418	88,198	76,576	3,696,938	3,599,778
Total business-type activities program revenues	2,076,940	1,542,999	1,112,105	998,392	949,919	956,508	1,013,299	1,047,953	4,715,604	4,606,242
Total primary government program revenues	$ 16,857,046	$ 16,073,848	$ 15,355,329	$ 15,341,243	$ 16,026,031	$ 15,999,787	$ 16,559,351	$ 16,567,889	$ 22,102,395	$ 26,545,101
Net (Expense)/Revenue										
Governmental activities	$ (11,458,015)	$ (11,873,631)	$ (12,521,991)	$ (12,609,150)	$ (12,961,841)	$ (13,764,046)	$ (14,053,648)	$ (14,874,696)	$ (15,357,501)	$ (14,753,361)
Business-type activities	301,493	246,480	117,885	150,782	120,078	101,158	167,587	168,379	66,803	(80,975)
Total primary government net expense	$ (11,156,522)	$ (11,627,151)	$ (12,404,106)	$ (12,458,368)	$ (12,841,763)	$ (13,662,888)	$ (13,886,061)	$ (14,706,317)	$ (15,290,698)	$ (14,834,336)

Schedule 1

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use	$ 6,884,762	$ 7,018,128	$ 7,276,443	$ 7,713,695	$ 8,258,134	$ 8,547,149	$ 8,831,333	$ 9,351,611	$ 9,624,865	$ 11,052,798
Fuel	842,133	834,956	843,164	862,156	899,631	915,415	1,099,342	1,170,828	1,189,072	1,216,037
Business	3,926,566	4,122,814	3,948,253	4,336,333	4,631,629	5,206,841	5,196,013	5,326,127	5,546,908	6,275,672
Other	608,762	648,193	641,244	719,370	722,040	627,070	624,585	607,748	543,952	672,243
Unrestricted investment earnings	772	4,144	7,079	6,121	15,076	36,148	84,104	151,602	108,918	9,376
Miscellaneous	253,489	282,705	221,138	224,064	243,432	234,586	284,299	193,899	239,300	282,720
Contributions to permanent funds	174	180	547	136	170	2,624	142	145	143	143
Transfers	(4,655)	(4,256)	(4,622)	(8,046)	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)	(8,611)
Total governmental activities	12,512,003	12,906,864	12,933,246	13,853,829	14,769,016	15,564,543	16,115,103	16,783,439	17,245,600	19,500,378
Business-type activities:										
Transfers	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611
Total business-type activities	4,655	4,256	4,622	8,046	1,096	5,290	4,715	18,521	7,558	8,611
Total primary government general revenues and other changes in net position	$ 12,516,658	$ 12,911,120	$ 12,937,868	$ 13,861,875	$ 14,770,112	$ 15,569,833	$ 16,119,818	$ 16,801,960	$ 17,253,158	$ 19,508,989
Changes in Net Position										
Governmental activities	$ 1,053,988	$ 1,033,233	$ 411,255	$ 1,244,679	$ 1,807,175	$ 1,800,497	$ 2,061,455	$ 1,908,743	$ 1,888,099	$ 4,747,017
Business-type activities	306,148	250,736	122,507	158,828	121,174	106,448	172,302	186,900	74,361	(72,364)
Total primary government	$ 1,360,136	$ 1,283,969	$ 533,762	$ 1,403,507	$ 1,928,349	$ 1,906,945	$ 2,233,757	$ 2,095,643	$ 1,962,460	$ 4,674,653

(1) The increase in expenses in the employment security program between fiscal years 2019 and 2020 is due to the extra benefits provided to the unemployed in response to the pandemic.

(2) The increase in operating grants and contributions for business-type activities between fiscal years 2019 and 2020 is primarily because of the extra benefits provided to the unemployed in response to the pandemic.

(3) The increase in expenses for general government between fiscal years 2020 and 2021 is primarily due to changes made because of the implementation of GASBS 84. Amounts previously reported in intergovernmental revenue sharing is now reported as general government.

(4) The increase in operating grants and contributions between fiscal years 2020 and 2021 is primarily because of increased COVID funding received from the federal government.

Schedule 2

STATE OF TENNESSEE
FINANCIAL TRENDS - NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets (3)	$ 25,628,600	$ 26,326,451	$ 26,855,523	$ 27,432,234	$ 28,201,282	$ 28,617,760	$ 29,616,706	$ 30,355,607	$ 31,425,755	$ 32,396,815
Restricted	1,172,812	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255
Unrestricted (1)(2)(4)	1,183,704	1,458,291	1,299,446	940,922	1,534,817	2,736,079	2,704,085	3,739,918	4,475,212	7,753,855
Total governmental activities net position	$ 27,985,116	$ 28,978,083	$ 29,397,293	$ 29,523,973	$ 31,331,148	$ 33,131,645	$ 34,402,355	$ 36,306,250	$ 38,208,170	$ 43,016,925
Business-type activities										
Net investment in capital assets	$									
Unrestricted	1,880,812	$ 2,134,924	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742	$ 3,068,103	$ 2,973,131
Total business-type activities net position	$ 1,880,812	$ 2,134,924	$ 2,264,747	$ 2,420,530	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742	$ 3,068,103	$ 2,973,131
Primary Government										
Net investment in capital assets	$ 25,628,600	$ 26,326,451	$ 26,855,523	$ 27,432,234	$ 28,201,282	$ 28,617,760	$ 29,616,706	$ 30,355,607	$ 31,425,755	$ 32,396,815
Restricted	1,172,812	1,193,341	1,242,324	1,150,817	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255
Unrestricted	3,064,516	3,593,215	3,564,193	3,361,452	4,076,521	5,384,231	5,510,927	6,733,660	7,543,315	10,726,986
Total primary government net position	$ 29,865,928	$ 31,113,007	$ 31,662,040	$ 31,944,503	$ 33,872,852	$ 35,779,797	$ 37,209,197	$ 39,299,992	$ 41,276,273	$ 45,990,056

(1) The increase in unrestricted net position between fiscal years 2015 and 2016 is mostly attributable to the increase in cash and cash equivalents caused by an increase in revenue collections from business and sales taxes.

(2) The increase in unrestricted net position between fiscal years 2016 and 2017 and between 2018 and 2019 is attributable to (1) the increase in cash and cash equivalents caused by an increase in revenue collections from business and sales taxes. The increase between 2016 and 2017 is also attributable to a correction of a federal billing issue from fiscal year 2016.

(3) The increase in net investment in capital assets between fiscal years 2017 and 2018 is mostly attributable to an increase in infrastructure.

(4) The increase in unrestricted net position between fiscal years 2020 and 2021 is attributable to the increase in cash and cash equivalents caused by an increase in federal revenue and an increase in tax revenue.

Schedule 3

STATE OF TENNESSEE
FINANCIAL TRENDS - FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	$ 18,609	$ 21,349	$ 21,075	$ 20,184	$ 18,765	$ 25,117	$ 21,208	$ 23,489	$ 31,111	$ 65,465
Restricted	63,192	73,346	68,331	69,540	71,304	73,855	73,202	92,579	102,123	165,341
Committed	286,918	355,546	281,969	302,603	314,545	334,316	372,189	362,881	487,351	640,562
Assigned (1)	1,250,677	1,585,964	1,138,496	1,285,945	1,612,001	2,263,154	1,949,089	2,298,179	3,265,698	4,688,970
Unassigned (2)	698,663	476,264	567,286	885,215	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074	3,770,577
Total general fund	$ 2,318,059	$ 2,512,469	$ 2,077,157	$ 2,563,487	$ 3,241,079	$ 3,704,870	$ 3,825,806	$ 4,428,825	$ 5,562,357	$ 9,330,915
All Other Governmental Funds										
Nonspendable	$ 147,468	$ 150,579	$ 153,004	$ 519,590	$ 525,078	$ 531,981	$ 536,481	$ 561,387	$ 569,348	$ 586,808
Restricted	980,972	990,317	1,024,350	575,853	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138	2,152,028
Committed	344,696	398,864	396,298	389,401	373,312	336,412	379,483	391,014	436,241	439,218
Assigned	672,610	575,300	759,845	736,691	787,006	1,148,144	1,596,551	1,612,649	1,552,641	1,258,390
Unassigned										
Total all other governmental funds	$ 2,145,746	$ 2,115,060	$ 2,333,497	$ 2,221,535	$ 2,706,201	$ 3,223,989	$ 4,020,488	$ 4,148,337	$ 4,225,368	$ 4,436,444

(1) The increase in assigned fund balance for the general fund between fiscal years 2019 and 2020 is primarily because of an increase in the reserve for supplemental appropriation and an increase in carry forwards. The increase in assigned fund balance between the fiscal years 2020 and 2021 is primarily because of increases in carry forwards, supplemental appropriations, and the civil defense reserve.

(2) The increase in unassigned fund balance for the general fund between fiscal years 2020 and 2021 is primarily because of an increase between the reserve fluctuations and future requirements.

Schedule 4

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Revenues										
Taxes	$ 12,280,198	$ 12,605,171	$ 12,762,694	$ 13,717,684	$ 14,536,940	$ 15,151,281	$ 15,694,388	$ 16,391,417	$ 17,176,466	$ 19,360,005
Licenses, fines, fees, and permits	731,752	725,785	727,158	799,462	913,535	973,810	1,058,073	1,081,355	1,055,468	1,142,138
Interest on investments	17,411	35,987	67,117	27,865	56,708	89,231	119,676	234,307	187,336	221,890
Federal (7)	12,334,256	12,085,185	11,750,878	11,601,522	12,126,450	11,915,967	12,245,029	12,098,767	13,820,131	17,989,966
Departmental services	2,077,429	1,933,141	1,994,334	2,108,043	2,170,683	2,392,179	2,342,471	2,333,469	2,501,103	2,747,234
Other	595,305	630,355	604,336	584,672	647,996	622,690	734,439	639,714	677,192	787,368
Total revenues	28,036,351	28,015,624	27,906,517	28,839,248	30,452,312	31,145,158	32,194,076	32,779,029	35,417,696	42,248,601
Expenditures										
Current:										
General government (5)	575,919	538,243	553,807	565,415	573,475	654,354	683,678	689,119	710,720	2,788,937
Education	6,828,619	6,875,325	7,182,444	7,140,936	7,322,279	7,778,143	8,134,979	8,364,522	8,557,814	9,245,643
Health and social services	14,807,999	14,668,483	14,493,610	14,906,413	15,600,711	15,655,566	15,875,861	16,007,652	17,354,738	19,959,835
Law, justice, and public safety	1,528,766	1,499,252	1,555,028	1,552,156	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747	2,195,107
Recreation and resources development	705,043	655,168	711,526	757,166	777,748	736,884	797,848	821,557	849,015	1,012,134
Regulation of business and professions	135,877	164,673	165,238	187,360	205,830	215,733	222,903	229,082	224,307	261,952
Transportation	1,952,887	1,864,946	1,753,581	1,708,328	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900	2,135,196
Intergovernmental revenue sharing (5)	851,535	844,628	897,312	980,258	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229	
Debt service:										
Principal	115,935	274,858	142,643	313,050	246,503	296,444	267,376	153,111	292,993	150,764
Interest	65,471	76,041	75,155	68,325	67,409	71,817	75,163	75,165	73,246	67,305
Debt issuance costs	4,793	2,659	1,452	1,741	2,324	2,225	2,193	1,741	2,093	1,581
Capital outlay	483,279	515,999	491,077	406,396	469,307	462,231	339,789	408,337	562,098	521,160
Total expenditures	28,056,123	27,980,275	28,022,873	28,587,544	29,601,729	30,368,626	31,392,703	32,024,587	34,315,900	38,339,614
Revenues over (under) expenditures	(19,772)	35,349	(116,356)	251,704	850,583	776,532	801,373	754,442	1,101,796	3,908,987
Other Financing Sources (Uses)										
Bonds and commercial paper issued	637,868	290,178	91,281	143,200	447,222	274,348	243,419	69,256	187,650	46,732
Commercial paper redeemed	(201,235)									
Insurance claim recoveries	2,734	1,061	1,335	1,597	1,288	725	1,058	367	1,099	673
Premium on bond sale	37,069			10,308	53,170	42,335	25,282		315	
Refunding bonds issued (1)	464,809	25,713								
Refunding bond premium (1)	88,775	11,672		81,321	98,390	214,452	36,059			
Refunding payment to escrow (1)	(552,898)	(25,473)		(81,092)	(98,159)	(214,016)	(35,976)			
Other										
Proceeds from pledged revenue	58,453	22,183	472							
Transfers in (6)	1,285,701	1,361,860	1,561,780	1,173,753	1,229,231	1,711,662	2,028,533	1,550,136	1,982,336	677,894
Transfers out (2) (3) (4)	(1,366,400)	(1,545,068)	(1,763,423)	(1,206,423)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)	(716,389)
Total other financing sources (uses)	454,876	142,126	(108,555)	122,664	311,675	205,047	72,846	333	108,767	8,910
Net Change in Fund Balances	$ 435,104	$ 177,475	$ (224,911)	$ 374,368	$ 1,162,258	$ 981,579	$ 874,219	$ 754,775	$ 1,210,563	$ 3,917,897
Debt Service as a Percentage of Noncapital Expenditures	0.6910%	1.3065%	0.8050%	1.3743%	1.0971%	1.2523%	1.1326%	0.7406%	1.1082%	0.5900%

Note: T.C.A 67-1-1702 requires returns, tax information, and tax administration information to remain confidential except as authorized by said T.C.A.

(1) The state issued approximately $500 million less in refunding bonds in FY 2013 than in the prior year resulting in significant decreases to refunding bonds issued, premiums and payments to escrow.
(2) The decrease in transfers out between 2014 and 2015 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the debt service fund, and transfers out for the leasing of buildings.
(3) The decrease in transfers out between 2018 and 2019 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the facilities revolving fund, and to the highway fund.
(4) The decrease in transfers out between 2020 and 2021 is due primarily to a reduction of transfers out from the general fund to the capital projects fund and the education fund.
(5) The increase in general government expenditures between 2020 and 2021 is due primarily to changes made because of the implementation of GASBS 84. Amounts previously reported as intergovernmental revenue sharing is now reported in general government.
(6) The decrease in transfers in between 2020 and 2021 is due primarily to a reduction of transfers in to the capital projects fund and the education fund from the general fund.
(7) The increase in federal revenue between 2020 and 2021 is due primarily to COVID funding.

Schedule 5

STATE OF TENNESSEE
REVENUE CAPACITY - TAXABLE SALES BY CLASSIFICATION
LAST TEN CALENDAR YEARS
(expressed in millions)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Auto dealers	$ 8,429	$ 9,275	$ 9,827	$ 10,558	$ 11,789	$ 12,609	$ 12,868	$ 13,336	$ 13,920	$ 14,066
Purchases from manufacturers	4,009	4,042	4,170	4,460	4,876	5,205	5,478	5,938	6,448	6,781
Miscellaneous durable goods	15,583	16,372	16,804	17,542	18,614	20,127	21,351	22,638	24,017	26,087
Eating and drinking places	9,507	10,197	10,576	11,196	12,032	12,612	12,916	13,685	15,099	13,101
Food stores	9,216	9,690	10,249	10,696	11,102	11,513	12,120	12,791	13,208	14,503
Liquor stores	728	793	836	894	971	975	908	973	1,056	1,314
Hotels and motels	2,333	2,488	2,539	2,881	3,223	3,600	3,606	3,834	4,712	2,990
Other retail and service	28,756	30,178	31,134	32,884	34,916	36,531	38,036	41,281	43,604	47,165
Miscellaneous nondurable goods	7,987	8,423	8,693	9,046	9,466	9,902	9,874	10,414	10,796	10,325
Transportation, communication	7,085	6,560	6,396	6,306	6,491	6,388	8,094	8,819	8,810	7,792
Total taxable sales	$ 93,633	$ 98,018	$ 101,224	$ 106,463	$ 113,480	$ 119,462	$ 125,251	$ 133,709	$ 141,670	$ 144,124

Source: An Economic Report to the Governor of the State of Tennessee January 2021

Schedule 6

STATE OF TENNESSEE
REVENUE CAPACITY - SALES AND USE TAX RATES
LAST TEN FISCAL YEARS

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
General Rate applied to gross proceeds derived from the retail sale or use of tangible personal property and specific services	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Rates for specific items or services:										
Retail sale of food and food ingredients for human consumption (except vending machines)	5.50%	5.50%	5.25%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%
Energy fuels used by manufacturers and nurserymen	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Water used by manufacturers	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Manufactured homes	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Aviation fuel	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Common carriers	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Interstate telecommunication services sold to businesses	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Cable and wireless TV (between $15 and $27.50) and satellite services	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Additional tax added to the general rate for single article sales of personal property ($1,601 to $3,200)	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

Source: State of Tennessee Budget; Department of Finance and Administration, Division of Budget
Note: Please see the Budget Document for more information on the sales and use tax basis of apportionment.

Schedule 7

STATE OF TENNESSEE

REVENUE CAPACITY - SALES AND USE TAX COLLECTIONS BY TAXPAYER CLASSIFICATION

LAST TEN FISCAL YEARS

(expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retail:										
Building materials	$ 355,263	$ 354,513	$ 371,086	$ 392,853	$ 430,312	$ 468,750	$ 492,326	$ 528,112	$ 585,686	$ 737,200
General merchandise	840,896	836,055	845,407	854,971	889,297	895,864	881,916	883,068	911,558	983,751
Food stores	539,402	546,972	555,692	579,660	595,739	618,427	571,341	580,520	629,611	658,854
Auto dealers and service stations	830,875	869,748	933,751	1,013,333	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167	1,481,269
Apparel and accessory stores	205,480	215,308	217,170	228,680	238,993	239,541	242,207	254,355	232,224	276,847
Furniture and home furnishings	224,096	221,025	228,231	250,667	268,657	281,955	291,561	301,500	302,089	340,370
Eating and drinking places	653,210	681,255	706,095	757,929	809,367	838,150	845,819	928,084	911,187	963,720
Miscellaneous retail stores	613,097	637,761	664,927	736,728	812,020	818,129	848,254	895,942	973,829	1,366,377
Total retail	4,262,319	4,362,637	4,522,359	4,814,821	5,168,131	5,338,029	5,357,613	5,601,858	5,819,351	6,808,388
Services:										
Hotels and lodging places	160,868	164,403	175,227	198,123	224,621	236,505	238,462	278,372	258,284	227,242
Personal services	47,932	49,145	49,724	52,239	52,236	52,465	53,561	56,184	51,283	51,064
Business services	249,083	260,000	273,397	276,961	298,046	304,629	322,692	381,851	420,766	564,858
Auto repair, services, and parking	176,923	172,698	178,693	189,611	204,497	208,532	215,481	235,740	254,280	265,114
Miscellaneous repair services	24,384	25,636	26,807	27,823	31,070	32,770	32,560	35,385	42,269	61,923
Motion pictures	18,972	18,323	18,900	18,160	19,341	19,517	18,459	22,196	21,255	14,584
Amusement services	63,922	69,280	73,891	81,249	90,027	96,706	103,495	118,017	113,024	101,452
Health services	15,122	10,750	15,463	14,956	17,232	17,497	17,497	17,274	21,853	24,937
Other services	42,200	37,140	40,659	45,803	46,006	43,365	41,153	61,805	64,392	59,312
Total services	799,406	807,375	852,761	904,925	983,076	1,011,986	1,043,360	1,206,824	1,247,406	1,370,486
Non-retail, non-services:										
Agriculture, forestry, fishing	7,257	7,096	7,304	7,189	7,957	7,939	7,835	7,886	8,886	11,165
Mining	6,491	5,814	6,765	6,822	7,727	7,787	8,153	9,005	10,016	14,202
Construction	49,782	51,094	54,483	56,717	65,278	65,093	76,564	77,913	93,038	93,659
Manufacturing	255,062	256,157	264,955	289,940	317,036	336,122	350,115	386,048	411,045	489,582
Transportation	43,525	40,728	29,009	35,272	33,769	31,262	35,741	42,624	64,255	18,516
Communications	416,347	387,780	379,013	393,980	391,511	416,319	524,788	530,000	496,669	477,608
Electric, gas, and sanitary services	239,531	239,441	245,644	252,014	247,867	260,315	263,119	269,974	263,079	265,472
Wholesale trade	438,113	436,411	447,524	460,079	499,421	527,466	551,886	606,481	621,583	697,362
Finance, insurance, real estate	13,847	14,620	15,207	18,676	22,661	29,816	32,953	37,674	40,508	47,400
Total non-retail, non-services	1,469,955	1,439,141	1,449,904	1,520,689	1,593,227	1,682,119	1,851,154	1,967,605	2,009,079	2,114,966
County Clerk	134,188	133,101	143,818	152,856	172,516	184,186	194,694	206,532	205,404	294,318
Consumer Use Tax	6,334	4,293	5,636	6,006	6,138	5,774	9,354	10,714	15,865	12,536
Flood Relief Tax Rebate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Relief Tax Rebate	(121)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unclassified (1) (2)	208,275	258,465	279,555	278,851	305,095	321,652	431,459	417,390	359,511	420,623
Grand Total	$ 6,880,356	$ 7,005,012	$ 7,254,033	$ 7,678,148	$ 8,228,183	$ 8,543,746	$ 8,887,634	$ 9,410,923	$ 9,656,616	$ 11,021,317
Grand total as a percent of annual aggregate state tax collections	60.62%	59.76%	61.62%	60.53%	61.08%	61.05%	61.01%	61.22%	63.96%	59.97%

Source: Revenue Collections Reports, Tennessee Department of Revenue

Notes: T.C.A. 67-1-1702 requires returns, tax information and tax administration information to remain confidential except as authorized by said T.C.A.
N/A means not available

(1) The 2012 report differed from the 2013 report in that it did not include Unclassified as a category. However, the 2013 report included the amount for 2012 and 2013. FY 2012 grand total was revised to include this amount.

(2) The 2018 report differed from the 2017 report for the total reported for Unclassified. FY 2017 was revised to reflect the amount reported in FY 2018.

Schedule 8

STATE OF TENNESSEE
DEBT CAPACITY - RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(expressed in thousands; except for per capita)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities debt:										
General obligation bonds	$ 2,112,602	$ 2,172,630	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713
General obligation commercial paper	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343
Capital leases	14,666	13,790	21,798	20,599	20,943	19,394	17,900	16,538	14,783	11,904
Annuities							400	700	1,700	1,800
Total governmental activities debt	2,325,038	2,401,566	2,342,622	2,178,722	2,389,853	2,375,231	2,343,833	2,234,223	2,087,194	1,992,760
Business-type activities debt:										
General obligation bonds										
Total business-type activities debt										
Total primary government debt	$ 2,325,038	$ 2,401,566	$ 2,342,622	$ 2,178,722	$ 2,389,853	$ 2,375,231	$ 2,343,833	$ 2,234,223	$ 2,087,194	$ 1,992,760
Debt Ratios										
Personal income	$ 243,018,000	$ 256,814,000	$ 266,467,000	$ 277,316,000	$ 287,851,000	298,646,000	318,668,000	333,927,000	346,376,000	N/A
Ratio of total debt to personal income	0.96%	0.94%	0.88%	0.79%	0.83%	0.80%	0.74%	0.67%	0.60%	
Population	6,456	6,496	6,549	6,600	6,651	6,716	6,770	6,829	6,887	N/A
Net general bonded debt per capita	$ 358	$ 368	$ 354	$ 327	$ 359	354	344	327	303	
General Bonded Debt:										
General obligation bonds	$ 2,112,602	$ 2,172,630	$ 1,996,458	$ 1,960,437	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713
General obligation commercial paper	197,770	215,146	324,366	197,686	245,536	192,956	165,176	237,396	120,996	207,343
Assets restricted for debt principal										
Total net bonded debt	$ 2,310,372	$ 2,387,776	$ 2,320,824	$ 2,158,123	$ 2,370,433	$ 2,355,837	$ 2,325,533	$ 2,216,985	$ 2,070,711	$ 1,979,056
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	41.65%	43.11%	42.55%	50.24%	49.20%	52.98%	57.70%	60.52%	68.79%	83.69%

Source: State of Tennessee Annual Comprehensive Financial Report
and the University of Tennessee Economic Report to the Governor

Notes: (1) N/A - not available because the source did not provide the data.
(2) See Schedule 10 for personal income and population data.
(3) Details of the state's debt can be found in Note 12 in the basic financial statements.

Schedule 9

STATE OF TENNESSEE
DEBT CAPACITY - LEGAL DEBT SERVICE MARGIN INFORMATION
LAST TEN FISCAL YEARS
(expressed in thousands)

Debt Capacity(1)*

State tax revenues allocated for FYE June 30, 2020 to:			
General fund	$ 12,249,865	*	
Debt service fund	330,100	*	
Highway fund	992,553	*	
Total allocated revenues		$	13,572,518
Legal debt service limit (10% of total allocated revenues)			1,357,252
Less: maximum annual debt service at June 30, 2021			221,214 *
Legal debt service margin		$	1,136,038

* Obtained from the Division of State Government Finance

Debt Capacity- Ten Year Trend(1)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	$ 641,583	$ 686,288	$ 648,934	$ 637,424	$ 1,168,731	$ 1,240,437	$ 1,291,287	$ 1,325,575	$ 1,399,146	$ 1,357,252
Total net debt service applicable to limit	209,820	243,779	227,401	225,620	241,023	240,693	238,098	229,977	228,126	221,214
Legal debt service margin	$ 431,763	$ 442,509	$ 421,533	$ 411,804	$ 927,708	$ 999,744	$ 1,053,189	$ 1,095,598	$ 1,171,020	$ 1,136,038
Legal debt service margin as a percentage of the debt limit	67.30%	64.48%	64.96%	64.60%	79.38%	80.60%	81.56%	82.65%	83.70%	83.70%

(1) Prior to July 1, 2013, in order to issue debt, the state had to have accumulated 150% of the amount necessary to pay annual interest and principal on debt obligations. As of July 1, 2013, the debt capacity test will be calculated as shown under the debt capacity heading. The debt capacity test is based on the allocated tax revenues of the immediately preceding fiscal year.

Pledged Revenues(2)

	Collections for Fiscal Year 2021		Fiscal Year 2021
	Portion Pledged	All Governmental Fund Types	Pledged Amount
Gasoline tax	25%	$ 841,299	$ 210,325
Petroleum products fee	100%	68,283	68,283
Motor vehicle registration fee	50%	310,415	155,208
Franchise tax	100%	1,222,480	1,222,480
		$ 2,442,477	$ 1,656,295

(2) This pledge of "Special Taxes" is made for general obligation bonds issued prior to July 1, 2013. The final maturity of such bonds is October 1, 2032. Thereafter (or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013), this pledge of special taxes will expire. All state general obligation bonds and notes constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state.

Schedule 10

STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
FOR THE LAST TEN CALENDAR YEARS
(expressed in thousands; except per capita)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Population	6,403 (est)	6,456 (est)	6,496 (est)	6,549 (est)	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)	6,829 (est)	6,887 (est)
Total personal income	$ 232,832,000	$ 243,018,000	$ 256,814,000	$ 266,467,000	$ 277,316,000	$ 287,851,000	$ 298,646,000	$ 318,668,000	$ 333,927,000	$ 346,376,000
Per capita personal income	$ 38,233	$ 39,682	$ 40,734	$ 42,241	$ 44,209	$ 46,805	$ 47,472	$ 49,490	$ 52,049	$ 54,225
Unemployment rate	9.1%	8.0%	8.2%	6.9%	5.9%	4.8%	3.0%	3.7%	3.5%	7.4%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	12.9%	11.6%	12.3%	11.9%	7.8%	9.3%	8.8%	5.6%	5.2%	N/A
Government	4.4%	5.6%	5.1%	3.3%	0.2%	0.8%	2.3%	0.9%	1.8%	N/A
Education and Health Services	5.0%	4.9%	5.1%	4.6%	2.6%	3.5%	2.3%	2.3%	1.9%	N/A
Professional and Business Services	11.8%	7.3%	10.1%	8.0%	7.0%	4.6%	5.1%	5.0%	4.6%	N/A
Manufacturing	10.2%	7.7%	6.6%	6.9%	5.7%	7.9%	3.7%	3.5%	3.9%	N/A
Leisure and Hospitality	14.3%	12.2%	7.6%	7.0%	9.4%	6.4%	5.1%	7.4%	4.8%	N/A
Financial Activities	8.0%	4.2%	5.4%	2.4%	3.0%	2.1%	1.6%	0.8%	1.4%	N/A
Natural Resources, Mining, and Construction	20.1%	25.3%	19.2%	9.3%	8.3%	5.3%	3.5%	3.3%	3.1%	N/A
Other Services	8.0%	7.8%	6.3%	4.1%	7.2%	2.8%	1.6%	1.2%	2.8%	N/A
Information	2.8%	6.3%	6.8%	6.6%	N/A	N/A	N/A	N/A	N/A	N/A

Source: Population from www.census.gov; Unemployment rate by sector from www.bls.gov
All other from the University of Tennessee Economic Report to the Governor 2021

Notes: N/A means not available

STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
FOR THE LAST CALENDAR YEAR
(expressed in percentage)

Monthly Unemployment Rate

	Calendar Year 2020
January	3.8%
February	3.8%
March	3.2%
April	15.0%
May	10.7%
June	10.1%
July	10.1%
August	8.6%
September	6.4%
October	7.2%
November	5.0%
December	6.2%

Source: https://www.jobs4tn.gov

Schedule 11

STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION - EMPLOYMENT BY INDUSTRY
PRIOR YEAR AND NINE YEARS AGO

	2020			2011		
Industry	**Number of Employees**	**Rank**	**Percentage of Total Nonagricultural Wage and Salary Employment**	**Number of Employees**	**Rank**	**Percentage of Total Nonagricultural Wage and Salary Employment**
Trade, Transportation, and Utilities	636,900	1	21.19%	561,600	1	21.10%
Government	429,300	3	14.28%	425,600	2	15.99%
Education and Health Services	433,700	2	14.43%	386,200	3	14.51%
Professional and Business Services	408,800	4	13.60%	324,200	4	12.18%
Manufacturing	327,800	5	10.90%	302,400	5	11.36%
Leisure and Hospitality	304,400	6	10.13%	267,600	6	10.05%
Financial Activities	174,200	7	5.79%	139,200	7	5.23%
Natural Resources, Mining, and Construction	131,700	8	4.38%	108,700	8	4.08%
Other Services	115,500	9	3.84%	102,100	9	3.84%
Information	43,800	10	1.46%	44,000	10	1.65%
Total	3,006,100		100.00%	2,661,600		100.00%
	Calendar Year 2020			Calendar Year 2011		
Total State Employment	3,222,137			2,845,020		

Source: An Economic Report to the Governor of the State of Tennessee January 2021 and the Tennessee Department of Labor and Workforce Development Website

Note: TCA 50-7-701 states, "Information thus obtained pursuant to the administration hereof shall be held confidential and shall not be published or be open to public inspection in any manner revealing the individual's or the employing unit's identity." This TCA prohibits the release of principal employer information from the Tennessee Department of Labor and Workforce Development. The above schedule is being presented as an alternative to the principal employer schedule.

Schedule 12

STATE OF TENNESSEE
OPERATING INFORMATION - FULL TIME EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

Function	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
General government	4,705	4,703	4,327	4,299	4,348	4,740	5,126	5,471	5,503	5,430
Education	1,128	1,259	1,118	1,122	1,167	1,357	1,332	1,317	1,130	1,129
Health and social services	17,453	17,036	16,735	16,209	15,546	15,449	15,366	15,098	15,635	15,033
Law, justice and public safety	10,592	10,940	11,249	10,826	10,675	10,839	10,707	10,518	10,836	10,321
Recreation and resources development	3,515	3,458	3,431	3,441	3,377	3,394	3,420	3,363	3,377	3,354
Regulation of business and professions	706	711	724	716	688	685	696	725	669	668
Transportation	3,809	3,678	3,439	3,355	3,487	3,838	3,953	4,078	4,070	4,008
Total	41,908	41,785	41,023	39,968	39,288	40,302	40,600	40,570	41,220	39,943

Source: Department of Human Resources

Schedule 13

STATE OF TENNESSEE

OPERATING INFORMATION - CAPITAL ASSET STATISTICS BY FUNCTION

FOR THE LAST TEN FISCAL YEARS

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Motor pool vehicles	6,530	6,280	6,181 (1)	4,462	4,374	4,265	4,272	4,268	4,207	4,430
Buildings	110	110	97	81	78	79	83	83	81	82
Machinery and equipment	4,121	5,895	6,772	6,745	6,896	7,117	7,222	7,211	7,345	7,450
Education										
Number of residential schools	5	5	5	5	5	5	5	5	4	4
Machinery and equipment	307	229	222	187	211	209	245	242	242	238
Health and social services										
Buildings	314	330	346	340	346	345	345	343	342	326
Machinery and equipment	2,862	3,020	3,357	3,499	3,746	3,957	3,602	3,645	3,589	3,714
Law, justice and public safety										
Correctional facilities	19	20	20	20	19	18	18	18	18	18
Armories	83	83	83	82	82	82	81	81	81	81
Machinery and equipment	4,506	5,246	6,441	6,452	6,803	6,772	6,934	7,136	7,586	8,012
Recreation and resources development										
Acreage of state parks	191,563	184,521	188,573	189,102	190,941	200,248	201,925	203,213	210,012	207,296
Machinery and equipment	3,075	3,220	3,198	3,245	3,256	3,344	3,387	3,435	3,522	3,625
Regulation of business and professions										
Machinery and equipment	151	169	230	240	841	836	816	820	751	704
Transportation										
State highways (in miles)	13,877	13,884	13,898	13,884	13,877	13,884	13,890	13,890	14,464	14,467
Bridges, state and local highways	19,659	19,729	19,746	19,776	19,793	19,840	19,858	19,903	19,918	20,010
Facilities	122	122	122	122	122	122	123	122	122	122
Buildings	754	754	755	754	752	758	769	742	772	779

Source: various state agencies

Note: (1) In previous years this number included equipment in addition to vehicles. Equipment should not be included.

Schedule 14

STATE OF TENNESSEE
OPERATING INFORMATION - OPERATING INDICATORS
FOR THE LAST TEN FISCAL YEARS

Function		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government											
Tax returns processed (1)		3,670,716	3,914,540	4,682,702	4,519,309	5,068,829	5,326,693	4,518,104	2,117,373	2,115,790	2,411,391
New corporate charters registered		9,618	9,702	9,781	10,325	10,857	10,794	11,092	11,474	11,337	10,483
Investment return on total portfolio		0.12%	0.11%	0.12%	0.25%	0.50%	1.05%	2.05%	1.83%	0.21%	0.07%
Residential and commercial property reappraisals completed		185,965	1,495,789	640,264	338,538	547,191	1,389,649	549,487	484,498	341,527	1,501,060
Education											
Number of public schools (K-12)		1,784	1,797	1,823	1,811	1,833	1,819	1,749	1,836	1,837	N/A
Enrollment of public schools (K-12)		935,317	993,256	993,841	995,892	997,893	999,701	975,222	971,956	980,537	N/A
Number of high school graduates from public schools		62,157	62,019	61,838	62,632	64,079	64,987	64,855	61,817	61,550	N/A
Health and social services											
TennCare enrollees		1,213,521	1,187,082	1,271,151	1,429,411	1,550,066	1,397,400	1,418,732	1,412,603	1,449,437	1,590,298
Supplemental Nutrition Assistance Program		1,200,000	1,200,000	1,280,000	1,191,500	1,094,644	1,037,928	931,658	889,451	846,867	856,022
Percentage of population (3)		18.74%	18.59%	19.70%	18.19%	16.59%	15.61%	13.87%	13.14%	12.40%	12.43%
Temporary assistance recipients		57,000	57,000	57,000	37,041	29,889	25,496	21,732	19,030	15,746	13,170
Percentage of population (3)		0.89%	0.88%	0.88%	0.57%	0.45%	0.38%	0.32%	0.28%	0.23%	0.19%
Children in state custody (2)		8,533	8,960	8,552	8,558	8,436	8,235	8,688	9,040	8,387	8,887
Percentage of population (3)		0.13%	0.14%	0.13%	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%	0.13%
Mental health institutes average daily census		517	480	479	493	488	506	492	452	431	453
Law, justice and public safety											
Correctional institutions average daily census		29,231	29,654	29,758	29,571	29,103	29,729	30,242	30,453	29,447	25,459
Department of Safety citations issued		340,575	381,588	419,122	414,310	432,832	447,417	473,410	412,046	267,662	231,336
Drivers licenses issued		1,714,905	1,734,205	1,741,379	1,732,106	1,793,921	1,769,595	1,910,190	1,748,933	1,815,168	1,524,740
Recreation and resources development											
Hunting/fishing licenses and boats registered	(est.)	586,839	538,971	569,447	577,577	537,412	511,673	556,892	562,821	541,159	791,685
Wetland acres acquired	(est.)	1,604	1,127	1,598	102,938	2,050	8,610	2,103	1,540	604	1,130
Number of visitors to state parks		31,036,603	29,881,059	32,063,100	33,452,320	34,004,609	37,025,015	38,798,379	36,553,885	34,726,347	38,479,604
Air pollution monitoring sites		32	41	40	33	36	32	30	28	27	27
Regulation of business and professions											
Fire safety inspections		27,058	25,601	27,724	16,508	14,037	13,742	13,959	17,046	15,948	15,993
Consumer affairs written complaints		5,541	5,407	5,447	4,654	3,821	3,704	3,783	4,283	3,966	3,806
Transportation											
Lane miles resurfaced		2,298	2,596	2,447	2,239	2,219	2,585	2,914	2,234	1,991	2,041
HELP program services provided		130,941	118,773	124,823	113,429	135,058	145,755	128,311	132,617	124,726	108,943

Source: Tennessee fact book, various state agencies

Notes:
(1) Tennessee does not tax employment income.
(2) Children who are abused/dependent, neglected, delinquent, or unruly.
(3) Population figures used in calculating percentages are from schedule 10.
(4) N/A indicates that data is unavailable.

Schedule 15

STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

University of Tennessee

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 584,147	$ 411,729		$ 51,469
2013	619,399	432,636		52,859
2014	650,337	467,845		55,821
2015	700,757	475,416		55,553
2016	746,986	499,862		70,543
2017	780,867	555,401		73,722
2018	802,063	573,017		73,608
2019	817,348	612,411		76,662
2020	817,336	646,000		84,562
2021	818,094	673,823		72,059

University of Memphis

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 259,510	$ 85,464		$ 8,589
2013	265,206	87,347		8,511
2014	183,140	89,106		8,469
2015	240,892	89,332		10,655
2016	190,286	95,140		10,626
2017	279,668	102,441		10,926
2018	287,128	110,827		12,310
2019	297,757	117,771		10,651
2020	316,873	123,371		13,819
2021	291,477	125,090		14,682

Austin Peay State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 85,043	$ 26,108		$ 3,330
2013	85,725	28,538		4,343
2014	74,084	32,995		6,014
2015	78,013	34,240		6,096
2016	76,777	36,984		6,329
2017	98,754	40,379		6,332
2018	104,309	44,622		6,212
2019	109,008	47,857		6,199
2020	108,137	50,503		6,171
2021	109,841	51,600		5,144

Middle Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 218,283	$ 73,424		$ 14,780
2013	232,344	77,194		17,575
2014	180,748	81,025		19,641
2015	199,239	82,830		19,122
2016	191,688	85,857		19,914
2017	238,777	90,753		19,507
2018	245,313	97,004		19,497
2019	254,263	103,216		18,926
2020	256,646	107,749		18,122
2021	256,405	108,818		16,529

East Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 177,436	$ 75,182	$ 1,399	$ 9,142
2013	192,055	78,825		9,926
2014	115,941	83,697		12,028
2015	139,579	83,129		11,439
2016	155,854	88,042		11,475
2017	177,156	93,319		11,442
2018	189,529	101,356		11,442
2019	248,232	107,768		11,748
2020	245,083	114,689		13,079
2021	235,241	117,664		13,737

Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 97,171	$ 35,096		$ 4,056
2013	97,174	36,748		4,237
2014	75,307	38,742		4,241
2015	92,297	38,216		3,600
2016	87,608	39,199		3,793
2017	121,323	41,277		3,443
2018	119,436	44,611		3,345
2019	105,990	47,442		3,387
2020	101,250	53,899		3,595
2021	106,342	52,074		3,696

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

Tennessee Technological University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 100,915	$ 35,086		$ 3,102
2013	110,217	37,289		3,479
2014	93,241	39,560		4,079
2015	112,938	38,394		4,052
2016	99,705	39,297		4,077
2017	126,856	42,671		4,094
2018	127,641	47,231		4,038
2019	126,042	55,021		3,782
2020	129,056	60,098		6,183
2021	128,559	61,455		9,675

Dyersburg State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 10,626	$ 6,305		
2013	10,647	6,744		
2014	9,151	7,369		
2015	8,992	7,446		
2016	9,098	8,097		
2017	9,327	8,632		
2018	9,938	9,397		
2019	10,486	9,737		
2020	10,467	10,409		
2021	10,468	10,817		

Chattanooga State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 36,319	$ 19,810		$ 285
2013	36,895	21,485		351
2014	32,676	26,144		374
2015	33,207	26,063		301
2016	34,152	27,541		279
2017	33,350	29,342		283
2018	33,654	31,145		287
2019	34,472	31,960		282
2020	33,811	33,363		286
2021	29,852	33,398		268

Jackson State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 16,009	$ 10,222		
2013	14,918	10,625		
2014	13,749	11,166		
2015	15,088	10,825		
2016	15,166	11,645		
2017	15,855	12,406		
2018	15,936	13,574		
2019	16,718	14,231		
2020	18,065	14,879		
2021	17,371	15,010		

Cleveland State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 11,373	$ 8,721		$ 45
2013	11,377	8,686		45
2014	11,513	8,898		45
2015	11,264	8,864		44
2016	11,059	9,160		44
2017	11,294	9,762		44
2018	10,636	10,998		44
2019	11,739	11,155		44
2020	12,698	12,179		41
2021	13,319	12,050		41

Columbia State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 15,296	$ 11,004		$ 18
2013	15,792	11,069		112
2014	15,232	12,408		127
2015	16,058	12,193		127
2016	17,358	13,065		127
2017	18,508	13,910		127
2018	20,421	14,967		218
2019	22,455	15,786		339
2020	23,267	16,666		339
2021	23,011	17,693		339

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Schedule 15

STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

Motlow State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 14,494	$ 9,380		
2013	14,062	10,124		
2014	14,036	10,702		
2015	15,314	10,451		
2016	17,814	11,032		
2017	20,370	11,752		
2018	22,208	13,305		
2019	23,702	15,048		
2020	25,091	17,376		
2021	22,640	19,525		

Nashville State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 30,181	$ 13,402		$ 73
2013	30,199	14,261		73
2014	28,533	15,949		73
2015	30,694	16,081		73
2016	29,616	16,679		65
2017	29,065	17,772		67
2018	27,337	20,277		69
2019	29,219	22,319		67
2020	24,810	23,142		68
2021	27,131	22,969		68

Roane State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 21,580	$ 14,943		$ 153
2013	21,902	15,265		145
2014	21,902	17,480		141
2015	20,819	17,102		142
2016	20,689	17,803		142
2017	21,167	18,959		142
2018	21,282	20,956		142
2019	22,469	22,410		142
2020	22,764	23,847		143
2021	21,119	24,188		143

Northeast State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 13,934	$ 11,582		$ 43
2013	12,654	12,676		41
2014	17,593	13,310		40
2015	18,701	13,857		40
2016	22,271	15,082		40
2017	20,413	16,075		40
2018	19,521	18,153		40
2019	20,943	19,701		40
2020	20,893	20,883		40
2021	18,626	23,194		40

Southwest Tennessee Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 41,966	$ 31,053		$ 357
2013	39,705	30,572		357
2014	36,221	24,805		358
2015	37,400	24,002		363
2016	33,835	24,550		342
2017	33,337	26,147		361
2018	33,382	27,171		362
2019	34,232	28,424		362
2020	34,427	29,961		208
2021	33,026	30,232		208

Pellissippi State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 36,322	$ 18,147		$ 178
2013	44,992	20,414		178
2014	35,680	23,560		171
2015	18,775	24,306		172
2016	35,347	25,680		162
2017	37,677	27,373		164
2018	41,932	30,504		167
2019	42,050	32,887		164
2020	41,081	34,611		166
2021	40,583	35,794		167

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(continued from previous page)

Schedule 15

STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(expressed in thousands)

Volunteer State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 26,812	$ 15,019		$ 17
2013	25,995	15,224		16
2014	25,256	16,320		
2015	26,223	16,329		
2016	31,988	17,542		
2017	32,381	18,718		
2018	31,895	20,828		
2019	33,339	23,496		
2020	34,969	26,070		
2021	31,794	28,090		

Walters State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non-Authority)	Debt Service Requirements (Authority Bonds)
2012	$ 23,034	$ 15,429		$ 102
2013	23,157	16,837		97
2014	21,112	20,464		94
2015	22,796	19,909		94
2016	22,261	20,587		94
2017	23,557	21,933		94
2018	24,007	23,490		95
2019	24,916	24,551		95
2020	25,180	25,271		95
2021	24,222	25,704		95

Source: Comptroller of the Treasury,
Division of State Government Finance
Note: Prior year amounts do not reflect later adjustments made by the institutions.

STATE OF TENNESSEE **Schedule 16**
STUDENT FEES AND CHARGES
FOR INSTITUTIONS WITH TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Institution	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	$ 438	$ 13,264	$ 31,684	$ 4,342	$ 7,514
University of Tennessee- Chattanooga	300	9,268	25,386	3,200	6,300
University of Tennessee- Martin	380	9,748	15,788	3,652	3,065
Austin Peay State University	274	8,627	14,171	4,030	7,512
East Tennessee State University	470	9,491	28,673	3,894	5,044
Middle Tennessee State University	408	9,424	29,038	3,460	5,826
Tennessee State University	178	8,183	21,539	4,348	4,076
Tennessee Technological University	258	9,828	14,028	4,806	5,760
University of Memphis	490	9,924	16,779	1,600	2,400
Chattanooga State Community College		4,568	22,016	2,680	3,314
Cleveland State Community College		4,548	21,996	2,680	3,314
Columbia State Community College	44	4,582	22,030	2,680	3,314
Dyersburg State Community College		4,548	21,996	2,680	3,314
Jackson State Community College		4,534	21,982	2,680	3,314
Motlow State Community College		4,554	22,002	2,680	3,314
Nashville State Community College		4,504	21,952	2,680	3,314
Northeast State Community College		4,560	22,008	2,680	3,314
Pellissippi State Community College	30	4,588	22,036	2,680	3,314
Roane State Community College		4,552	22,000	2,680	3,314
Southwest Tennessee Community College		4,568	22,016	2,680	3,314
Volunteer State Community College		4,542	21,990	2,680	3,314
Walters State Community College		4,537	21,985	2,680	3,314

Source: Comptroller of the Treasury,
Division of State Government Finance

STATE OF TENNESSEE **Schedule 17**
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2021
(expressed in thousands)

Institution	Second Program Bonds	Commercial Paper	Total Debt
University of Tennessee	$ 984,829	$ 51,398	$ 1,036,227
Austin Peay State University	78,377	586	78,963
East Tennessee State University	162,027		162,027
Middle Tennessee State University	151,878	1,800	153,678
Tennessee State University	20,311	40,334	60,645
Tennessee Technological University	86,844	5,985	92,829
University of Memphis	171,073		171,073
Chattanooga State Community College	1,540		1,540
Cleveland State Community College	79		79
Columbia State Community College	3,355		3,355
Nashville State Community College	67		67
Pellissippi State Community College	158		158
Southwest Tennessee Community College	592		592
Walters State Community College		4,200	4,200
	$ 1,661,130	$ 104,303	$ 1,765,433

Source: Comptroller of the Treasury,
Division of State Government Finance

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS RECOMMENDED DISCLOSURES FOR STATE DEBT

In accordance with the *Recommended Best Practices in Disclosure for state Government General Obligation and Appropriation Debt*, the state makes the following voluntary additional debt disclosures not already presented in the Notes to the Financial statements.

General Disclosure Items

- The state is committed to complying with U.S. Securities and Exchange Commission Rule 15c2-12(b) (5) as it relates to continuing disclosure undertakings. The State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system pursuant to the State's Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following.

    - Watkins Institute is not deemed to be a component unit of the State and its financial information, including indebtedness, is not reported in the State's ACFR; accordingly, no information on its indebtedness was reported to EMMA and will not be reported in the future.

    - Information regarding TennCare budgeted expenditures presented in tabular format in relevant Official Statements was not presented in such format in the State's ACFRs, but current-year budgeted and actual TennCare expenditures were presented in each of the State's ACFRs (other than for the 2012 fiscal year, in which only actual TennCare expenditures were presented).

    - Certain TCRS information presented in tabular format in relevant Official Statements (Unfunded Liability if Actuarial Value of Assets were Valued at Market; Historical Funding Progress Based on Fiduciary Net Position/Market Value of Assets; Historical Fiduciary Net Position/Market Value of Assets; Comparison of Market Value of Assets to Actuarial Value of Assets; and Cash Flows) was reported in different form in the State's Annual Comprehensive Financial Report and the annual comprehensive financial report of the TCRS filed by the State each year.

    - The TennCare Information and the TCRS Information were also included in the same tabular format in Official Statements posted on EMMA in the last five years, except for actuarial valuation information that was not included in the 2015 Official Statement because of changes in GASB accounting rules.

The state provides strong systemic support to assist counties and cities in financial distress. State statutes establish a proactive approach and there is no state law that permits counties and cities to file for bankruptcy. The Local Government Public Obligations Act establishes budgetary oversight for cities and counties and authorizes the state Comptroller to direct counties and cities to adjust expenditure estimates or to make additional tax levies sufficient to maintain a balanced budget. In the past few years, the state Comptroller has directed two counties to raise taxes and one city to adjust expenditures. When a local government is in financial distress as evidenced by improper internal transfers and/or borrowings of restricted utility resources, state statutes authorize the state Comptroller to approve a corrective action plan that includes a scheduled plan of repayment. The state's Water and Wastewater Financing Board (WWFB) has oversight of water and/or sewer systems

that meet statutory criteria for financial distress. The WWFB has statutory authority to require counties and cities to raise rates to meet financial obligations. The state Comptroller has the authority to authorize counties and cities that are undergoing severe monetary stress to issue long-term funding bonds to pay for current expenditures pursuant to the Cash Basis Law of 1937. Local governments that issue funding bonds are subject to strict oversight by the state Comptroller. At June 30, 2021, no counties or cities in Tennessee had outstanding funding bonds. With the exception of the Emergency Financial Aid to Local Governments Law of 1995 (the 1995 Law), the state does not have statutory authority to guarantee the debt of local governments. The 1995 Law authorizes the state to guarantee the repayment of a loan made to a local government by an external lender subject to specific conditions. One condition requires the state to determine that the local government has sufficient revenue to pay annual debt service and costs of operation. Another condition mandates that the local government accept emergency technical assistance by means of direction, oversight, management, and approval of its financial transactions by the state Comptroller. The local government is required to pledge its full faith and credit as security and agree to pledge a sufficient amount of state-shared taxes to make principal and interest payments on the loan guaranteed by the state. Since the inception of this law, the state has not authorized the issuance of emergency financial aid notes. The 1995 Law also authorizes the state Comptroller to approve the issuance of tax and revenue anticipation notes by cities and counties in cases of economic distress due to a natural disaster certified by the Federal Emergency Management Agency (FEMA). The proceeds may be used to pay for operating expenditures and may remain outstanding beyond the close of the fiscal year the notes are issued. At June 30, 2021, two counties had outstanding notes issued pursuant to this law. These notes were directly related to economic stress resulting from the COVID-19 pandemic, declared by FEMA on April 2, 2020, as a major natural disaster for the State of Tennessee (DR-4514). Both notes are scheduled to be paid prior to June 30, 2022. Pursuant to the Local Government Public Obligations Act of 1986, the state Comptroller has authority to approve the extension of tax and revenue anticipation notes issued to fund annual appropriations when a county or city is not able to repay the notes by the end of the fiscal year. At June 30, 2021, two counties had extension notes outstanding, with one of those counties fully repaying its notes shortly after year end. The remaining county plans to repay the notes that mature each year through year 2025 as they become due. Financial distress at this county is related to its county-owned hospital that is in the process of being sold. A city or county that receives approval to issue extension notes is subject to additional oversight from the state Comptroller until the local government regains financial stability

- Relative to other direct subsidy debt:
    - The state has been subject to having the direct subsidy reimbursements, from the federal government, related to the Series 2010 Qualified School Construction Bonds (QSCBs) issuance offset by amounts due to the federal government. In general, the subsidy payment has been offset by taxes due from the state, civil penalties and federal sequestration. Other triggers that could result in the loss or reduction of subsidy payments are future federal sequestration or changes in use by the borrower.
    - The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the "Make-Whole Redemption Price". The

Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

- The Series 2010 QSCBs issuance shall also be subject to extraordinary optional redemption prior to maturity, at the option of the TSSBA, upon the occurrence of an extraordinary event, in whole or in part, on any business day at the "Extraordinary Make-Whole Redemption Price" The Extraordinary Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the Series 2010 bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United states Treasury Rate plus 100 basis points (1.00%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

Demographics/Economy

- The state Constitution allows the state to levy ad valorem taxes on all of the taxable property within the state for the payment of the principal and interest on the state's general obligation indebtedness; however, the state does not currently levy such a tax and has no current intent to do so.

- The state currently contracts with The University of Tennessee Boyd Center for Business and Economic Research to prepare an annual economic report to the Governor containing short-term business cycle-sensitive forecasts as well as longer-term or trend forecasts for the year and to prepare quarterly updates throughout the year. The report "An Economic Report to the Governor of the state of Tennessee" as well as any updated information can be found at: erg2021.pdf (utk.edu)

- See the chart below for sales and use tax information.

Tennessee Department of Revenue
Sales and Use Tax - Returns Filed and Tax by Classification
Fiscal Year Ended June 30, 2021
(Thousands of U.S. Dollars)

	Returns Filed	Total (%)	Tax Collections	Total (%)
Retail Trade and Services:				
Building Materials	30,652	2.01%	$737,200	6.69%
General Merchandise	81,885	5.37%	$983,751	8.93%
Food Stores	79,307	5.20%	$658,854	5.98%
Auto Dealers and Service Station:	102,754	6.74%	$1,481,269	13.44%
Apparel and Accessory Stores	54,554	3.58%	$276,847	2.51%
Furniture and Home Furnishings	45,228	2.96%	$340,370	3.09%
Eating and Drinking Places	210,688	13.81%	$963,720	8.74%
Miscellaneous Retail Stores	241,430	15.83%	$1,366,377	12.40%
Services	329,944	21.63%	$1,370,487	12.43%
All Other:				
Non-Retail, Non-Services	251,750	16.50%	$2,114,967	19.19%
County Clerk	1,259	0.08%	$294,318	2.67%
Consumer Use Tax	8,357	0.55%	$12,536	0.11%
Unclassified	87,624	5.74%	$420,623	3.82%
Total	**1,525,433**	**100.00%**	**$11,021,317**	**100.00%**

Financial statements

- The Tennessee Interagency Cash Flow Committee was created by the General Assembly in 2011 for the purpose of establishing, compiling and maintaining an eighteen month forward rolling cash flow projection. Departmental and programmatic specific forecasting data is used to project cash flow and earnings information relative to various interest-bearing funds and accounts within the state's pooled investment fund. These projections enhance cash flows based on historical data alone, and help the state better plan and position itself for fluctuations in available cash balances.

General Revenue Base

- A breakdown of the state tax revenue allocations, percent and percentage change from estimates, the legal basis for collecting the taxes, a listing of the types of transactions being taxed and any exemptions can be found in the state revenue section of the annual budget document at: https://www.tn.gov/content/tn/finance/fa/fa-budget-information/fa-budget-rev.html

- T.C.A. 67-1-100 sets forth a Tennessee Taxpayer Bill of Rights which directs the adoption of policies which would inform and advise taxpayers of their rights and would guarantee Tennessee taxpayers are treated with fairness, courtesy and common sense. Included in the bill of rights is the right to receive a clear set of rules and procedures to resolve tax problems, the right to dispute any proposed assessment, and the right to a speedy, informal and inexpensive review of a proposed assessment in an informal conference. T.C.A. 67-1-1438 contains the requirement for the commissioner of revenue to promptly issue a notice of proposed assessments when a taxpayer is determined to have failed to pay the correct amount of any tax administered by the commissioner. The section also provides the procedures for taxpayers to follow in order to request an informal conference to appeal the proposed assessment. Upon the assessment becoming final, further taxpayer remedies for disputed final tax assessments can be found in T.C.A. 67-1-1801. If the taxpayer believes the final assessments to be unjust, illegal or incorrect, the taxpayer may 1) pay the tax and file a claim for refund or 2) file suit in chancery court challenging all or any portion of such tax. Refer to the contingencies note for discussion of pending litigations.

- Under state law, long-term debt cannot exceed the expected useful life of the project being financed. The state is also authorized to issue tax revenue anticipation notes, in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes maturing beyond the end of a fiscal year.

- Section 28 of the Tennessee State Constitution set forth the assessment rates for real property, tangible personal property and intangible personal property. The section also prohibits the state from levying or authorizing any state or local tax upon the payroll or earned personal income or any state or local tax measured by payroll or earned personal income. Section 30 of the document prohibits the taxation of any article manufactured of the produce of the state, except to pay inspection fees. Further, the General Assembly shall not authorize any municipality to tax incomes, estates, or inheritances, or to impose any other tax not authorized by section 28 and 29 of Article II of the Constitution. T.C.A. 9-9-104 pledges certain tax revenue collections for the payment of debt service on bonds issued before July 1, 2013. The section also includes a covenant with the holders of the bonds, secured by the pledge, that the state will not decrease by legislative action any of the fees or taxes that constitute the special pledge, unless the funding board certifies that all debt service payments have been made in full, that the decreased fees will be sufficient to pay future debt service, and the state has not

defaulted, or is not in default, on any of its outstanding debt.

- As Tennessee's chief tax collector, the Department of Revenue is responsible for the administration of state tax laws and motor vehicle title and registration laws, as well as the collection of taxes and fees associated with those laws. In addition to collecting state taxes, the department collects taxes for local, county and municipal governments. On a monthly basis, the department apportions revenue collections for distribution to the various state funds and local units of government.

- Tennessee is an origin-based sales tax state for in state vendors and destination-based for out of state vendors. Vendors based in the state are required to charge the rate in effect, at the point of origin of the sale, for all sales made within the state. Vendors based out of state are required to either apply the rate in effect at the buyers' ship-to address or charge a predetermined flat rate to all Tennessee buyers. Vendors collect the tax and then prepare state tax filings in a frequency based on the amount of sales tax collected from buyers in the state. Remittances must be submitted electronically except in certain hardship cases.

ACKNOWLEDGEMENTS

DEPARTMENT OF FINANCE AND ADMINISTRATION

Howard H. Eley, Commissioner
Eugene Neubert, Deputy Commissioner, F&A Operations
Mikel J. Corricelli, Chief of Accounts

The Annual Comprehensive Financial Report was prepared by the Administration and Financial Oversight sections of the Division of Accounts with assistance from the following other sections:

Accounts Payable
Asset Management
Cash Management/Clearing Accounts
Cash Management Improvement Act/Grants Accounting
Centralized Accounting
Departmental Accounting
General Ledger
Payroll
Policy Development
Post Audit
Supplier File Maintenance

The Department of Finance and Administration would like to extend special appreciation to all fiscal and accounting personnel throughout the state who contributed the financial information for their agencies.

TENNESSEE COMPTROLLER OF THE TREASURY

FINANCIAL AND COMPLIANCE AUDIT REPORT

State of Tennessee Single Audit

For the Year Ended June 30, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF STATE AUDIT

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

March 27, 2022

The Honorable Bill Lee, Governor
Members of the General Assembly

Ladies and Gentlemen:

We are pleased to submit the thirty-eighth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2021. 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 $24.1 billion. We noted instances of noncompliance that resulted in a qualified opinion on compliance for one of the state's 29 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 *Annual Comprehensive Financial Report* of the State of Tennessee for the year ended June 30, 2021, 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 one finding that we consider to be a significant deficiency in internal control as well as noncompliance that we consider material to the state's basic financial statements. The significant deficiency in internal control over financial reporting is described in Section II of the Schedule of Findings and Questioned Costs.

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

Sincerely,

Katherine J. Stickel

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

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State of Tennessee
Single Audit Report
For the Year Ended June 30, 2021

Table of Contents

		Page
Selected Statistical Data		1
Total Federal Expenditures – Ten-Year Summary		3
Expenditures by Awarding Agency		4
Number of Type A and Type B Programs		5
Type A and Type B Program Expenditures		5
Auditor's Reports		7
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*		9
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		11
Auditor's Findings – Schedule of Findings and Questioned Costs		15
Section I – Summary of Auditor's Results		17
Section II – Financial Statement Findings	Finding	19
State Veterans' Homes Board	2021-001	19
Section III – Federal Award Findings and Questioned Costs	Finding	21
Department of Labor and Workforce Development	2021-002	21
Department of Labor and Workforce Development	2021-003	50
Department of Labor and Workforce Development	2021-004	55
Department of Labor and Workforce Development	2021-005	60
Department of Labor and Workforce Development	2021-007	68
Department of Finance and Administration	2021-008	73
Department of Finance and Administration	2021-009	77
Department of Finance and Administration	2021-010	88
Department of Finance and Administration	2021-011	97

Table of Contents (continued)

		Page
Department of Finance and Administration	2021-012	99
Department of Finance and Administration	2021-013	103
Department of Education	2021-014	107
Department of Education	2021-015	115
Department of Education	2021-016	123
Department of Education	2021-017	127
Department of Education	2021-018	133
Department of Human Services	2021-019	135
Department of Human Services	2021-020	144
Department of Human Services	2021-021	165
Department of Human Services	2021-022	171
Department of Human Services	2021-023	178
Department of Human Services	2021-024	182
Department of Human Services	2021-025	187
Department of Human Services	2021-026	196
Department of Human Services	2021-027	199
Department of Agriculture	2021-028	204
Auditee's Section		209
Schedule of Expenditures of Federal Awards		211
Unclustered Federal Programs		211
Clustered Federal Programs		245
Notes to the Schedule of Expenditures of Federal Awards		306

Selected Statistical Data

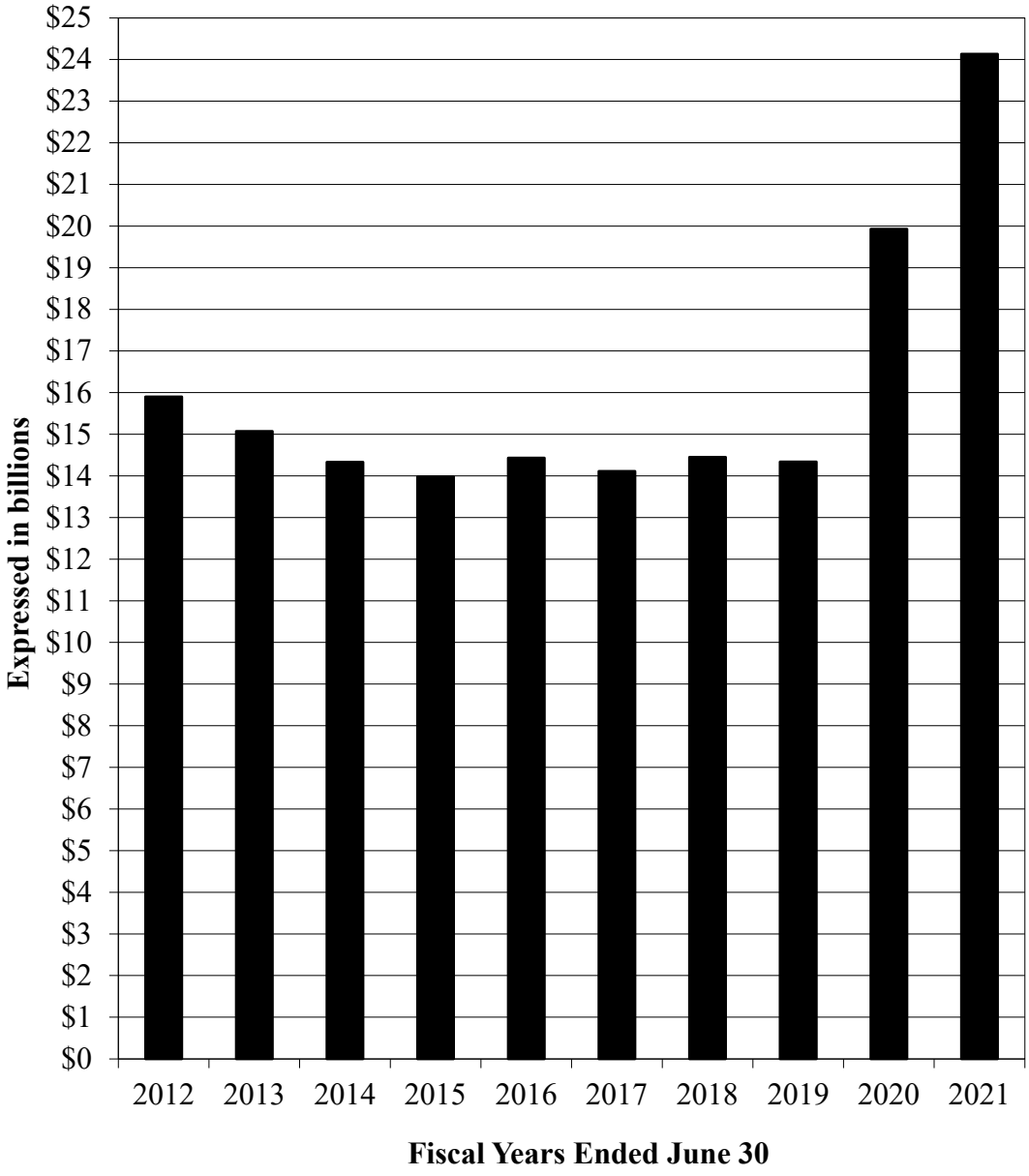
Total Federal Expenditures – Ten-Year Summary

Expenditures by Awarding Agency

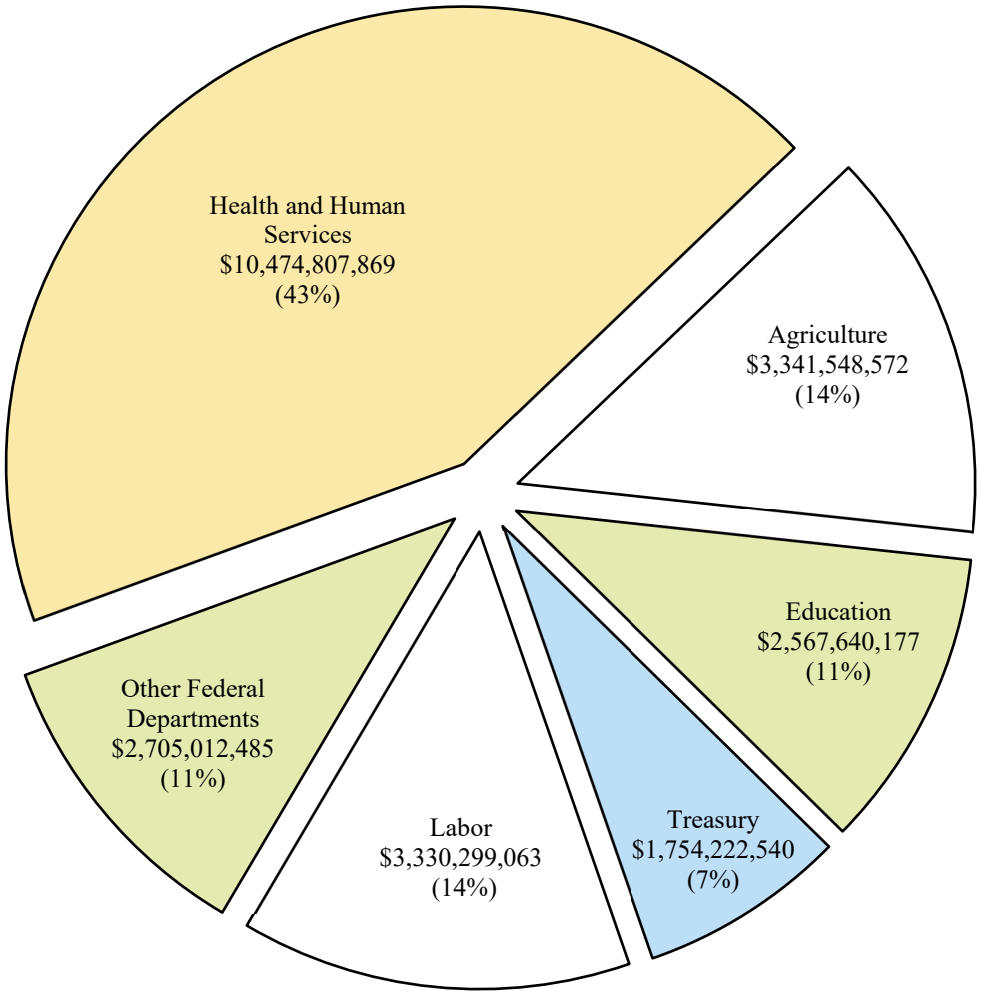
Number of Type A and Type B Programs

Type A and Type B Program Expenditures

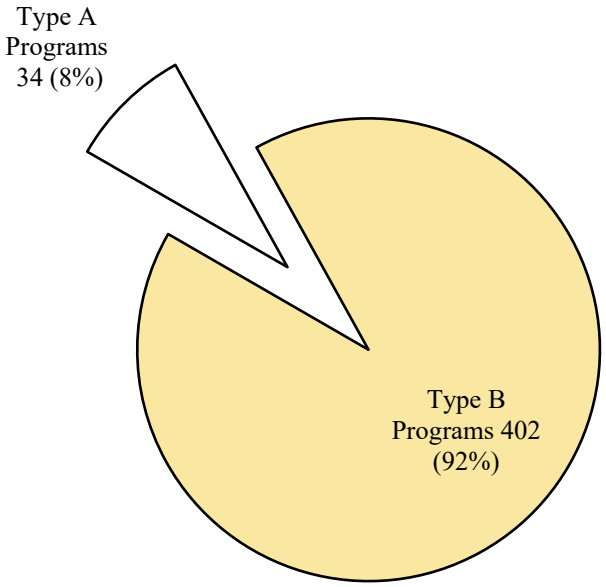
Total Federal Expenditures - Ten-Year Summary



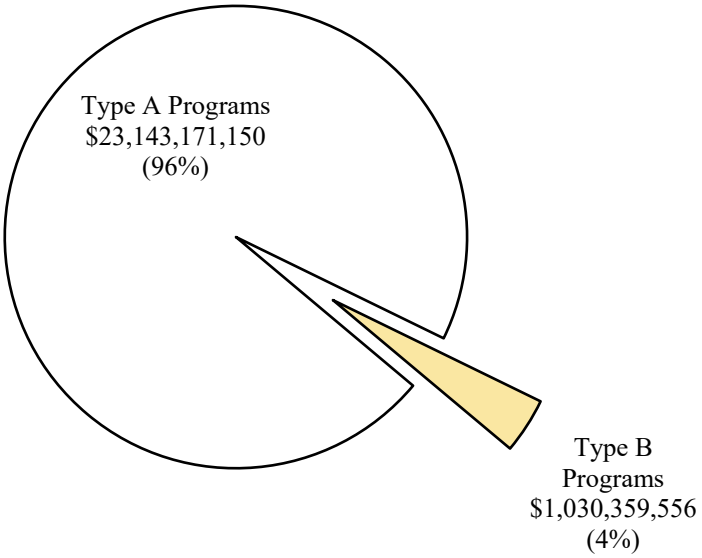
Expenditures by Awarding Agency
July 1, 2020, through June 30, 2021



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, 2021, the Type A program threshold for the State of Tennessee was $36,260,296. Those federal programs with expenditures below $36,260,296 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

TENNESSEE COMPTROLLER OF THE TREASURY

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, 2021, 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 27, 2021. 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 and therefore, material weaknesses may exist that

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have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

State of Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State of Tennessee's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The State of Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, CPA, CGFM, Director
Division of State Audit
December 27, 2021

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, 2021. 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 Assistance Listing Number 17.225 Unemployment Insurance

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

Finding #	Assistance Listing Number	Program or Cluster Name	Compliance Requirement
2021-002	17.225	Unemployment Insurance	Eligibility

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

Qualified Opinion on Assistance Listing Number 17.225 Unemployment Insurance

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 Unemployment Insurance Program for the year ended June 30, 2021.

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, 2021.

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 2021-002 through 2021-005, 2021-007 through 2021-012 through 2021-017, and 2021-019 through 2021-027. 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 2021-002, 2021-003, 2021-005, 2021-007, 2021-008, 2021-010, 2021-011, 2021-014 through 2021-017, and 2021-024 through 2021-028 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 2021-004, 2021-009, 2021-012, 2021-013, and 2021-018 through 2021-023 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, 2021, 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 27, 2021, 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, CPA, CGFM, Director
Division of State Audit
March 24, 2022

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, 2021

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.
- One significant deficiency in internal control over financial reporting was reported.
- We noted one instance 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 Assistance Listing Number 17.225 Unemployment Insurance. 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 $36,260,296.
- 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, 2021

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

Assistance Listing Number	Name of Major Federal Program or Cluster
10.542	Pandemic EBT Food Benefits
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
20.106	Airport Improvement Program
20.509	Formula Grants for Rural Areas and Tribal Transit Program
21.019	Coronavirus Relief Fund
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction for State Grants (formerly Improving Teacher Quality State Grants)
84.424	Student Support and Academic Enrichment Program
84.425	Education Stabilization Fund
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.558	Temporary Assistance for Needy Families
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.767	Children's Insurance Program
93.917	HIV Care Formula Grants
97.050	Presidential Declared Disaster Assistance to Individuals and Households – Other Needs
-	Research and Development Cluster
-	SNAP Cluster
-	Child Nutrition Cluster
-	Food Distribution Cluster
-	WIOA Cluster
-	Highway Planning and Construction Cluster
-	Special Education Cluster (IDEA)
-	CCDF Cluster
-	Medicaid Cluster

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding Number	2021-001
Assistance Listing Number	64.015
Program Name	Veterans Administration's State Home Per Diem Program
Federal Agency	Department of Veterans Affairs
State Agency	State Veterans' Homes Board
Federal Award Identification Number	N/A
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Other
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

The Tennessee State Veterans' Homes Board overstated federal awards expended by $28,629,991.64 on the Schedule of Expenditures of Federal Awards

Condition and Cause

The Tennessee State Veterans' Homes Board did not have adequate internal controls over financial reporting to prevent, or detect, and correct a material misstatement in the Schedule of Expenditures of Federal Awards (SEFA). When calculating the total expended for the Veterans Administration's State Home Per Diem Program to be included on the SEFA, the Controller doubled the amount due to a formula error, causing an overstatement of $28,629,991.64. The audited SEFA was corrected.

Criteria

Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 508(b), states that the auditee must "[p]repare appropriate financial statements, including the schedule of expenditures of Federal awards."

Effect

The importance of the SEFA is discussed in the American Institute of Certified Public Accountants' *Government Auditing Standards and Single Audits.* Section 7.06 states,

> The schedule of expenditures of federal awards is a critical part of a Uniform Guidance compliance audit. . . . [T]he Uniform Guidance requires the auditor to decide whether the auditee's schedule of expenditures of federal awards is stated fairly, in all material respects, in relation to the auditee's financial statements as a

whole. Furthermore, the schedule of expenditures of federal awards is the basis of the auditor's identification of major programs.

The Controller's error caused the auditor to incorrectly identify the program as a major program. The error also resulted in the SEFA not agreeing to the auditee's financial statements.

In addition, at the conclusion of the Single Audit, management includes the SEFA in the Single Audit reporting package that it provides to the federal government. Incorrect information on the SEFA results in incorrect information being provided to the federal community and consequently may reduce the effectiveness of decisions made using this information.

Recommendation

The Executive Director and the Controller should implement adequate review procedures to ensure amounts reported on the SEFA are fairly stated and mathematically accurate. The amounts should also comply with federal regulations and agree to the underlying accounting records.

Management's Comment

We concur. The total expended for the Veterans Administration's State Home Per Diem Program was overstated on the Schedule of Expenditures of Federal Awards (SEFA). The Finance Director will double check all formulas for errors.

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section III – Federal Award Findings and Questioned Costs

Finding Number	2021-002
Assistance Listing Number	17.225, 97.034, and 97.050
Program Name	Unemployment Insurance Disaster Unemployment Assistance Presidential Declared Disaster Assistance to Individuals and Households – Other Needs
Federal Agency	Department of Labor Department of Homeland Security
State Agency	Department of Labor and Workforce Development
Federal Award Identification Number	CARES Act, FEMA-4476-DR-TN, FEMA-4541-DR-TN, and 4514DRTNSPLW
Federal Award Year	2020 and 2021
Finding Type	Material Weakness (17.225 and 97.050) and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	2020-021 and 2020-022
Pass-Through Entity	N/A
Questioned Costs	$1,840,953

Questioned Costs

Assistance Listing Number	Federal Award Identification Number	Description	Amount
17.225	CARES Act	Extended Benefits, Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Assistance, Federal Pandemic Unemployment Compensation, and Mixed Earner Unemployment Compensation	$1,626,176
97.034	FEMA-4541-DR-TN FEMA-4476-DR-TN	Disaster Unemployment Assistance	$181,477[1]
97.050	4514DRTNSPLW	Lost Wages Assistance	$33,300

[1] The table shows total program expenditures for the Disaster Unemployment Assistance program as at the end of the 2021 fiscal year. Our known and likely questioned costs for exceed total program expenditures because our testwork included improper payments the department initially paid as Disaster Unemployment Assistance benefits and subsequently transferred to other Unemployment Insurance funding sources.

As noted in the prior-year audit, the Department of Labor and Workforce Development did not properly pay Unemployment Insurance benefits due to ineffective internal controls and information processing errors

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 Department of Labor and Workforce Development (the department) operates the state's Unemployment Insurance program to process claims and issue direct benefit payments to individuals during times of involuntary unemployment.

Unemployment Insurance Subprograms

The Unemployment Insurance program comprises various subprograms targeted to specific classes of unemployed workers.

Regular Programs

Regular programs are permanent programs providing Unemployment Insurance coverage to Tennessee wage and salary workers, including federal employees stationed in Tennessee and servicemembers separating from the military. There are currently three regular programs:

- **Tennessee Unemployment Compensation (Tennessee)** is the standard Unemployment Insurance program, covering most Tennessee wage and salary workers. 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.
- **Unemployment Compensation for Ex-Servicemembers (Ex-Service)** provides Unemployment Insurance benefits to individuals transitioning from military service to the civilian labor force. Military branches do not pay unemployment taxes; instead, they reimburse the department dollar-for-dollar for all benefits paid.
- **Unemployment Compensation for Ex-Federal Employees (Ex-Federal)** is the Unemployment Insurance program for federal government workers who lose their employment through no fault of their own. Federal agencies do not pay unemployment taxes; instead, they reimburse the department dollar-for-dollar for all Ex-Federal benefits paid.

Temporary Programs

Temporary programs are time-limited programs the department activates in response to a major disaster or during periods of high unemployment. Prior to March 2020, there were two temporary programs the department could activate:

- **Disaster Unemployment Assistance (Disaster)** provides temporary benefits to individuals whose employment or self-employment has been lost or interrupted as a direct result of a Presidentially declared major disaster, and who are not eligible for regular Unemployment Insurance. In fiscal year 2021, the department offered benefits for three major disasters: the Middle Tennessee tornado, Southeast Tennessee tornadoes, and Middle Tennessee severe storms and flooding. These benefits are federally funded.
- **Federal-State Extended Benefits (Extended)** is a temporary program activated during periods of high and rising state unemployment rates. When active, the program allows workers who have exhausted their entitlement to regular unemployment to claim up to 13 additional weeks of benefits. Ordinarily, costs are shared equally between the state and federal governments; however, federal law provided for temporary full federal funding of benefits for March 18, 2020, through September 11, 2021.

Pandemic Programs

Pandemic programs are temporary programs the federal government created and the department implemented in response to the COVID-19 pandemic. The federal government reimburses the department for 100% of benefits it pays to pandemic program claimants.

- **Pandemic Unemployment Assistance (Pandemic)** is modeled on the Disaster program. It provided temporary benefits to workers who had exhausted, or were ineligible for, regular Unemployment Insurance (such as part-time workers, the self-employed, and contractors) who lost work for certain COVID-19 related reasons.
- **Pandemic Emergency Unemployment Compensation (Pandemic Extension)** provided a maximum of 53 additional weeks of benefits to individuals who had exhausted their rights to regular Unemployment Insurance.
- **Federal Pandemic Unemployment Compensation (Pandemic Supplement)** provided a supplemental weekly payment to individuals who received at least $1 in benefits from another Unemployment Insurance subprogram. The weekly supplement was $600 (in addition to the claimant's other benefits) for weeks of unemployment ending April 4, 2020, through July 25, 2020, and $300 for weeks of unemployment ending January 2, 2021, through July 3, 2021.
- **Lost Wages Assistance (Lost Wages)** provided a supplemental weekly payment of $300 to individuals who received at least $100 in benefits from another Unemployment Insurance program for weeks of unemployment from August 7, 2020, through September 5, 2020.
- **Mixed Earner Unemployment Compensation (Mixed Earner)** provided a supplemental weekly payment of $100 to individuals receiving benefits other than Pandemic, whose prior earnings included both wages from traditional employment and at least $5,000 from self-employment. The department paid the Mixed Earner supplement to eligible claimants for weeks of unemployment ending from January 2, 2021, through March 14, 2021.

Under federal law, the Pandemic, Pandemic Extension, Pandemic Supplement, and Mixed Earner programs expired on September 6, 2021. Governor Bill Lee opted to withdraw Tennessee's participation in these programs early, effective July 3, 2021.

Table 1 provides an overview of all Unemployment Insurance subprograms the department administered in fiscal year 2021. The overview includes the name of the program, the intended target population to benefit from the program, when the program was active and available to beneficiaries, as well as the weekly benefit amount and the number of weeks individuals could receive these benefits.

Table 1
Active Unemployment Insurance Programs in Fiscal Year 2021

Program Name	Target Population	Date(s) Active (for Temporary Programs)	Weekly Benefit Amount	Maximum Duration
Tennessee Unemployment Compensation (Tennessee)	Workers with past wage or salary earnings in Tennessee.	Permanent program	$30 – $275, depending on past earnings	26 weeks
Unemployment Compensation for Ex-Federal Employees (Ex-Federal)	Workers separated from federal employment.	Permanent program		
Unemployment Compensation for Ex-Servicemembers (Ex-Service)	Workers transitioning from military service to the civilian labor force.	Permanent program		
Disaster Unemployment Assistance (Disaster)	Workers whose employment was lost or interrupted by a Presidentially declared major disaster and who were not ineligible for Tennessee, Ex-Federal, or Ex-Service benefits (such as those with an insufficient earnings history, self-employed, contractors, and gig workers).	Middle Tennessee Tornado: March 8, 2020 – September 5, 2020 Southeast Tennessee Tornadoes: April 12, 2020 – October 24, 2020 Middle Tennessee Storms: March 25, 2021 – November 6, 2021	$109 – $275, depending on past earnings	26 weeks
Federal-State Extended Benefits (Extended)	Workers who remain unemployed after exhausting their entitlement to benefits under the Tennessee, Ex-Federal, Ex-Service, Pandemic, or Pandemic Extension programs.	July 1, 2020, through November 7, 2020	$30 – $275, depending on past earnings	13 weeks
Pandemic Unemployment Assistance (Pandemic)	Workers whose employment was affected by the COVID-19 pandemic who exhausted or were ineligible for Tennessee, Ex-Federal, and Ex-Service benefits (such as those with insufficient earnings history, self-employed, contractors, and gig workers).	January 27, 2020, through July 3, 2021	$120 – $275, depending on past earnings	75 weeks
Pandemic Emergency Unemployment Compensation (Pandemic Extension)	Workers who were still unemployed after exhausting their entitlement to Tennessee, Ex-Federal, or Ex-Service benefits.	April 4, 2020, through July 3, 2021	$30 – $275, depending on past earnings	53 weeks
Federal Pandemic Unemployment Compensation (Pandemic Supplement)	Supplementary weekly benefit payable to claimants entitled to at least $1 of other unemployment benefits for a given week.	Series A: April 4, 2020, through July 25, 2020 Series B: December 27, 2020, through July 3, 2021	Series A: $600 Series B: $300	53 weeks
Mixed Earners Unemployment Compensation (Mixed Earners)	Supplementary weekly benefit payable to claimants receiving benefits other than the Pandemic program, whose prior earnings included both wages from traditional employment and at least $5,000 from self-employment.	January 2, 2021, through March 14, 2021	$100	10 weeks
Lost Wages Assistance Program (Lost Wages)	Supplementary weekly benefit payable to claimants who received at least $100 in benefits from another Unemployment Insurance program.	August 7, 2020, through September5, 2020	$300	5 weeks

General Eligibility Criteria and Determination Processes for Unemployment Claims

The department uses the GUS (Geographic Solutions Unemployment System) application to process eligibility determinations for unemployment claims. Claimants submit an initial application for unemployment benefits in the system via the jobs4tn.gov website, which interfaces directly with GUS. GUS initiates various automated processes to help the department determine the claimants' eligibility for benefits. If these processes yield information that could potentially disqualify a claimant's eligibility, GUS flags the claim with an issue and attaches a work item. The work item triggers department personnel to manually review and resolve the issue on the claim. Management has configured business rules[2] in GUS to prevent claims with significant issues from paying benefits until department personnel have reviewed the claims to determine the claimants' eligibility.

The department's **major eligibility determination processes** are as follows:

Identity Verification

The department uses two identity verification mechanisms on every new claim filed to deter individuals from filing fraudulent claims using stolen personally identifiable information.

1. LexisNexis identity verification software, integrated into GUS, presents the claimant with multiple-choice questions pertaining to the claimant's identity.
2. GUS interfaces with the Social Security Administration's databases to verify the accuracy of key personal information from the claimant's application.

If either method cannot authenticate a claimant's identity, GUS flags the claim with an issue to prevent payment and generates a letter instructing the claimant to submit two forms of identification within seven days. GUS routes a work item to a Program Specialist as a prompt to check whether the claimant has submitted acceptable documentation and to resolve the issue or disqualify the claim as appropriate.

Immigration Verification

The department's application for unemployment benefits collects citizenship information from all claimants. When a claimant identifies as a non-citizen, GUS flags the claim with an issue to prevent payment and generates a letter instructing the claimant to submit proof of lawful immigration and work authorization status within 10 days. GUS also interfaces with the U.S. Citizenship and Immigration Services' databases to verify the claimant's immigration status. GUS routes a work item to a Program Specialist to determine whether the claimant has submitted acceptable proof, to review information GUS retrieved from U.S. Citizenship and Immigration Services, and to resolve the issue or disqualify the claim as appropriate.

[2] Business rules are instructions programmed into GUS directing the system how to process claims in accordance with state and federal eligibility requirements.

Monetary Eligibility

The department determines a claimant's monetary eligibility for benefits and weekly benefit amount based on sufficient earnings from four quarters of recent employment ("base period"). The claimant provides base period employment and earnings history when applying for benefits; the department uses various sources to verify this information (see **Table 2**).

Table 2
Sources of Base Period Earnings Information

Type of Earnings	Verification Source
Tennessee wages	**Tennessee quarterly wage reports** State law requires Tennessee employers to submit quarterly reports to the department, listing wages paid by employee name and Social Security Number. GUS automatically retrieves the claimant's base period earnings from these reports.
Federal wages	**Interstate Connection Network (ICON)** ICON is a system that facilitates the exchange of wage and claims data between states and federal entities. GUS automatically interfaces with ICON to obtain base period federal, military, or out-of-state wages for claimants who indicate they have earnings from one or more of these sources.
Military wages	
Out-of-state wages	
Self-employment	**Claimant-provided evidence of self-employment** When a claimant files for benefits based on self-employment, GUS generates a letter prompting the claimant to submit evidence of self-employment, including but not limited to tax returns, state or federal business licenses, and check stubs.

GUS generates a monetary determination letter to the claimant, listing the claimant's earnings from all base period employers and the weekly benefit amount the claimant may be entitled to receive if the claimant meets all other eligibility criteria. The letter instructs the claimant how to report additional employers or wages to the department if the monetary determination appears incomplete or inaccurate.

Non-monetary Eligibility

Non-monetary eligibility requires the department to establish that a claimant has lost their most recent employment due to no fault of their own. In general, a claimant meets this requirement in one of three ways:

1. lack of work – the employer laid off the employee or reduced the employee's working hours,

2. quit – the employee quit with good cause,[3] or
3. discharge – the employer terminated the employee because of performance issues other than gross misconduct.

Claimants select the reason for their unemployment on the initial application for benefits. GUS generates a request letter to the claimant's separating employer notifying the employer of the claim and the reason the claimant gave for unemployment. The employer has seven days to respond to the letter to dispute the claim.

GUS creates an issue and related work item on all claims based on a claimant's quitting or discharge from employment (even if the employer does not dispute the claim), and on all claims where the employer disputed the claimant's separation reason. The work item prompts a department adjudicator to evaluate the facts provided by both claimant and employer, gather additional information if necessary, and determine whether the claimant's separation qualifies for unemployment benefits under the applicable state or federal law.

The department's non-monetary eligibility determination processes differ for Disaster and Pandemic claims. GUS automatically flags Disaster claims for manual review and approval because claimants must provide documentation to support their eligibility for Disaster benefits. Until December 27, 2020, GUS did not routinely flag Pandemic claims for manual review because federal guidance instructed the department to accept a claimant's self-certification that employment was impacted for a qualifying COVID-19 reason as evidence of eligibility. The federal guidance specifically prohibited the department from requesting supporting documentation from Pandemic claimants except to address a reasonable suspicion of fraud.

After department personnel have resolved all issues requiring manual review on a claim, GUS issues a decision letter to the claimant and base period employers explaining the department's basis for the decision and the parties' right to appeal within 15 days. 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.

Weekly Certifications

After filing an initial claim for benefits, claimants must file weekly certifications via jobs4tn.gov to attest to their continued ability to work and availability for work; disclose income earned during the week; and report on work search activities. GUS automatically disqualifies the week as ineligible for payments if a claimant certifies no longer being unemployed, earning excess income, or not actively searching for and available to accept suitable work.

[3] Department adjudicators determine whether a claimant quit for good cause on a case-by-case basis. In general, good cause exists if the claimant quit for reasons attributable to the employer (for example, workplace harassment or significant and adverse changes to conditions of employment). The department also accepts resigning to follow a spouse subject to military transfer orders as quitting with good cause. Personal reasons (such as lack of childcare or to return to school) do not meet the good cause standard.

Overpayments

The department's eligibility determination processes serve as internal controls to prevent ineligible claimants from receiving unemployment benefits. The nature of the Unemployment Insurance program, however, is such that the department does not always have timely access to accurate information necessary to determine a claimant's eligibility for benefits. For example, the department must rely on claimants to accurately self-report earnings from temporary and part-time employment during the weekly certification process. The department does not receive corroborating data to validate a claimant's self-reported earnings until the department receives wage reports from employers at the end of each quarter. Therefore, management has established detective controls in the department's Benefit Payment Control unit to identify and investigate potentially improper payments. These controls include cross-matches to compare the department's claims data with information from external sources, such as

- state vital statistics records, to identify payments issued after a claimant's date of death;
- state inmate records, to identify payments issued to incarcerated individuals;
- state payroll records, to identify payments to active state employees;
- quarterly employer wage reports, to verify claimants' self-reported weekly earnings; and
- state and national directories of new hires, to identify claimants who continued claiming benefits after returning to work.

Upon determining that a claimant has received benefits to which the claimant is not entitled, whether due to fraud or error, a Benefit Payment Control auditor establishes an overpayment on the claimant's file. The department's UI Recovery unit is responsible for recouping overpayments and uses a variety of escalating techniques to achieve this purpose from establishing repayment plans with claimants to intercepting claimants' federal tax refunds. Furthermore, when a claimant with an outstanding overpayment debt qualifies for benefits on a new claim, federal and state law requires the department to apply new benefit payments toward the outstanding overpayment.

Prior Audit Results

Our prior audit reported two findings related to Unemployment Insurance eligibility, which stated the department

- did not issue written eligibility determinations on Tennessee, Ex-Service, Ex-Federal, Disaster, and Pandemic claims to all interested parties;
- did not identify Tennessee claims with disagreeing employer responses;
- improperly issued Disaster benefits to claimants who did not meet Disaster eligibility criteria because they were not unemployed as a direct result of a major disaster, or because they were already eligible for Tennessee benefits;
- accepted Disaster claims filed late;

- did not collect documentation to substantiate Disaster claimants' past employment or earnings; and
- did not issue Pandemic claimants the correct weekly benefit amount.

Management concurred with the prior findings and attributed the conditions to the impact of the COVID-19 pandemic and system issues. Based on the results of our audit work for fiscal year 2021, we determined the department resolved the prior finding condition relating to written eligibility determinations. As described below, the remaining conditions from the prior year are repeated for fiscal year 2021; in addition, we identified new instances of noncompliance with federal and state eligibility requirements.

Current Audit Results

We provide the results of our current audit below. As a result of our review, we identified $1,929,148 in total questioned costs for the Unemployment Insurance, Disaster Unemployment Assistance, and Lost Wages Assistance programs. We provide the total questioned costs by eligibility area, program, and federal Assistance Listing Number in **Table 11** and **Table 12** on pages 44 and 45. Except where otherwise noted, our sampling unit for testwork purposes was a payment for one week of unemployment. When our testwork on payments disclosed noncompliance with eligibility requirements that affected other payments in a claim series, we questioned costs associated with those payments too.

Conditions and Criteria

Identity Verification

Federal law requires all claimants to provide a Social Security Number as a condition of eligibility for unemployment benefits. Pursuant to federal guidance in Unemployment Insurance Program Letter 16-21, "a state must have a system to reasonably ensure that the name and Social Security Number used to establish eligibility for unemployment compensation belong to the individual filing the claim."

The department issued Pandemic benefits to claimants who failed identity verifications for Tennessee benefits

During our audit period, department management discovered that claimants who failed to pass the LexisNexis identity verification on a claim for Tennessee benefits could file a subsequent claim for Pandemic benefits and receive payments without first verifying their identity with the department. Based on review of communications between the department and the GUS vendor, the Director of UI Integrity discovered this issue in September 2020 and requested a system change to carry over unresolved identity verification issues from Tennessee claims to subsequent Pandemic claims. He also requested that the vendor retroactively apply this change to 43,133 Pandemic claims that had not started paying yet. The vendor completed final implementation of this change on October 26, 2020. In November 2020 and March 2021, however, the Director of UI Integrity identified Pandemic claims still affected by this problem, which the vendor attributed to the coding change not capturing incomplete claims. The vendor retroactively corrected an additional 258 claims.

Initial federal guidance for the Pandemic program instructed states to rely on claimants' self-certifications of eligibility for Pandemic benefits but to perform monitoring activities for Pandemic claims for suspicious activity and request supporting documentation to address indicators of fraud. Without identity verification failures carrying over to Pandemic claims, the department lacked an effective internal control to detect and prevent payment on fraudulent claims. The department paid approximately $381 million in Pandemic benefits on over 152,000 claims before the vendor implemented corrective coding changes in October 2020. Management lacked the manpower to feasibly determine which of those active claims had prior identity verification issues and suspend future payment on those claims pending confirmation of the claimant's identity. As a result, neither we nor management had sufficient information to calculate questioned costs associated with Pandemic identity theft.

Department personnel did not verify claimant identities prior to payment resulting in questioned costs

We performed testwork on a sample of GUS work items for failed LexisNexis identity verifications and a sample of GUS work items for failed Social Security Administration identity verifications to determine whether department personnel reviewed proof of identity documentation prior to issuing payment on the claim. Based on our testwork, we found GUS released payment on claims with failed identity verification issues without prior review and approval by department personnel. We provide the details of our testwork, including the results of our review, in **Table 3**.

Table 3
Identity Verification Work Item Testwork Results

Description	Total Population of Work Items	Work Items Tested	Work Items with Unverified Identities
LexisNexis identity verification work items	212,068	60	11
Social Security Administration identity verification work items	39,568	60	1

Because our review focused on management's control activities related to work items processed by staff and information systems and not on claimant payment amounts, we did not question costs related to identity verification from our LexisNexis and Social Security Administration testwork.

We also tested samples of Tennessee, Ex-Service and Ex-Federal, Pandemic, and Disaster weekly benefit payments for compliance with subprogram eligibility requirements. This testwork identified payments to claimants who had failed LexisNexis or Social Security Administration identity verification but department personnel did not review documentation to manually verify these claimants' identities prior to payment. See **Table 4** for the results of our testwork.

Table 4
Identity Verification Testwork Results

Subprogram	Total Population of Payments		Payments Tested		Payments to Claimants with Unverified Identities	
	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount
Tennessee	4,124,874	$863,038,602	60	$12,489	0	-
Ex-Service and Ex-Federal	21,065	$4,998,066	60	$19,683	5	$51,358
Pandemic	3,001,442	$466,469,215	60	$10,920	15	$123,470
Disaster	1,415	$193,242	41[4]	$5,339	0	-

Immigration Verification

State and federal law prohibits payment of unemployment benefits to non-citizens who are not lawfully permitted to work in the United States. The department collects citizenship information from all claimants via the initial application for benefits. In accordance with federal guidance issued in Unemployment Insurance Program Letter 12-03, GUS interfaces with the U.S. Citizenship and Immigration Services databases to verify the lawful immigration status of non-citizen claimants.

Department personnel did not verify claimant immigration status prior to payment

From the population of 12,706 immigration work items generated in fiscal year 2021, we tested a random nonstatistical sample of 60 work items to determine whether department personnel reviewed documentation to verify the lawful immigration status of non-citizen claimants prior to approving the claim for payment. Based on our testwork, the department issued payments on claims with unverified immigration status for 3 of 60 (5%) work items. This occurred when department personnel approved a claim for payment even though the claimant did not provide proof of lawful immigration status **or** when GUS did not function as expected and automatically approved claims for payment despite the presence of unresolved immigration issues.

Because our review focused on control activities related to management's process to handle work items processed by staff and information systems and not on claimant payment amounts, we did not question costs related to immigration verification testwork.

Monetary Eligibility

To qualify for benefits, claimants must meet monetary eligibility criteria established in state and federal law, including work history and past earnings requirements. Monetary eligibility law also

[4] The department issued DUA benefits to 123 claimants in fiscal year 2021. Because of the program's small size, we determined we had obtained sufficient appropriate audit evidence to support our conclusions after testing 41 claimants instead of 60 as we did with other subprograms.

determines a claimant's weekly benefit amount. Our audit work disclosed conditions relating to noncompliance with monetary eligibility requirements in all unemployment subprograms.

Claimants received incorrect weekly benefit amounts from the Tennessee, Extended, and Pandemic Extension programs

Eligible Tennessee, Ex-Federal and Ex-Service, Extended, and Pandemic Extension claimants received a weekly benefit amount ranging from $30 to $275, based on average wages of at least $780.01 from the claimant's two base period quarters with the highest total earnings. Section 50-7-301(b), *Tennessee Code Annotated*, provides a schedule of average high quarter earnings ranges and the corresponding weekly benefit amount for Tennessee claimants. In accordance with federal law, the department applies the formula in state law to determine weekly benefit amounts for eligible Ex-Federal and Ex-Service, Extended, and Pandemic Extension claimants.

We obtained the populations of Tennessee, Ex-Federal and Ex-Service, Extended, and Pandemic Extension payments the department issued in fiscal year 2021 and used data analytics to identify high-risk payments for monetary eligibility testwork. We used base period wage data for each claimant to recalculate the weekly benefit amount for each payment and compared our calculation to the department's weekly benefit amount calculation. We separated our results into three groups and assigned a risk level to each:

	Risk Level
1. **Match:** Our weekly benefit amount recalculation matched the department's calculation. The payments in this group appeared to meet monetary eligibility requirements.	**Low**
2. **Different Weekly Benefit Amount:** Our weekly benefit amount recalculation differed from the department's calculation.	**High**
3. **Insufficient Base Period Wages:** We could not recalculate a weekly benefit amount because the claimant did not appear to have at least of two quarters of base period wages on record.	**High**

See **Table 5** for the results of our data analytics-based risk assessment of payments for monetary eligibility compliance.

Table 5
Identification of High-Risk Payments through Data Analysis
Tennessee, Ex-Federal/Ex-Service, Extended, and Pandemic Extension Payments

Group	Subprogram			
	Tennessee	Ex-Federal/ Ex-Service	Extended	Pandemic Extension
Total Number of Payments	4,124,874	21,065	27,560	2,185,856
Total Dollar Amount	$863,038,603	$4,998,066	$6,262,747	$433,050,355
Match				
Number of Payments	3,753,363	18,870	26,193	2,122,649
% of Total	91%	94%	95%	97%
Dollar Amount	$817,265,283	$4,686,957	$6,086,835	$422,695,099
Different Weekly Benefit Amount				
Number of Payments	370,609	2,160	1,359	57,426
% of Total	9%	6%	5%	2%
Dollar Amount	$45,636,546	$304,162	$174,904	$9,156,269
Insufficient Base Period Wages				
Number of Payments	902	35	8	5,781
% of Total	<1%	<1%	<1%	<1%
Dollar Amount	$136,774	$6,947	$1,008	$1,198,987

The items in the **Match** group appeared to meet monetary eligibility requirements, so we identified these items as low risk and performed no further audit work on these results. From the high-risk groups, **Different Weekly Benefit Amount** and **Insufficient Base Period Wages**, we selected random nonstatistical samples of *Tennessee*, *Ex-Federal* and *Ex-Service*, *Extended*, and *Pandemic Extension* payments for testwork. We reviewed documentation in GUS for each payment to explain differences between the department's weekly benefit amount determination and our recalculated amount.

Our testwork in the **Different Weekly Benefit Amount** group for *Extended* and *Pandemic Extension* payments disclosed inaccurate weekly benefit amount determinations, resulting in claimants receiving overpayment and underpayment of benefits, with total questioned costs of $37,813. Our testwork in this group for *Tennessee*, *Ex-Federal*, and *Ex-Service* payments resulted in no errors. Instead, we found allowable adjustments, corrections, and reductions in benefits due to declared earnings explained the differences between the department's weekly benefit amount determination and our recalculation.

Based on our testwork in the **Insufficient Base Period Wages** group, we identified *Tennessee* and *Extended* payments to claimants who did not meet monetary eligibility criteria for those subprograms, resulting in total questioned costs of $15,101. Our testwork in this category for *Ex-Federal*, *Ex-Service*, and *Pandemic Extension* payments resulted in no errors. Instead, we found additional support in GUS to substantiate claimants' monetary eligibility for those benefits.

See **Table 6** for the results of **Different Weekly Benefit Amount** and **Insufficient Base Period Wages** testwork.

Table 6
Results of Monetary Eligibility Different Weekly Benefit Amount Testwork
Tennessee, Ex-Federal/Ex-Service, Extended, and Pandemic Extension Payments

Testwork and Subprogram	Payments Tested		Payments with Monetary Eligibility Compliance Errors			
	Number	Dollar Amount	Number	%	Total $ Overpaid	Total $ Underpaid
Different Weekly Benefit Amount						
Tennessee	25	$4,611	-	-	-	-
Ex-Federal/Ex-Service	25	$3,443	-	-	-	-
Extended	60	$7,416	3	5%	$919	$7
Pandemic Extension	60	$9,770	10	17%	$314	$139
Insufficient Base Period Wages						
Tennessee	25	$3,618	12	48%	$2,093	-
Ex-Federal/Ex-Service	35	$6,947	-	-	-	-
Extended	8	$1,008	7	88%	$1,008	-
Pandemic Extension	25	$5,127	-	-	-	-

Claimants received Disaster and Pandemic benefits without providing evidence of past employment, and the department did not adjust weekly benefit amounts to reflect claimants' past earnings, resulting in questioned costs

Federal law directs states to calculate weekly benefit amounts for Disaster and Pandemic claimants based on the same formula as the state's regular unemployment program. Furthermore, federal law stipulates that eligible Disaster and Pandemic claimants are entitled to a minimum weekly benefit amount equal to 50% of the state's average weekly benefit amount—regardless of prior earnings history. The U.S. Department of Labor determines 50% of each state's average weekly benefit amount quarterly. In Tennessee, minimum weekly benefit amounts were

- $120 for Pandemic claimants and for Disaster claimants affected by the March 2020 tornado in Middle Tennessee,
- $121 for Disaster claimants affected by the April 2020 tornadoes in Southeast Tennessee, and
- $109 for Disaster claimants affected by the March 2021 storms in Middle Tennessee.

Disaster claimants must submit documentation of their employment and self-employment so that department staff can review evidence of prior earnings to determine the appropriate weekly benefit amount. Disaster claimants who fail to submit this documentation within 21 calendar days of filing are ineligible for benefits. Claimants who submit evidence of employment or self-employment which does include past earnings amounts are eligible only for the minimum weekly benefit amount from the Disaster program.

For the Pandemic program, initial federal guidance issued in April 2020 did not require claimants to submit documentation as evidence of prior employment or self-employment. Instead, the U.S. Department of Labor instructed states to allow claimants to self-attest to their employment history and base period earnings. Under these guidelines, claimants who wished to qualify for more than

the weekly Pandemic benefit amount of $120 were to provide documentation to substantiate their self-attested past earnings within 21 days.

In January 2021, the U.S. Department of Labor issued more stringent guidance to states regarding administration of the Pandemic program. Under the new rules,

- claimants who filed a new claim for Pandemic benefits on or after January 31, 2021, were required to submit documentation substantiating employment or self-employment within 21 days of application; and
- claimants who had an existing Pandemic claim as of December 27, 2020, were required to submit documentation substantiating employment or self-employment within 90 days.

From the population of 3,001,442 Pandemic payments totaling $466,469,215 and the population of 1,415 Disaster payments totaling $193,242 the department issued in fiscal year 2021, we selected nonstatistical, random samples from each program to determine compliance with monetary eligibility requirements. Based on our testwork, the department paid claimants who failed to submit required documentation and paid incorrect amounts of Disaster and Pandemic benefits:

- The department issued 27 of 60[5] of Pandemic payments tested (45%) and 28 of 41 Disaster payments tested (68%) to claimants who did not submit evidence of prior employment or self-employment within the required timeframe. This condition resulted in federal questioned costs of $521,289.
- The department assigned incorrect weekly benefit amounts for 11 of 41 Disaster payments tested (27%). These claimants received weekly benefit amounts ranging from $120 to $155, despite providing documentation to substantiate monetary eligibility for higher weekly benefit amounts. Ultimately we did not question costs on this condition because despite the incorrect weekly benefit amount determination, we found that all 11 claimants failed to satisfy non-monetary Disaster eligibility requirements, and thus were not entitled to any Disaster payments.
- The department assigned incorrect weekly benefit amounts for 9 of 60 Pandemic payments tested (15%). Seven claimants received more than the minimum weekly benefit amount despite providing no proof of past earnings to substantiate the higher amount, resulting in questioned costs of $36,580. Two claimants were underpaid a total of $5,903 because they received the minimum weekly benefit amount despite providing documentation to support a higher entitlement.

[5] Our initial sample of 60 included 7 payments on claims that ended before claimants were required to provide documentation of past employment. We discarded those 7 payments from our sample and replaced them with payments on claims for which the new rules applied.

Claimants received Disaster, Pandemic, and Pandemic Extension payments while concurrently claiming or eligible for benefits from other unemployment programs, resulting in questioned costs

As a condition of eligibility, the Disaster, Pandemic, and Pandemic Extension programs require that the claimant is not qualified for benefits under any other state or federal unemployment program. For the Disaster program, this is articulated in 20 CFR 625.4, which states,

> An individual shall be eligible to receive a payment of DUA [Disaster benefits] 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 . . . for such week under any other Federal or State law.

Likewise, 15 USC 9021(3)(A)(i) stipulates that Pandemic benefits are payable to individuals who are "not eligible for regular compensation or extended benefits under State or Federal law." Furthermore, 15 USC 9025(a)(2) establishes,

> The State will make payments of pandemic emergency unemployment compensation to individuals who —
>
> (A) have exhausted all rights to regular compensation under the State law or under Federal law with respect to a benefit year (excluding any benefit year that ended before July 1, 2019);
>
> (B) have no rights to regular compensation with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law. . .

We compared the population of 1,415 Disaster payments the department issued in fiscal year 2021 to payments issued under the department's other unemployment programs during the same period. This analysis disclosed 62 Disaster payments that appeared to be issued concurrently with other unemployment benefits. We performed testwork and found in 56 of 62 payments tested, claimants received simultaneous Disaster and Tennessee, Pandemic, or Pandemic Extension benefits for the same weeks of unemployment. Federal law prohibits claimants from collecting concurrent benefits from these programs, and we identified federal questioned costs totaling $41,516 arising from these claims.

We selected nonstatistical random samples from the populations of Pandemic, Disaster, and Pandemic Extension payments issued in fiscal year 2021 to test claimants' eligibility for benefits from other programs. Based on our testwork, the department paid 2 of 60 Pandemic payments tested (3%) and 5 of 41 Disaster payments tested (12%) to claimants who had sufficient base period earnings to qualify for Tennessee benefits. Under federal law, claimants must exhaust all rights to Tennessee benefits before claiming Pandemic or Disaster benefits.

We also found that for 1 of 60 Pandemic Extension payments tested (2%), claimants were eligible to claim regular unemployment benefits in other states, and should have exhausted these benefit sources before receiving Pandemic Extension payments in Tennessee.

Ineligible claimants received Pandemic Supplement and Lost Wages benefits, and claimants received duplicate payments and incorrect weekly benefit amounts, resulting in questioned costs

According to 15 USC 9023(b)(3)(A) and U.S. Department of Labor guidance set forth in Unemployment Insurance Program Letter 15-20, claimants who received at least $1 of benefits from Tennessee, Ex-Federal, Ex-Service, Pandemic Extension, Pandemic, or a Trade Readjustment Allowance program[6] for a week of unemployment were eligible for a supplementary Pandemic Supplement benefit of either $600 or $300, as applicable (see **Table 1**).

An August 8, 2020, Presidential memorandum entitled *Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019* set forth eligibility requirements for supplementary payments of $300 to unemployed workers through the Lost Wages program. A core requirement was that claimants must receive at least $100 from Tennessee, Ex-Federal, Ex-Service, Pandemic, Extended, or Trade Readjustment Allowance programs to qualify for a Lost Wages payment for that week.

We obtained the populations of Pandemic Supplement and Lost Wages payments the department issued in fiscal year 2021 and used data analytics to identify payments that did not have a corresponding minimum amount of non-supplementary unemployment benefits (see **Table 7** for the results of our data analytics).

Table 7
Results of Pandemic Supplement and Lost Wages Data Analytics

Subprogram	Population		Supplementary Payments With Sufficient Other Benefits		Supplementary Payments Without Sufficient Other Benefits	
	Number	Dollar Value	Number	Percentage	Number	Percentage
Pandemic Supplement	5,286,975	$2,184,780,927	5,285,746	>99%	1,229	<1%
Lost Wages	1,487,251	$446,144,550	1,450,533	98%	36,718	2%

We then tested nonstatistical, random samples of 60 Lost Wages payments and 60 Pandemic Supplement payments from the population of Supplementary Payments Without Sufficient Other Benefits to determine compliance with eligibility criteria. Our testwork of Lost Wages benefits resulted in no errors.

For the Pandemic Supplement program, we found the department issued 6 of 60 payments for incorrect benefit amounts. These comprised

[6] The Pandemic Supplement program increased unemployment benefits for eligible claimants who received at least $1 from the following Unemployment Insurance programs: Tennessee Unemployment Compensation, Unemployment Compensation for Federal Employees, Unemployment Compensation for Ex-Servicemembers, Pandemic Emergency Unemployment Compensation, Pandemic Unemployment Assistance, Extended Benefits, Trade Readjustment Allowances, and Disaster Unemployment Assistance.

- 5 payments to claimants whose weekly benefits were either not applied to unpaid overpayment debts or were not applied to the correct benefit category, resulting in overpaid benefits totaling $655 and underpaid benefits totaling $335; and
- 1 payment to a claimant who received $2,100 in additional Pandemic Supplement benefits for a week of unemployment instead of $600.

We performed additional data analytics on the population of Pandemic Supplement benefits to determine whether the department issued the correct weekly benefit amount each week, in accordance with the schedule exhibited in **Table 1**. Our analytics disclosed 136,282 payments totaling $12,371,428 that did not appear to be for the correct amount of $600 or $300, as applicable. We selected a random nonstatistical sample of 60 payments from these results for testwork. We found for 5 of 60 Pandemic Supplement payments tested (8%), the department issued the incorrect benefit amount, resulting in overpaid benefits totaling $3,046.

Claimants received Mixed Earner benefits without providing evidence of past earnings from self-employment

The U.S. Department of Labor issued operating guidance for the Mixed Earner program in Unemployment Insurance Program Letter 15-20 change 3, which states,

> Individuals who apply for MEUC [the Mixed Earner program] are required to submit documentation substantiating their self-employment income for purposes of the state determining their eligibility for MEUC . . . Individuals may submit this documentation at any time while the MEUC program is in effect . . . However, until the individual provides the documentation and the state can determine that it substantiates that the amount of self-employment income meets MEUC eligibility requirements, MEUC payments may not begin.

The federal guidance further established that claimants should provide a copy of their income tax return for the most recently completed tax year prior to application for regular unemployment benefits. Acceptable documentation also includes pay stubs, bank receipts, business records, accounting ledgers, invoices, and billing statements that substantiate self-employment income of at least $5,000 for the most recent tax year.

We obtained the population of 763 Mixed Earner payments totaling $76,300 the department issued to 99 claimants in fiscal year 2021. We tested a sample of 60 claimants for compliance with Mixed Earner eligibility requirements. Based on our testwork, the department issued Mixed Earner benefits to 50 of 60 claimants tested (83%) without verifying evidence of self-employment earnings.

Non-Monetary Eligibility

Along with monetary eligibility requirements, claimants must meet non-monetary eligibility criteria to qualify for unemployment benefits. For most programs, individuals must have had lost their job through no fault of their own to receive unemployment benefits. For Disaster benefits, claimants must be unemployed as a direct result of a federally declared natural disaster and must file for and collect benefits within a prescribed period of time. Our audit work disclosed conditions

relating to noncompliance with non-monetary eligibility requirements in the Tennessee and Disaster subprograms.

Department personnel did not manually review and approve claims for Tennessee benefits to ensure claimants lost their jobs through no fault of their own, resulting in questioned costs

Under Section 50-7-303(a), *Tennessee Code Annotated,* conditions render claimants ineligible for Tennessee benefits, such as voluntarily quitting work, and termination from work for misconduct. When a claimant's job loss is for reasons other than lack of work, department personnel must adjudicate (manually determine eligibility on) claims by reviewing information from the claimant and the claimant's most recent employer to assess whether the claimant is unemployed through no fault of their own.

From the population of 4,124,874 Tennessee payments totaling $817,265,283 issued in fiscal year 2021, we selected a nonstatistical, random sample of 60 payments to determine whether claimants met non-monetary eligibility criteria. Based on our testwork, 14 of 60 payments (23%) related to claims the department automatically approved despite indicators of potentially disqualifying separations from employment requiring adjudication that resulted in $226,178 in questioned costs These included

- 6 payments on claims where the employer disputed the claimant's separation reason,
- 5 payments on unadjudicated quit claims,
- 2 payments on unadjudicated discharge claims, and
- 1 payment on a claim where both the claimant and employer represented that the claimant was still employed.

Claimants received Disaster benefits for job loss unrelated to an eligible major disaster, did not file timely for benefits, and received payments outside the allowable period, resulting in questioned costs

According to 20 CFR 625.5, Disaster benefits are payable to workers whose unemployment is caused by a Presidentially declared major disaster. This means that the claimant, as a direct result of a major disaster,

- is unable to reach his or her place of employment or self-employment,
- is unable to commence employment or self-employment,
- has become the breadwinner for a household because the head of the household died as a result of the disaster, or
- cannot work because of an injury caused by the disaster.

Furthermore, 20 CFR 625.4 states that eligible individuals are entitled to receive a payment of Disaster benefits for each week of unemployment occurring during a disaster assistance period. Federal regulations define this period as beginning with the first week following the date the major disaster began, and ending with the 26th week after the major disaster was declared.

On filing deadlines, 20 CFR 625.8(a) states,

> An initial application for DUA [Disaster benefits] shall be filed by an individual with the State agency of the applicable State within 30 days after the announcement date of the major disaster as the result 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 the late filing.

We obtained the populations of 1,415 Disaster payments the department issued in fiscal year 2021 and used data analytics to identify payments to claimants who did not file for Disaster benefits within 30 days of the announcement of the major disaster and who received Disaster benefits after the end of the disaster assistance period. We then performed further testwork on each payment that, based on our analytics, did not appear to comply with the requirements of the Disaster program. See **Table 8** for the results of our analytics and **Table 9** for the results of our subsequent testwork.

Table 8
Identification of High-Risk Disaster Payments through Data Analysis

Payments Analyzed	Claim Filed Late Without Evidence of Good Cause		Payments Outside the Disaster Assistance Period	
	Number of Payments	Percentage of Total Payments	Number of Payments	Percentage of Total Payments
1,415	43	3%	24	2%

Table 9
Disaster Payment Timely Filing and Disaster Assistance Period Testwork Results

Testwork Description	Payments Tested	Number of Errors
Claim filed late without evidence of good cause	41[7]	35
Payments for weeks of unemployment after the disaster assistance period	24	23

We also selected a random, nonstatistical sample of 41 payments from the population of 1,415 Disaster payments the department issued in fiscal year 2021 to test compliance with other aspects of Disaster non-monetary eligibility. Based on our testwork, for 30 of 41 payments tested (73%), claimants whose unemployment was not the direct result of an applicable major disaster received Disaster benefits. Most of these claimants attested that their unemployment was affected by the COVID-19 pandemic, which does not qualify as a major disaster for Disaster eligibility purposes.

Our audit work on Disaster payments non-monetary eligibility resulted in questioned costs totaling $338,983.

[7] Our data analytics results included two claimants whom we tested and found noncompliant with timely filing requirements in our prior year audit; we did not retest these claimants during the current audit.

Weekly Certifications

Section 50-7-302(a)(4), *Tennessee Code Annotated,* requires claimants to demonstrate they are "able to work, available for work, and making a reasonable effort to secure work" each week. Claimants attest that they are able to work and available for work on their weekly certification for benefits. Claimants must demonstrate they are making an effort to secure work by documenting contact with at least three employers on their weekly certification, or by accessing career services at an American Job Center.

State law exempts certain claimants from these requirements, such as those participating in department-approved training. Federal law exempted claimants from performing work searches if they were unable to do so for an approved COVID-19 related reason. This law also modified work search expectations for self-employed individuals claiming benefits under the Pandemic program. Furthermore, Governor Bill Lee suspended the ability to work and work search requirements for all claimants for part of the fiscal year, effective March 19, 2020, through October 4, 2020.

Claimants received benefits for weeks they did not qualify for unemployment because they were unable to work, unavailable to work, or not actively seeking work, resulting in questioned costs

We selected random, nonstatistical samples from the populations of Tennessee, Ex-Federal and Ex-Service, Disaster, Extended, and Pandemic Extension benefits paid in fiscal year 2021 to test for compliance with weekly certification requirements. Based on our testwork, the department issued benefits to claimants who were not able to work and available to work, and claimants who failed to fulfill work search requirements and did not have a qualifying exemption. We identified questioned costs totaling $99,335 for improper payments to claimants who were not able for and available to work, and questioned costs totaling $10,115 for improper payments to claimants who did not complete required work search activities. See **Table 10** for the results of our testwork.

Table 10
Weekly Certification Testwork Results – Able, Available, and Actively Seeking Work
Tennessee, Ex-Federal and Ex-Service, Disaster, Extended, and Pandemic Extension Benefits

Subprogram	Population of Payments	Number of Payments Tested	Payments to Claimants Not Able for and Available to Work		Payments to Claimants for Weeks Without Work Search Activities	
			Number	Percentage	Number	Percentage
Tennessee	4,124,874	60	-	-	3	5%
Ex-Federal/ Ex-Service	21,065	60	-	-	16	27%
Disaster	1,415	41	40	98%	5	12%
Extended	27,560	60	2	3%	7	12%
Pandemic Extension	2,185,856	60	-	-	-	-

Overpayments

The U.S. Department of Labor requires state Benefit Payment Control units to implement certain processes to detect improper payments in regular, temporary, and pandemic Unemployment Insurance programs. These include cross-matches of payments to the national directory of new hire data and quarterly wage records.

Furthermore, in May and August 2020, the U.S. Department of Labor issued guidance encouraging states to implement other methods and strategies to deter and prevent fraud, including cross-matches of payments to vital statistics records and the State Directory of New Hires.

Additionally, 29 CFR 99.300 establishes,

> The auditee shall . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Benefits paid on claims filed under identities belonging to deceased individuals

We obtained the population of 2,466 work items created in fiscal year 2021 arising from the department's cross-match of unemployment payment data with Tennessee Department of Health vital statistics records. These work items direct Benefit Payment Control auditors to investigate payments issued to deceased individuals and stop future payments on those claims.

We also obtained all vital statistics records from the Tennessee Department of Health and performed our own cross-match between these records and unemployment payments issued in fiscal year 2021. Historically, we have encountered data reliability issues with state vital statistics records, so with the support and permission of department management we used the U.S. Department of Treasury's Do Not Pay service to validate the death dates of claimants who appeared in our cross-match against federal databases. The Do Not Pay service provided conclusive or probable death validation for 93 claimants. We then performed testwork by comparing these 93 claimants to the department's work items to ascertain whether the department detected benefits paid to deceased individuals.

We removed 4 of the 93 claimants from testing after we determined that those claimants had miskeyed their Social Security numbers, resulting in false positive matches to vital statistics records. Those claimants subsequently provided the department supporting identity documentation to correct their Social Security numbers. Of the remaining 89, we found 41 deceased claimants who did not appear in the department's own vital statistics cross-match.

We determined that most of these individuals died before an unemployment claim was filed in their name, indicating identity theft. The department's mechanism to prevent filing of claims under deceased identities is the Social Security Administration and LexisNexis procedures described in the **Identity Verification** section of this finding. In these cases, however, Social Security Administration or LexisNexis controls were not effective for one of three reasons:

- the controls timed out during the claims filing process and did not generate an issue preventing payment on the claim;
- the automated controls generated an issue on the claim to prevent payment; however, GUS inappropriately resolved the issue automatically instead of routing the claim to department personnel for manual review; or
- the automated controls generated an issue on the claim and routed the claim to department personnel for manual review, but allowed the claim to begin paying immediately.

Furthermore, the department relies on identity verification procedures to prevent payment to identities that are already deceased at the time of initial filing. As a result, Benefit Payment Control's vital statistics cross-match is programmed only to find claimants who died *while* actively claiming benefits.

We identified questioned costs totaling $410,709 for improper payments collected using the identities of deceased individuals.

Questioned Costs

We questioned costs for improper payment of Unemployment Insurance benefits totaling $1,932,148 as shown in **Table 11** and **Table 12**. This amount encompasses federal questioned costs for improper Extended, Disaster, Pandemic, Pandemic Extension, Mixed Earner, Lost Wages, and Pandemic Supplement benefits totaling $1,840,953, and state questioned costs for improper payments from the state trust fund for Tennessee, Ex-Service, and Ex-Federal benefits totaling $91,195.

Table 11
Unemployment Insurance Eligibility Questioned Costs

Eligibility Criteria	Tennessee	Ex-Federal/ Ex-Service	Pandemic	Disaster	Extended	Pandemic Extension	Mixed Earner	Lost Wages	Pandemic Supplement
Identity Verification									
Department issued Pandemic benefits to claimants who failed identity verifications for Tennessee benefits	-	-	-	-	-	-	-	-	-
Department personnel did not verify claimant identities prior to payment	-	$20,158	$53,570	-	-	-	-	$12,600	$88,500
Immigration Verification									
Department personnel did not verify claimant immigration status prior to payment	-	-	-	-	-	-	-	-	-
Monetary Eligibility									
Incorrect weekly benefit amounts	-	-	$36,580	-	$919	$314	-	-	-
Insufficient base period wages	$2,093	-	-	-	$1,008	-	-	$1,200	$10,800
No documentation of past employment/earnings	-	-	$88,785	$66,378	-	-	$38,800	-	$366,126
Concurrent benefits from other programs	-	-	$5,040	$4,441	-	$535	-	$4,200	$27,300
Claimant did not exhaust regular unemployment compensation	-	-	-	-	-	$3,880	-	-	$3,000
Ineligible and duplicate additional pandemic payments	$453	-	$271	-	-	-	-	-	$4,477
Non-Monetary Eligibility									
Disqualifying and potentially ineligible separations	$58,278	-	-	-	-	$45,200	-	$15,300	$107,400
Disaster claimants not affected by an eligible major disaster	-	-	-	$17,318	-	-	-	-	$57,600
Disaster application filed late and payments outside the disaster assistance period	-	-	-	$69,065	-	-	-		$195,000
Weekly Certifications									
Claimants not able to work and available for work	-	-	-	$24,275	$3,660	-	-	-	$71,400
Claimants did not complete required work searches	$825	$3,859	-	-	$1,608	$223	-	-	$9,000
Overpayments									
Deceased individuals	$5,529	-	$133,380	-	-	-	-	-	$271,800
Totals:	**$67,178**	**$24,017**	**$317,626**	**$181,477**	**$7,195**	**$50,152**	**$38,800**	**$33,300**	**$1,212,403**

Table 12
Summary of Unemployment Insurance Eligibility Questioned Costs by Funding Source

Federal Assistance Listing Number	Program	Funding Source	Total Questioned Costs
17.225	Tennessee	State unemployment trust fund[8]	$67,178
	Ex-Federal/Ex-Service		$24,017
	Pandemic	Federal	$317,626
	Extended		$7,195
	Pandemic Extension		$50,152
	Pandemic Supplement		$1,212,403
	Mixed Earner		$38,800
97.034	Lost Wages		$33,300
97.050	Disaster Unemployment		$181,477
		Grand Total:	**$1,932,148**

Cause

As noted in our prior audit findings related to Unemployment Insurance eligibility, department management did not design and implement internal controls, including controls integrated in its information systems, that ensured compliance with federal regulations. The existing control structure did not address the risks associated with the number, timing, nature, and complexity of the federal programs overseen by the department and the volume of applicants for these programs. Specifically, the internal control structure was not designed to manage the number of temporary programs implemented due to the pandemic and natural disasters in addition to changes in federal guidance for regular programs.

According to management, the department had to assess and respond to the risk of providing benefits to ineligible claimants against the risk of not providing timely benefits to eligible claimants. Additionally, the department's operating environment was subject to frequent change due to new federal programs and changing federal guidance. Since March 2020, department management reacted to new known deficiencies by reporting over 1,000 incidents (unexpected system behaviors) and requesting over 800 data corrections, and worked with the vendor to identify and correct claims processing issues. These corrections, however, did not always address the root cause of system incidents, and the department encountered recurring problems in GUS that the vendor had previously told management were fixed.

Additionally, to respond to the increased volume of applications, including the number of cases of extensions beyond 26 weeks, management increased the department's available resources by contracting with temporary staffing agencies to manage the volume of applications.

[8] The department pays Tennessee, Ex-Federal, and Ex-Service benefits from the state's unemployment trust fund. Tennessee employers contribute to this trust fund in the form of unemployment payroll taxes; therefore, these are not considered federal questioned costs.

Effect

Without internal control processes designed to address and adapt to periods of high unemployment, the department increases the risk of improper payments to ineligible claimants. By not ensuring the vendor identifies and takes corrective action to fix claims processing errors within GUS, department management increases the risk of information systems controls not operating as designed or achieving the desired result.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner of Labor and Workforce Development should work with Unemployment Insurance program management to design and implement internal controls to mitigate the risks of improper payments to ineligible claimants. Such internal controls should ensure the department complies with state and federal program requirements. Management should review the exceptions identified and, when appropriate, disqualify ineligible claimants and initiate recovery of improper payments.

Management must work with their vendor partner to identify and implement any necessary coding changes to retroactively correct improper system handling of claims and benefit payments. Management should ensure information system controls operate as designed and achieve the

desired result and ensure their vendor partner takes appropriate action to remedy any deficiencies. Although management demonstrated ongoing monitoring of information systems operations by identifying deficiencies and requesting the necessary corrective actions, we identified further deficiencies within the GUS system and its operations; therefore, management should direct the vendor to increase the testing of changes to the system and direct the vendor to make necessary changes for ongoing system deficiencies.

Management's Comment

We concur. From the start of the pandemic thru the end of the period of performance, June 30th, 2021, the department received 1,232,976 initial claims. That number does not include PEUC or EB claims. In the previous seven years, 2013 through 2019, the department received a combined, seven-year, total of 1,346,376 initial claims. There were no federal programs during that time. Stated concisely, TDLWD received seven years' worth of work from the onset of the pandemic.

At the beginning of the pandemic, the department was staffed for a 3.5 percent unemployment rate. Therefore, in TN, adjudicators are the sole merit staff with the training and qualifications to issue determinations on claims. The number of adjudicators fluctuated between 45 and 75 during the performance period. Due to the volume of claims, TDLWD was forced to forgo traditional claims processing methods; otherwise, we would still be processing claims from April 2020 in March of 2022. Instead, the department used the system to process and adjudicate many of the claims and get money to people who desperately needed it. The department applied business rules to the process to ensure the highest level of integrity and accuracy possible.

The department was tasked with starting up and creating a new unemployment program to allow benefits to be paid to individuals who had never before been eligible. The department had to work with the UI system Vendor to implement all federal programs, including PUA (pandemic unemployment assistance), PEUC (Pandemic Emergency Unemployment Compensation), and EB (Extended Benefits). With changing guidance from the US Department of Labor, and multiple iterations of the pandemic programs, the department was consistently required to go back and make adjustments on previously completed claims and make changes to the programs.

The department's internal controls were successful in identifying the many errors within the system and each time an error was identified, the system vendor was notified. Per the auditors, "Since March 2020, department management reacted to new known deficiencies by reporting over 1,000 incidents (unexpected system behaviors) and requesting over 800 data corrections and worked with the vendor to identify and correct claims processing issues." When these errors within the system are identified, the department notifies the vendor. The vendor then corrects the issues in a staging environment. The department tests within that environment to validate the correction has been made. It then moves to the production environment, and that same process is repeated.

This is completed by a handful of people with other duties as the department is not staffed to handle processing the number of claims received and the number of errors that occurred during this time frame. We rely on the system vendor to correct the mistakes when found, but unfortunately, these errors consistently reappear. The department cannot stop processing claims due to system errors, as demonstrated in the number of OPCs entered. The department always notifies the vendor when errors are found to correct issues. These decisions were made knowing that controls were in place

to identify and correct potential errors later in the unemployment process through mechanisms such as Appeals, Benefit Accuracy Measurement (BAM), Benefit Quality and Timeliness (BTQ), quality control performed by the TRAC unit and by claims management, back-end crossmatches performed by Benefit Payment Control (BPC), and error reports such as the payment exception report.

All claims that were presented to us as potential issues have been reviewed. However, overpayments have not been created for all applicable claims. The creation of overpayments and/or the correction of issues for all applicable claims is scheduled to be completed by January 31, 2023. With the balance of wanting to pay people in need and attempting to minimize errors, the audit verified that the controls the department had in place were effective given the circumstance.

Finding Number	2021-003
Assistance Listing Number	17.258, 17.259, and 17.278
Program Name	WIOA Cluster
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Federal Award Identification Number	AA-30740-17-55-A-47, AA-32192-18-55-A-47, AA-33257-19-55-A-47, AA-34796-20-55-A-47, AA-36347-21-55-A-47
Federal Award Year	2018 through 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Workforce Services Division management did not perform required programmatic subrecipient monitoring, did not ensure staff followed policies and procedures for programmatic subrecipient monitoring, and did not review subrecipients' Single Audits

Background

The Workforce Innovation and Opportunity Act (WIOA) cluster of federal programs helps participants overcome barriers to obtaining employment by providing education, training, job search, and other support services. The WIOA cluster consists of three core programs: Adult, Dislocated Worker, and Youth. The U.S. Department of Labor (USDOL) awards funding for these programs through formula grants to states. In Tennessee, the Workforce Services Division (WSD) within the Tennessee Department of Labor and Workforce Development administers WIOA programs.

American Job Centers

The WIOA cluster of programs provides employment services to individuals through a network of American Job Centers (AJCs).[9] Individuals may visit an AJC to determine whether they are eligible to receive services and, if so, obtain free employment assistance. The WSD awards grants to nine subrecipients, known as Local Workforce Development Boards[10] (LWDBs), to oversee the AJCs in their Local Workforce Development Area. Each LWDB serves multiple counties; contracts with a One-Stop Operator (OSO) to manage the operations of the AJCs; and appoints a Fiscal Agent who is responsible for the accounting and finances for the AJCs.

For fiscal year 2021, LWD expenditures for the WIOA Cluster totaled $49,705,534. The expenditures for each program are outlined in **Table 1**.

[9] The Workforce Investment Act of 1998 established One-Stop centers which were physical locations where individuals may visit and determine if they are eligible for employment assistance from a variety of federal programs. When WIOA repealed and replaced the Workforce Investment Act, it changed the name of One-Stop centers to American Job Centers. During the COVID-19 Pandemic, certain AJCs were closed or offered virtual services online.

[10] According to CFR 679.300, the Local Workforce Development Board "is to serve as a strategic leader and convener of local workforce development system stakeholders."

Table 1
WIOA Cluster Expenditures by Program

Program	FY21 Expenditures*	Percentage of Cluster
Adult	$16,742,507	34%
Youth	$13,593,964	27%
Dislocated Workers	$19,369,063	39%

*This is total expenditures, which includes amounts paid to subrecipients and amounts spent on statewide activities.
Source: Auditor prepared from LWD's FY21 Schedule of Expenditures of Federal Awards.

Condition, Criteria, and Cause

WSD Staff Did Not Perform Programmatic Monitoring

WSD had a *Monitoring Guide* for program year 2020–2021 which addresses the responsibility for and frequency of monitoring. According to the *Monitoring Guide*:

- WSD staff must perform quarterly desktop programmatic reviews,[11] and
- WSD staff must perform annual on-site programmatic reviews.

According to the Workforce Services Director, WSD staff follow the *USDOL Employment and Training Administration (ETA) Core Monitoring Guide* to conduct programmatic monitoring reviews. The *ETA Core Monitoring Guide* includes comprehensive monitoring activities designed to "evaluate the management and administration of the grant, the quality of the program and/or services, and the performance of the grant to determine if the program is operating in compliance with the grant agreement and in a manner that ensures achievement of its goals and outcomes." The guide also includes checklists and forms to document the monitoring activities.

Based our discussions with management and our review of available documents we found the following:

- WSD staff did not conduct any programmatic monitoring of subrecipients for the Adult and Youth programs, which made up 61% of the WIOA Cluster expenditures.
- WSD did not conduct on-site programmatic monitoring of subrecipients for the Adult, Youth, or Dislocated Worker programs.
- WSD staff conducted desktop programmatic monitoring reviews of subrecipients for the Dislocated Worker program in quarter 3; however, staff are required to conduct monitoring in all four quarters.
- When WSD staff conducted the 3rd quarter Dislocated Worker programmatic monitoring reviews, they did not follow the *ETA Core Monitoring Guide*.

[11] WSD staff are responsible for monitoring the subrecipient's programmatic activities for the WIOA cluster programs, such as eligibility determinations, and PAR Unit staff are responsible for monitoring fiscal related activities, such as reviewing expenditures to ensure they comply with federal requirements.

Title 29, *United States Code*, Chapter 32, Section 3244(a)(4), "Monitoring," states, "Each Governor of a State shall conduct on an annual basis onsite monitoring of each local area [LWDAs] within the State to ensure compliance with uniform administrative requirements…" Pursuant to the Office of Management and Budget's *Uniform Grant Guidance* and Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 332, "Requirements for Pass Through Entities," LWD is required to monitor the LWDAs' activities "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."

Additionally, "Administrative Provisions under Title I of the Workforce Innovation and Opportunity Act," Title 20, *Code of Federal Regulations*, Part 683, Section 410(b), states that the Governor is responsible for developing the State monitoring system, which must

1. provide for annual on-site monitoring local areas' [LWDAs] compliance with the Office of Management and Budget's *Uniform Grant Guidance*;
2. ensure that established policies to achieve program performance and outcomes meet the objectives of WIOA and WIOA regulations;
3. help the Governor determine whether subrecipients and contractors have demonstrated substantial compliance with WIOA requirements;
4. help the Governor determine whether to disapprove a local plan for failure to make acceptable progress in addressing deficiencies; and
5. ensure compliance with the nondiscrimination, disability, and equal opportunity requirements as established in WIOA regulations.

According to the Director of Program Integrity, the department met the annual onsite requirement through the PAR Unit annual onsite fiscal reviews. The Director also stated that the department monitors subrecipients through data validation to ensure information in their Virtual One-stop (VOS) case management system matches relevant supporting documentation. Based on our review, however, these activities did not meet the requirements established in the *Monitoring Guide* or *ETA Core Monitoring Guide*.

Subrecipient Single Audit Requirements

Although LWDAs submitted their Single Audit reports to WSD, WSD management did not review the reports to ensure that the LWDAs took action on any of the findings noted. We reviewed the 9 LWDA Single Audit reports issued during the fiscal year ended June 30, 2021, and found that one audit report that contained a Single Audit finding concerning an accounting error. Because there was no one assigned to review these reports, management did not require or consider the LWDA's corrective action or issue a management decision letter for the finding noted. Based on discussions with management, the employee who previously reviewed the single audit reports left the agency, and the responsibility to review single audit reports was not reassigned during the unit reorganization.

Pursuant to the OMB's *Uniform Grant Guidance* and "Audit Requirements," Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 501,

(a) *Audit required*.[12] A non-federal entity [LWDAs] that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Furthermore, as the pass-through entity, LWD is required by 2 CFR 200.332 to verify that all subrecipients that spend $750,000 or more obtain a Single Audit within 9 months after the subrecipient's fiscal year-end. As part of that Single Audit, if a subrecipient receives an audit finding, the department must issue a management decision within six months of the audit report's release, indicate if the department agreed with the finding, and describe any corrective action the subrecipient must take. LWDAs submit their Single Audit reports annually to the WSD's Program Integrity Unit for the division's review and to obtain LWD's management decision when there are findings.

Risk Assessment

Based on our review of the LWD 2020 Financial Integrity Act risk assessment, management identified risks and controls related to subrecipient monitoring for fiscal-related activities in their risk assessment but did not identify and address the risk of inadequate subrecipient monitoring for programmatic activities, and as such did not design and implement effective controls governing the required programmatic monitoring activities. Additionally, management did not identify and address the risk of not reviewing subrecipient single audit findings, not obtaining a corrective action plan, and not issuing a management decision letter.

Effect

When department staff do not perform sufficient subrecipient programmatic monitoring, management cannot ensure subrecipients' have reasonably complied with federal statutes, regulations, and terms and conditions of the grant award; nor can management ensure that subaward performance goals were achieved.

In addition, when management does ensure staff follow written procedures for programmatic monitoring, the risk that management and staff will not prevent or detect unallowable program activities increases.

When LWD management does not review LWDAs' single audit results, including single audit findings, it increases the risk that management may be unaware of deficiencies identified by the auditors and may not ensure that subrecipient management takes action and responds to noncompliance or areas for improvement identified in Single Audits

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

[12] An independent audit is an examination of financial records, accounts, business transactions, accounting practices, and internal controls conducted by a third party, such as a CPA firm.

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

Workforce Services Division management should ensure staff are aware of their monitoring responsibilities and perform sufficient monitoring to identify areas of noncompliance. The Assistant Commissioner should ensure that WSD staff conduct monitoring in accordance with federal and state guidelines, including carrying out on-site monitoring and desktop reviews. 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 of Labor and Workforce Development will revise the current program monitoring guide and update the current risk assessment by May 2022 to demonstrate how we will mitigate this risk moving forward. This revision will include additional internal controls and programmatic monitoring instruments for subrecipient monitoring. This process will be documented through revised standard operating procedures which clearly define roles, responsibilities, and frequency of programmatic subrecipient monitoring and review of subrecipients' Single Audits by department staff.

Finding Number	2021-004
Assistance Listing 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-34086-20-55-A-47 and UI-35676-21-55-A-47
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Period of Performance
Repeat Finding	N/A
Pass-Through Entity	N/A

Questioned Costs

Assistance Listing Number	Federal Award Identification Number	Amount
17.225	UI-35676-21-55-A-47	$199,345.84

The Department of Labor and Workforce Development obligated federal Unemployment Insurance grant funds before the beginning of the period of performance

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 is responsible for allocating annual administrative grant funds to states, establishing overall program policies, and monitoring state performance and conformity with federal requirements. In Tennessee, the Department of Labor and Workforce Development (department) is responsible for administering the state's Unemployment Insurance program. The department uses its federal grant funding for administrative costs such as staffing, equipment, and other expenditures necessary to carry out its program responsibilities, which include determining worker eligibility for benefits and collecting quarterly unemployment taxes from Tennessee employers.

The department signs an annual funding agreement with the U.S. Department of Labor before the start of each federal fiscal year. The agreement sets forth a grant expenditure period, identifying the obligation beginning and ending dates during which time the department may obligate (commit to spend) the federal funds and the liquidation date by which the department must liquidate (spend) the federal funds. The agreement also provides an extended grant expenditure period for funds the department specifically uses on information technology projects to automate program operations.

The minimum expenditure period on each annual Unemployment Insurance grant is 15 months; therefore, the department had two active grants in fiscal year 2021. See **Table 1** for the grant expenditure periods for the department's grant funding for federal fiscal years 2020 and 2021.

Table 1
Unemployment Insurance Grant Expenditure Period – Federal Fiscal Years 2020 and 2021

Obligation Dates	2020 Grant		2021 Grant	
	General Program Administration	Program Automation	General Program Administration	Program Automation
Beginning Date	October 1, 2019	October 1, 2019	October 1, 2020	October 1, 2020
Ending Date	December 31, 2020	September 30, 2022	December 31, 2021	September 30, 2023
Liquidation Date	March 31, 2021	December 31, 2022	March 31, 2022	December 31, 2023

Source: Unemployment Insurance annual funding agreements for federal fiscal years 2020 and 2021.

Condition and Cause

We obtained the population of the department's Unemployment Insurance administrative expenditures for fiscal year 2021 totaling $121,267,912. We compared the dates as documented in the accounting records to the obligation (beginning and ending) and liquidation dates established in the federal award. We inquired with management and reviewed supporting documentation for transactions that, based on our analysis, the department obligated outside the period allowed by the annual funding agreement. We were able to resolve the questions we had regarding expenditures that appeared to occur after the period of performance ended; however, we found that the department charged expenditures totaling $199,355 to the 2020 and 2021 Unemployment Insurance grants that were incurred before each grant's beginning date. See **Table 2**.

Table 2
Expenditures Obligated Prior to Unemployment Insurance Grant Beginning Dates

Description of Expenditures	Month(s) and Year Obligated	Total Obligated Before Grant Beginning Date
		2021 Grant
Telecommunications costs	August and September 2020	$108,385.86
Information technology resources	July, August, and September 2020	$90,839.98
Filing fees[13]	August and September 2020	$120.00
	Totals:	**$199,345.84**

Based on discussion with the department's Controller and review of documentation, the telecommunications and information technology resource expenditures related to centralized service costs. These are costs for shared business functions the state's Department of Finance and Administration (F&A) incurs and allocates amongst departments that use the centralized services. The state's Department of Finance and Administration (F&A) bills the department for these costs one month in arrears, and personnel in F&A's Division of Accounts record the related journal entries; however, Department of Labor and Workforce Development fiscal management[14] did not have an effective internal control in place to ensure staff obligated and liquidated the expenditures

[13] We found one small filing fee expenditure charged before the 2020 grant as well.
[14] Under the Executive Branch central accounting initiative, the Department of Labor and Workforce Development fiscal staff are employed by the Department of Finance and Administration.

within the period of performance and did not have a process in place to identify and correct errors that occurred.

Regarding filing fees, due to delays between incurring filing fees and receiving invoices, department personnel inadvertently charged this expenditure to the incorrect grant.

Risk Assessment

We reviewed the department's 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of charging supplier invoices from outside the period of performance to the federal grant. Management identified fiscal staff's review of items charged to federal grant projects as an internal control to mitigate this risk, but this control was not in place for journal entries recorded by F&A Division of Accounts personnel. The control referenced in the risk assessment is in place for journal entries recorded by Department of Labor and Workforce Development fiscal personnel.

Criteria

The department's annual funding agreement with USDOL for the 2021 grant states,

> UI Administration – These funds are for States to administer the State UI, Unemployment Compensation of ex-service members (UCX) and Unemployment Compensation of Federal Employees (UCFE) programs and available for obligation by the Grantee (State) beginning October 1, 2020, and shall be available for obligation by the States through December 31, 2021, and unless an extension is otherwise approved, funds are to be expended/liquidated by March 31, 2022, except that funds used for automation shall be available for State obligation through September 30, 2023, . . . and unless an extension is otherwise approved, funds are to be expended/liquidated by December 31, 2023.

Likewise, the department's annual funding agreement for the 2020 grant establishes a basic obligation period beginning October 1, 2019, and ending December 31, 2020, with a liquidation deadline of March 31, 2021.

Title 2, *Code of Federal Regulations* (CFR), 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.

Furthermore, 2 CFR 200.71 states,

> When used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

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."

Effect

When fiscal management does not review expenditures to ensure the transactions occurred within the grant's obligation and liquidation periods, management cannot ensure that expenditures are charged to the appropriate grant award. As a result, management increases the risk that funds will be expended outside of the period of performance. By not applying expenditures within the period of performance established in the grant award agreement, department management charged expenditures to the incorrect grant award, resulting in unallowable costs of $199,355.

Additionally, under the OMB's *Uniform Grant Guidance*, the federal awarding agency may pursue other remedies to address deficiencies and achieve state compliance, as outlined in 2 CFR 200.

Recommendation

Management should make correcting journal entries to apply the expenditures identified in this finding to the correct grant. Management should establish internal controls to ensure that expenditures are only applied to grants for which the expenditure was obligated during the grant's period of performance. Management should implement internal 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. A journal entry will be recorded by March 31, 2022, to correct the items noted by moving allowable costs from the FY21 grant to the appropriate FY20 or FY19 grant. Controls have been implemented to prevent reoccurrence. After a grant closes and during the closeout period, the accounting managers will review charges to ensure they are applied to the appropriate grant. This control activity will also be added to the internal control checklist and require sign off upon competition.

Finding Number	2021-005
Assistance Listing 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-31319-18-55-A-47, UI32627Q10, UI340863I0, UI35676DO0, UI-31319-18-55-A-47, UI32627Q10, UI340863I0, and UI35676DO0
Federal Award Year	2018 through 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Reporting
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Department management lacked procedures to ensure the accuracy of the ETA 9050 and ETA 9052 reports, resulting in the overstatement of the ETA 9050 reports; and management was unable to provide supporting information for the ETA 9055 reports

Background

The Unemployment Insurance (UI) program is a federal-state partnership 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 in compliance with federal requirements. In Tennessee, the Department of Labor and Workforce Development (the department) operates the state's Unemployment Insurance program to process claims and issue direct benefit payments to individuals during times of involuntary unemployment.

The U.S. Department of Labor Office of Unemployment Insurance's Employment and Training Administration (ETA) administers a performance management system, "UI Performs," to ensure states provide effective, consistent, and efficient services to workers and employers. As part of the performance management system, ETA requires states to submit performance reports on certain core measures. Each core measure encompasses key performance areas and allows ETA to monitor the effectiveness of the UI program in that state.[15] The department's core measures and the reports associated with those measures[16] are provided in **Table 1**.

[15] The scope of our audit includes examining the performance reports to determine if they are accurate, based on review of supporting documentation and to determine if they were submitted timely. Compliance with federal performance measures is not in the scope of this audit.

[16] This is not a comprehensive list of all core measures or reports; we have only listed those core measures that are relevant to the reports included in the scope of this audit.

Table 1
Core Measures and Associated Performance Report

Core Measures	Associated Performance Report	Acceptable Levels of Performance
First Payment Promptness: The time it takes states to issue benefits to claimants for the first payable week of unemployment.	ETA 9050	≥87% of all first payments made within 14 days.
Non-monetary Determination Time Lapse: The time it takes states to make decisions on issues that could prevent an individual from receiving unemployment benefits, other than those relating to past earnings.	ETA 9052	≥80% of non-monetary determinations made within 21 days of the date the issue was first identified.
Average Age of Pending Lower Authority Appeals: The average age of all appeals of unemployment determinations that have been filed but not decided by the state's lower-level appeals authority.*	ETA 9055	Average age of pending lower authority appeals is ≤ 30 days.
Average Age of Pending Higher Authority Appeals: The average age of all appeals of unemployment determinations that have been filed but not decided by the state's higher-level appeals authority.*	ETA 9055	Average age of pending higher authority appeals is ≤ 40 days.

*Tennessee's lower-level appeals authority is the department's Appeals Tribunal, which is the first line of appeals. The higher-level appeals authority is the department's Office of Administrative Review, which is where decisions made by the Appeals Tribunal can be appealed.
Source: *ETA 401 Handbook, 5th Edition.*

Report Review and Approval Process

The department uses the Geographic Solutions Unemployment System (GUS) to administer the UI program and has a contract with Geographic Solutions, Inc (GSI), a third-party vendor, to maintain the system. Department staff use GUS to maintain and process the data to generate the ETA 9050, ETA 9052, and ETA 9055 reports. The Unemployment Program Specialist retrieves the applicable report from GUS and emails the reports to applicable staff, who review the reports for accuracy.

- ETA 9050 and ETA 9052 – These reports go to the UI Integrity Division Director, who stated he reviews both reports for reasonableness based on his program knowledge.
- ETA 9055 (lower-level appeals information) – This part of the report goes to the Administrative Services Assistant. The Administrative Services Assistant runs a daily report of outstanding appeals from GUS, and the Director of Appeals follows up with Administrative Law Judges about these appeals. The Administrative Services

Assistant compiles these daily reports into an Excel spreadsheet and reconciles this spreadsheet with the ETA 9055 report to ensure accuracy.

- ETA 9055 (higher-level appeals information) – This part of the report goes to the Senior Associate Counsel who compares the report with an Excel spreadsheet of active appeals, which she maintains and updates daily to determine accuracy.

Each of these individuals emails the Unemployment Program Specialist to communicate their approvals regarding the accuracy or reasonableness of the reports. Once the Unemployment Program Specialist obtains the approved report, she submits the report to the U.S. Department of Labor.

Condition, Criteria, and Cause

Reasonableness Review of the ETA 9050 and ETA 9052 Reports

To determine that the department submitted accurate federal reports, we discussed the report review process with the UI Integrity Division Director. We found that although he conducted reasonableness reviews of the reports, neither he nor the Unemployment Program Specialist evaluates the integrity of GUS supporting data before submission of the reports to USDOL.

Based on our further discussions with the UI Program Integrity Director, he was unaware that the department should have additional procedures to evaluate the supporting data of the ETA 9050 and ETA 9052 report before submission. Historically, the department has had problems generating accurate federal reports from GUS because of various technical system issues impacting the integrity/accuracy of the underlying data supporting the reports. Given these system risks, management cannot ensure the accuracy of the reports without formal procedures to verify the sufficiency and accuracy of the supporting data. Both individuals involved in reviewing the ETA 9055 stated that the reason they implemented their review process is because GUS has not always provided accurate data; however, without more than a "reasonableness" review, management cannot be sure they have submitted accurate federal reports.

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, Principle 11.17, "Management . . . evaluates the unique risks that using a service organization presents for the completeness, accuracy, and validity of information submitted to and received from the service organization." Additionally, Principle 13.04 states,

> Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

According to the 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." Additionally, Principle 10.03 goes on to state, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination . . . Documentation and records are properly managed and maintained."

Inaccurate Reporting for ETA 9050 through May 2021

Given that the UI Integrity Division Director only conducted a reasonableness review of the ETA 9050 and 9052 reports, we performed audit work to test the accuracy of these reports. For the ETA 9052, we sampled 2 of the 12 monthly reports for Fiscal Year 2021. Our audit work did not reveal any discrepancies between the reported amounts and non-monetary determinations supporting these amounts. Although we noted no discrepancy with the ETA 9052 report, we noted that the department submitted overstated ETA 9050 reports to the USDOL, which is discussed further below. For the ETA 9050, we initially selected a sample of 2 reports, the July 2020 and the June 2021 report, from a population of all 12 monthly reports for the State Fiscal Year. We then generated these two reports from GUS to obtain all underlying supporting payments. We found that the department's June 2021 report contained the same number of benefit payments to claimants as the report we generated; however, the July 2020 report contained more payments than the report we generated. See **Table 2** for more details.

Table 2
ETA 9050 Differences
July 2020 ETA 9050

Report Line	LWD Submitted Report	Auditor Run Report	Difference
Total Intra-State Payments*	16,468	14,558	1,910
Total Inter-State Payments	726	297	429
Total Payments	17,194	14,855	2,339

*Intra-state payments are made to claimants who claim benefits under Tennessee law; inter-state payments are made to claimants who claim benefits under the unemployment insurance laws of more than one state.
Source: Auditor prepared.

According to the UI Integrity Division Director, an error within GUS's computer coding logic resulted in duplicate payments for the reports covering July 2020 through May 2021. GSI discovered the logic error in May 2021 and fixed the error in June 2021 before management submitted the June 2021 report. Due to this coding error, we expanded our review and generated the remaining 10 monthly reports (August 2020 through May 2021) from GUS and compared those reports with the respective reports submitted to USDOL. Our comparison revealed management reported more payments in these 10 reports than was reflected in the reports we generated from GUS. Given the coding error, we believe the reports submitted for July 2020 through May 2021 contained more payments than they should have due to the duplicate payments. We performed no further audit work with the July 2020 through May 2021 reports.

We performed further audit work related to the June 2021 report. From the 11,638 payments comprising the June 2021 report, we selected a sample of 60 payments and successfully traced the payment date to underlying source information within GUS.

No Supporting Documentation for ETA 9055s

To determine if the department accurately reported the ETA 9055 report, we selected a sample of 2 reports, the July 2020 and June 2021 report, from a population of all 12 monthly ETA 9055 reports for state fiscal year 2021. We then "generated" these two reports from GUS[17] to compare with respective reports submitted by the department; however, neither report matched the ones the department submitted to USDOL.

According to the UI Integrity Division Director, the reports submitted to the U.S. Department of Labor were accurate at the time the department submitted those reports; however, neither management nor we could match supporting appeals data housed in GUS with the ETA 9055 reports submitted to the USDOL. Given the problems with GUS, management could have maintained the underlying support when generating the reports as documentation of their accuracy reviews; however, management did not retain the source data. As a result, we could not test the appeals comprising the reports submitted to USDOL to ensure that this underlying data was accurate.

According to the U.S. Department of Labor Office of Unemployment Insurance's *ETA Handbook 401, 5th Edition*, which contains instructions for state agencies for the preparation and submittal of UI reports, Section L. Record Retention, ". . . source data supporting counts should be retained for at least three years."

When we were unable to obtain the source data to complete our work, the UI Integrity Division Director stated that management would work with GSI to retain the source data for ETA 9055 reports. We verified that the department submitted a request with the vendor in December 2021 to correct this issue. On February 2, we discussed the status of the request with the UI Integrity Division Director, who stated that although the department has attempted to request that GSI archive the report as of the date that staff run the report, the report that GSI archives is from the last date of the reporting period and not the run date. The Director stated that he would continue to work toward a resolution with GSI, but that he plans to begin using the archived report from the last day of the reporting period as the basis of the report going forward.

The department administers federal grant awards which are subject to "Uniform Administrative Guidance," Title 2, Code of Federal Regulations (CFR), Part 200. Specifically, 2 CFR 200.302, "Financial management," states

> Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal award, must be sufficient to permit the preparation of reports required by general and program-

[17] The department provided the auditors with read-only access to the live version of GUS, and the auditors used their GUS access to generate these reports.

specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations and the terms and conditions of the Federal award.

Risk Assessment

We reviewed the department's 2020 risk assessment and found that management had not identified the risk of failing to maintain supporting documentation required by federal regulations, including sufficient documentation of the department's internal control activities and source data to support the ETA reports. Additionally, management did not identify the risk of an information systems processing error impacting federal reports, and thus management had not implemented control activities to address the risk.

Effect

When department staff do not proactively perform procedures to ensure that reports generated and the underlying data obtained from GUS is reliable, management increases the risks of reporting inaccurate and incomplete data to the USDOL.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The U.S. Department of Labor has identified core measures by which it assesses program health at the state level; therefore, accurate performance reporting is critical for program oversight. Given the ongoing issues with GUS, management should establish procedures to analyze and validate the accuracy of the underlying data supporting their performance reports. Management should also work with GSI to regularly review GUS and ensure GUS operates as designed and that the reports provided to the U.S. Department of Labor are complete and accurate. Management should also obtain and retain the underlying data supporting the submitted performance reports.

Additionally, management should evaluate the effectiveness of the control activities for the risks identified in this finding, update the department's 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.

As stated during the audit, the data available for the ETA 9050 was correct as of the date the report was pulled and submitted. Below is the explanation as to why the report changed after it was initially submitted.

Geographic Solutions, the department's system vendor states, "there was an issue discovered in late May early June 2021 for another client that identified offsets for one week - that in some cases were the first compensable week - that were spread across multiple payment register ids with the same payment stub/week-end date. As you know, there were a lot of opportunities for offset payments for those recently separated due to the pandemic that had outstanding overpayments. This confused the existing logic. The fix was to report those payments while eliminating any duplicate payment records for the same week. A refresh for all states was done on 6/15/2021. I do want to note that we went through the logic on this report very carefully and made the adjustments based on the data we were seeing especially early on in the pandemic, to ensure that the first compensable week was reported correctly, especially as states started waiving the waiting week."

All reports prior to June 15, 2021, have been resubmitted to USDOL as amended/corrected reports. The report for July 2020 that was re-submitted matches the totals the auditor mentions in the finding. The issue causing the differences has been corrected by Geographic Solutions. The Integrity Director and Program specialist did the best they could during this time, which was the height of the pandemic.

As stated during the audit, the data available for the ETA 9055 reports was correct, based on the date the report was pulled and submitted. Below is the explanation as to why the report changed when the audit was done. To correct the issue the ETA 9055 will now be archived in the Geographic Solutions report data warehouse. This is effective February 18, 2022.

Geographic Solutions states: "there are several factors at play here. The ETA 9055 is not run on the data warehouse so it's a real-time report. In other words, for a particular time period, it pulls

the report as the data stands now for that particular period. That said the factors that would impact the results over the period are:

1. Timing - obviously the more time passes between running the report initially and then looking at it now is that there is opportunity for change.
2. Data changes - that change is often manifested in changes to the data itself. During the pandemic there has been unprecedented number of data changes although not as numerous in appeals.
3. Changes/updates in logic - whether by internal or externally derived questions or issues and we would research and revise as needed if the report required it. For example, for this report in August 2021 there are two OPCs that might impact the numbers: They are linked to the OPC. For these it was discovered that for some older appeals that were dismissed that had an unexpected most recent status that did not indicate they were dismissed (essentially status codes of either 5-Withdrawn; 6-Dismissed; 10-Canceled - some records for this client were showing up as not that status or without a notification of dismissal sent and thus were being picked up again as pending. So, we implemented some defensive coding for those kind of situations in the logic. The report would utilize that coding change post August 2021."

Finding Number	2021-007
Assistance Listing Number	17.258, 17.259, and 17.278
Program Name	Workforce Innovation and Opportunity Act Cluster
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Federal Award Identification Number	AA-30740-17-55-A-47, AA-32192-18-55-A-47, AA-33257-19-55-A-47, AA-34796-20-55-A-47
Federal Award Year	2017 through 2020
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Workforce Services Division management did not have internal controls in place to ensure that American Job Center case managers recorded accurate exit dates and made accurate eligibility determinations

Background and Criteria

The Workforce Innovation and Opportunity Act (WIOA) cluster of federal programs helps participants overcome barriers to obtaining employment by providing education, training, job search, and other support services. The WIOA cluster consists of three core programs: Adult, Dislocated Worker, and Youth. The U.S. Department of Labor (USDOL) awards funding for these programs through formula grants to states. In Tennessee, the Workforce Services Division (WSD) within the Tennessee Department of Labor and Workforce Development administers WIOA programs.

American Job Centers

The WIOA cluster of programs provides employment services to individuals through a network of American Job Centers (AJCs).[18] Individuals may visit an AJC to determine whether they are eligible to receive services and, if so, obtain free employment assistance. The WSD awards grants to nine subrecipients, known as Local Workforce Development Boards[19] (LWDBs), to oversee the AJCs in their Local Workforce Development Area. Each LWDB serves multiple counties, contracts with a One-Stop Operator (OSO) to manage the operations of the AJCs, and appoints a Fiscal Agent who is responsible for the accounting and finances for the AJCs.

[18] The Workforce Investment Act of 1998 established One-Stop centers which were physical locations where individuals may visit and determine if they are eligible for employment assistance from a variety of federal programs. When WIOA repealed and replaced the Workforce Investment Act, it changed the name of One-Stop centers to American Job Centers. During the COVID-19 Pandemic, certain AJCs were closed or offered virtual services online.
[19] According to CFR 679.300, the Local Workforce Development Board "is to serve as a strategic leader and convener of local workforce development system stakeholders."

Determining Eligibility and Documenting WIOA Services

Each AJC employs AJC case managers who are responsible for determining applicant eligibility and documenting the types of services each participant receives and when these services occur. AJC case managers determine whether applicants meet the federal requirements for the Adult, Dislocated Worker, or Youth programs by collecting, verifying, and reviewing information and documentation required by federal regulations, such as a driver's license for date of birth, proof of citizenship, and a mailing address. AJC case managers document their initial eligibility determinations in Virtual One-Stop (VOS), the division's case management system, and then continue to use VOS to document the dates and types of services participants receive.

Discontinuing (Exiting) WIOA Services

USDOL's Training Employment Guidance Letter (TEGL) 10-16, Change 1 allows states to develop a common exit policy to discontinue (or exit) participant services for a variety of federal programs administered by USDOL simultaneously. According to TEGL 10-16:

> [i]f a state chooses to retain or implement a common exit policy, the policy must require that a participant is 'exited' when that individual has not received services for 90 days . . . from any of the [United States Department of Labor]-administered programs to which the common exit policy applies, in which the participant is enrolled.

In compliance with this TEGL, the WSD established the *Common Exit Policy from WIOA Partner Programs,* which provides the common exit policy for the following federal programs: Adult, Dislocated Worker, Youth Activities (Title I), Wagner-Peyser Employment Service programs (Title III), Trade Adjustment Act/ Trade and Globalization Adjustment Act (TAA/TGAA), and Jobs for Veterans State Grants (JVSG).

According to WSD management, AJC case managers are responsible for logging the types and dates of services provided to each participant. VOS uses that information to automatically exit participants from all programs (governed by the common exit policy) after 90 days have elapsed from the last date of service for any of these programs. Once VOS exits a participant from these programs, the system then retroactively records the participant's exit date as the last date of service provided by any program in the common exit policy, in accordance with TEGL 10-16, Change 1, which states that the "date of exit is applied retroactively to the last date of service."

Exit Dates and Federal Reporting

To evaluate the effectiveness of the program, USDOL requires WSD to prepare performance reports which include key measures providing participant wages for the 2nd quarter and 4th quarter after their exit date. This allows USDOL to measure the effectiveness of the WIOA programs in getting participants into stable, long-term employment after they exit the program.

WSD Management and staff use the VOS system to manage the underlying data for the USDOL performance reports. AJC case managers input the source data for each participant in the VOS system, and WSD staff retrieve the VOS data to prepare the USDOL performance reports.

Internal Control over Compliance with Federal Requirements

The federal government requires non-federal entities, including WSD, to design and implement internal controls over federal awards. According to Title 2, *Code of Federal Regulations*, Part 200, Section 303, "Internal Controls," a non-federal agency must

> (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
>
> (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

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."

Condition and Cause

Exit Date Reporting

To determine whether participants exited the program in accordance with federal guidelines and department policies, we selected a nonstatistical, random sample of 60 participants from a total population of 6,107 participants who exited the 3 WIOA programs between July 1, 2020, and June 30, 2021, and tested these participants to ensure case managers exited the participants from the program in accordance with the WSD common exit policy. For 23 of 60 WIOA participants tested (38%), case managers exited participants between 98 and 963 days late, averaging 306 days late.

Based on discussion with the WSD staff and review of guidance from USDOL's website, we determined that the department did not provide adequate guidance or training to ensure AJC case managers correctly logged participants' last date of service in VOS. Based on our discussion with the Grants Program Manager and the Labor Workforce Development Division Director and our review of departmental guidance regarding exits, VOS automatically exits a participant 90 calendar days after the date the AJC case manager recorded as the last date the participant received services; however, case managers often entered a **projected** date of a participant's last service in the VOS system. Case managers selected the **projected** date at the time they initially offered the services to participants. The case manager, however, failed to update the **projected** date when the actual last service date was determined. When AJC case managers do not update the projected date in VOS to reflect the actual last service date, VOS automatically calculates an incorrect exit date based on the projection.

Eligibility Determinations

To determine whether the WIOA program management and staff only provided services to eligible participants, we selected a stratified sample of 60 participants from a total population of 14,726 participants who were enrolled in one of the three WIOA programs between July 1, 2020, and June

30, 2021, and tested these participants to ensure program management determined participants' eligibility for the program according to federal guidance.

Although our sample review of eligibility determinations identified only minor errors, we noted that WSD management and staff had not established control activities, such as programmatic monitoring or other eligibility determinations review procedures, including obtaining proper supporting documentation for the determinations, to ensure staff complied with the federal eligibility requirements. We also found that the department did not conduct programmatic monitoring for the Adult and Youth program and only limited monitoring for the Dislocated Worker program. This is discussed further in **Finding 2021-003**.

Risk Assessment

We also reviewed the department's 2020 Financial Integrity Act Risk Assessment. We found the risk assessment did not include the risk that the department would not ensure proper eligibility determinations and exits for the Adult, Dislocated Worker, and Youth programs. Without an identified risk for eligibility and participant exits, management did not ensure staff entered updated exit dates into the VOS system and did not establish mitigating controls to address the eligibility determination risk and to ensure compliance with federal eligibility regulations.

Effect

When case managers do not accurately record the last day a participant receives services, management faces an increased risk that the department may report inaccurate information to USDOL, which relies on these reports to determine the effectiveness of WIOA's programmatic goals. Additionally, when department management does not design and implement internal controls over eligibility determinations, management's risk of ineligible individuals receiving benefits from WIOA programs is increased.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,

- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner of the Tennessee Department of Labor and Workforce Development should work with management in the Workforce Services Division to provide additional guidance and training to ensure AJC case managers record exit dates based on the last day participants actually receive services in accordance with federal guidelines and regulations. The Commissioner should also work with Workforce Services Division management to establish control activities, such as programmatic monitoring or other eligibility determinations review procedures, including obtaining proper supporting documentation for the determinations, to ensure AJC case managers comply with the federal eligibility requirements, including timely exits from the program.

The Commissioner should assess all significant risks, including the risks noted in this finding, in the department's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner.

Management's Comment

We concur. The Department of Labor and Workforce Development will provide training to all American Job Center case managers responsible for eligibility determinations and exiting workforce program participants by September 2022. This training will focus on compliance with requirements described in State Workforce Development Board Policy. The Workforce Services Division will revise the current program monitoring guide and update the current risk assessment by May 2022 to demonstrate how we will mitigate this risk and monitor participant eligibility and program exit moving forward.

Finding Number	2021-008
Assistance Listing 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	2005TN5ADM and 2105TN5MAP
Federal Award Year	2020 and 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Matching
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	$3,612,265

Fiscal staff within the Division of TennCare did not ensure matching requirements were met for the Medicaid Cluster, resulting in questioned costs of $3,612,265

Background and Criteria

TennCare is Tennessee's Medicaid program that provides health insurance coverage to certain groups of low-income individuals, such as pregnant women, children, caretaker relatives of dependent children, and other adults with disabilities. Under the Medicaid program, the U.S. Department of Health and Human Services (HHS) provides federal funds to the Division of TennCare to cover a portion of the TennCare program's medical assistance expenditures and administrative expenditures. The remaining funds are provided by the state based on the federal/state matching requirements.

According to the provisions of Title 42, *Code of Federal Regulations* (CFR), Part 433, Section 10(a), the federal government, through Sections 1903 and 1905 of the Social Security Act, provides "payments to States, on the basis of a Federal medical assistance percentage, for part of their expenditures for services under an approved State plan." HHS uses the calculation outlined in 42 CFR 433.10(b) to determine the federal medical assistance percentage. HHS recalculates the federal medical assistance percentage each federal fiscal year, which runs from October 1 to September 30. The federal medical assistance percentage was 65.21% for federal fiscal year 2020 and 66.1% for federal fiscal year 2021.

According to the provisions of 42 CFR 433.15(a), the federal government, through Section 1903 of the Social Security Act, provides "payments to States, on the basis of specified percentages, for part of their expenditures for administration of an approved State plan." HHS provides federal funds at the specified percentage rates of 50%, 75%, or 90%, depending on the type of expenditure. For example, the federal government provides 75% of the funding for ongoing information systems expenditures.

When the Division of TennCare receives a new grant award from HHS, the division's Contracts Unit enters the award, including the applicable federal percentages, in Edison, the state's accounting system. The division's Fiscal Office codes eligible expenditures to the appropriate

grant award to ensure Edison applies the correct federal percentage to the expenditures and automatically calculates the federal portion and the state portion of the expenditures. The division's Fiscal Office then requests federal reimbursement with the remaining portion secured through state matching funds.

Condition and Cause

We analyzed all TennCare program expenditures from July 1, 2020, through June 30, 2021, totaling $8,439,515,010, to determine if the division appropriately calculated the federal share of costs charged to the federal award. During this analysis, we identified two instances where the division's Fiscal Office inappropriately charged state expenditures to the 2020 and the 2021 federal awards, resulting in a total of $3,612,265 in federal questioned costs.

One overcharge resulted when the division's Fiscal Office staff coded an adjusting journal entry to the incorrect grant award year. Specifically, staff made an adjusting journal entry intended to charge expenditures to the grant associated with federal fiscal year 2020, which had a federal medical assistance percentage of 65.21%. However, the division's accountant incorrectly coded several line items of the journal entry to charge the federal fiscal year 2021 grant award. Since the federal fiscal year 2021 grant had a federal medical assistance percentage of 66.1%, the coding error resulted in an overcharge to the grant resulting in federal questioned costs of $3,610,433. See **Table 1** for the details.

Table 1
Summary of Questioned Medical Assistance Costs

Cost Description	Amount
Total Dollars of Line Items in Error	$ 405,666,667
Federal Allocation Charged	268,145,667
Correct Federal Allocation	264,535,234
Federal Questioned Costs	**$ 3,610,433**

Source: Auditor prepared from our review of Edison transactions.

The second overcharge occurred as a result of an Edison system coding error which affected how journal entries distribute administrative costs. Edison and division management were unaware that the system update created this coding issue. Once we identified the code error[20] and discussed with division staff, staff recognized they had to manually search for and correct incorrect cost distributions. In this situation, division staff had not identified this one incorrect cost distribution, resulting in additional federal questioned costs of $1,832, as exhibited in **Table 2**:

[20] According to the division's Controller, as of December 22, 2021, the Edison team is currently testing a coding fix to correct this issue.

Table 2
Summary of Questioned Administrative Costs

Cost Description	Amount
Total Amount of Expenditure	$ 199,653
Federal Allocation Charged	151,571
Correct Federal Allocation	149,739
Federal Questioned Costs	**$ 1,832**

Source: Auditor prepared from our review of Edison transactions.

We were able to review the entire population of transactions for our audit period and found these to be the only two overcharges related to matching. Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 516(a)(3), requires us to report known costs greater than $25,000 for a type of compliance requirement for a major program. For this program, we determined that known questioned costs exceeded $25,000.

Risk Assessment

We reviewed the Division of TennCare's December 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of transactions recorded at the wrong federal financial percentage. While management identified the risk, management's control of the Controller's or designee's review and approval did not identify these two instances.

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 the division's Controller or designee does not identify expenditures that are incorrectly recorded, the division increases the risk of the state receiving federal awards in error, leading to questioned costs.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;

- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Division of TennCare's Chief Financial Officer should ensure fiscal staff review program expenditures for the correct federal medical assistance percentage and the correct administrative percentage. The division's Chief Financial Officer should ensure that fiscal staff who prepare and review manual journal entries are fully trained so that they are aware of their internal control responsibilities and can properly fulfill their duties. Additionally, division management should evaluate the effectiveness of the control activities for the risks identified in this finding, update the division's annual risk assessment to reflect any new controls management implements 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 finding. We have a monthly process to analyze transactions to ensure the correct funding percentages are used. The journal in question normally would not have drawn federal funds, however, an error occurred, and the journal did draw federal funds in this instance. Our previous review process excluded journals that don't draw federal funds, and therefore it was missed. We have revised our monthly review process to include all transactions, so this kind of event will not occur again. All federal funds drawn in error were immediately returned to the federal government as soon as they were found, and there was no negative impact to the TennCare budget.

Finding Number	2021-009
Assistance Listing 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	2005TN5MAP and 2105TN5MAP
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	2020-008
Pass-Through Entity	N/A
Questioned Costs	$14,352

As noted in the prior two audits, TennCare management did not promptly address TennCare's Medicaid eligibility process deficiencies, resulting in $19,986 in federal and state questioned costs

Background

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

- capitation or administrative payments[21] to managed care organizations that contract with the division to deliver services to members;
- fee-for-service claims paid directly to providers for services[22] 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.

[21] The division 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 services. For TennCare Select, the division pays BlueCross BlueShield an administrative rate per member per month and reimburses them for all services (claims) provided to TennCare members.

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

Division's Eligibility Determination Process for Medicaid Applicants and Members

Initial Eligibility Process

The division 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, the division continues to accept applications through each of following methods:

- by phone or online through the Federally Facilitated Marketplace;[23]
- by phone or a paper application;
- online through the TennCare Access partner portal;[24] 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. When TEDS requires human intervention for eligibility determinations, such as when the system identifies discrepancies in application information or cannot verify information, the system automatically assigns an eligibility caseworker to process the application manually in TEDS[25] 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 the division determines that an applicant or member is not eligible for Medicaid benefits, the individual may appeal the division's decision.

Eligibility Renewals Paused

Pursuant to the Families First Coronavirus Response Act, the division is not permitted to terminate members who were enrolled when the federal COVID-19 public health emergency period began. As such, the division paused Medicaid eligibility renewals, eligibility changes to lower categories, and terminations on March 18, 2020. During this pause, the division 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. As of December 6, 2021, the public health emergency remains in effect.

[23] 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.

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

[25] According to division 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.

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:

- TEDS errors and caseworker processing errors were affecting eligibility determinations, and
- division management did not have sufficient documentation to support eligibility determinations.

In the division's six-month follow-up report to the Comptroller's Office, dated September 24, 2021, management stated that

> Our corrective actions for this finding are complete except for the cases that need an action that cannot be completed while the federal public health emergency is in place. . . . The remaining cases will be addressed as soon as possible once the federal public health emergency is lifted. TennCare has corrected all worker errors identified in the finding. TennCare has also corrected the three TEDS system errors. . . . Member Services has implemented a new monthly case reading tool and review process that requires eligibility operations supervisors, with assistance from the quality assurance review staff, to review and score at least five cases per eligibility caseworker per month. . . . We have made changes to Member Services staff training. . . . Additionally, we updated our eligibility related Risk Assessment.

Current Audit Results

For the current audit, we determined that division management did not resolve the eligibility issues noted in the prior audit. We performed testwork in three areas:

- TennCare members' eligibility,
- issuance of pseudo Social Security numbers, and
- emergency medical services for immigrants.

Condition, Cause, and Criteria: TennCare Members' Eligibility

According to the *Rules of Tennessee Department of Finance and Administration Bureau of TennCare,* Chapter 1200-13-13-.02(3), regarding Medicaid eligibility requirements, each TennCare member must meet the technical and financial requirements for medical assistance as listed in the *Rules of the Tennessee Department of Human Services,* or meet the Supplemental Security Income eligibility requirements and be approved for benefits by the Social Security Administration, or be an eligible woman diagnosed with certain types of cancer.

In order to determine if the division made payments on behalf of individuals that met state and federal eligibility requirements for TennCare benefits, we selected random, nonstatistical samples from two different populations of capitation payments paid on behalf of members.

From a population of 18,657,154 capitation payments, totaling $7,271,036,309, which the division paid on behalf of its members to managed care organizations during fiscal year 2021, we tested a sample of 60 capitation payments, totaling $27,878.

To further explain our methodology, we vetted the population of capitation payments above and found that a segment of the population (467,506 capitation payments, totaling $171,144,894,[26] during fiscal year 2021) included payments related to both the Medical Assistance Program and the Children's Health Insurance Program. Due to the nature of the electronic documentation, however, we could not readily determine through our data matches the related eligibility category or the federal program associated with the payments. In order to determine if the division appropriately determined the member's eligibility for this segment of the population, we selected an additional sample of 25 capitation payments, totaling $8,396. From the sample of 25 capitation payments, we determined the payments were for Medicaid members. Ultimately, our total 85 sample items included only capitation payments for Medicaid members.

Based on our review, we determined that for 6 of 85 payments tested (7%), an eligibility caseworker did not verify eligibility prior to approving the member's case for the capitation payments. We found the following errors:

- For 1 payment, an eligibility caseworker inappropriately approved benefits for 1 member in the household's application. The division's Eligibility Quality Control Director stated the caseworker processed coverage for the individual in error by indicating she was a caretaker of a minor child. As a result, we identified federal questioned costs totaling $2,373 and a remaining $909 in state questioned costs.
- For 1 payment, we determined the individual was still receiving Modified Adjusted Gross Income[27] (MAGI) pregnancy coverage that should have ended on June 30, 2021. According to the division's Eligibility Quality Control Director, an eligibility caseworker entered an override in error, which prevented the preterm notice from mailing at the end of her post-partum period. Due to the public health emergency, the division is not permitted to make eligibility changes to a lower category; therefore, we did not question any costs.
- For 3 payments, the caseworker should have requested proof of income from the members; however, the caseworker changed the income verification to show the member attested to income, and Caretaker Relative benefits were reapproved without proof of income documentation. According to the division's Eligibility Quality Control Director, for 2 payments the cases were updated and reapproved; therefore, we did not question costs. For the third payment, we identified federal questioned costs totaling $205 and a remaining $78 in state questioned costs.
- For 1 payment, there was new proof of income documentation in the case, but the information had not been entered on the income screen. According to the division's Eligibility Quality Control Director, the caseworker failed to input the information

[26] The 467,506 capitation payments, totaling $171,144,894, were not included in our population of 18,657,154 capitation payments, totaling $7,271,036,309, in our TennCare member sample.

[27] The division uses Modified Adjusted Gross Income (MAGI) to determine Medicaid eligibility. MAGI is adjusted gross income plus any untaxed foreign income, non-taxable Social Security benefits, and tax-exempt interest.

from the proof of income into TEDS. After we brought this to the director's attention, the case was updated and reapproved; therefore, we did not question any costs.

Condition, Cause, Criteria: Issuance of Pseudo Social Security Numbers

According to 42 CFR 435.910(f), the division cannot deny or delay services to otherwise eligible members pending issuance or verification of the member's Social Security number (SSN). According to the division's Assistant Commissioner of Member Services, an eligibility caseworker 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. The division assigns 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[28] who is ineligible for full Medicaid receives 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 information submitted.

In order to determine if the division issued pseudo SSNs to eligible members, we tested a nonstatistical, random sample of 60 members from a population of 31,728 members who had a pseudo SSN and had a birthdate prior to July 1, 2019.

Based on our review, we determined that for 4 of 60 members tested (7%), TEDS and an eligibility caseworker inappropriately approved eligibility, which caused the assignment of a pseudo SSN to individuals. We identified the following errors:

- As noted in the prior audit, 1 member initially applied for CoverKids[29] pregnancy coverage and noted on her application that she was not a U.S. citizen, thus should only be eligible for the CoverKids pregnancy category. When cases were converted from the existing CoverKids system to TEDS, the person's status was changed to a U.S. citizen. According to the Eligibility Quality Control Director, a caseworker corrected the information in TEDS; however, the member was approved for Caretaker benefits

[28] 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.

[29] The division also operates CoverKids, the state's Children's Health Insurance Program, which is 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.

despite the correction. As a result, we identified federal questioned costs totaling $2,842 and a remaining $1,125 in state questioned costs.

- For 1 member, TEDS indicated that the individual was a non-U.S. citizen receiving Child MAGI benefits. According to the Eligibility Quality Control Director, the individual should have been approved for a reasonable opportunity period (ROP);[30] however, they were approved for full Medicaid without pending for citizenship. She stated that the TEDS contractor corrected the system error through a data fix on February 21, 2022. As a result, we identified federal questioned costs totaling $2,216 and a remaining $872 in state questioned costs.
- For 1 member, TEDS indicated that the individual was a non-U.S. citizen receiving Hospital Presumptive Eligibility (HPE) pregnancy benefits. According to the Eligibility Quality Control Director, TEDS was unable to terminate the HPE coverage when it should have due to an open appeal. Once the appeals caseworker closed the appeal, an eligibility caseworker should have rerun eligibility, so coverage was not closed. As a result, we identified federal questioned costs totaling $2,011 and a remaining $792 in state questioned costs.
- For 1 member, TEDS indicated the individual was a non-U.S. citizen receiving Caretaker Relative benefits. According to the Eligibility Quality Control Director, an eligibility caseworker processed an emergency medical services application incorrectly. She stated this caused the individual to be tested for Caretaker Relative benefits and granted an ROP to provide citizenship. This appeal extended the eligibility from the November 30, 2019, application, which caused the case to continue pending for proof of citizenship due to the ROP. She stated benefits have been terminated effective November 5, 2021. As a result, we identified federal questioned costs totaling $4,596 and a remaining $1,816 in state questioned costs.

Condition, Cause, Criteria: Emergency Medical Services for Immigrants

The division provides payments for emergency medical services on behalf of immigrants who otherwise would not be eligible for Medicaid. According to the division's Policy 020.005, "Emergency Medical Services,"

> coverage will not begin prior to the date of application, and coverage will not begin prior to the date of admission. Coverage will be limited to the length of time required to stabilize the emergent episode. Only the services involved in the emergency itself will be reimbursed and coverage is only provided for the single episode of care.

From a population of 107 immigrants who received an emergency medical service during fiscal year 2021, we tested a nonstatistical, random sample of 60 emergency medical service segments[31] to determine that the correct begin and end dates were used for the eligibility segment.

[30] A reasonable opportunity period (ROP) is a 90-day period in which an applicant may provide proof of citizenship. The ROP is required by 42 CFR 435.956.

[31] An emergency medical service segment is the approved date range for healthcare coverage.

Based on our review, we determined that for 5 of 60 payments tested (8%), TEDS and TennCare staff approved payments for emergency medical services outside of the emergency medical services segment. We identified the following errors:

- For 3 immigrants who received emergency medical services during the audit period, the division did not limit coverage to the dates of the emergency medical services. According to the Eligibility Quality Administrator, these errors occurred when the caseworker did not follow the process or made mistakes. In the first case, the caseworker placed an override in TEDS in error using the public health emergency as justification to keep the benefits open. In the second case, the caseworker entered the end date incorrectly, which caused the eligibility benefits to close before they should have. For the remaining case, the caseworker approved benefits a day earlier than she should have. As a result, we identified federal questioned costs totaling $99 and a remaining $38 in state questioned costs.
- For 1 immigrant who received emergency medical services during the audit period, we noted no issues with the emergency services benefits received. However, based on our review of the case, we noted that when her emergency medical service segment ended, she was moved into CoverKids-Pregnant. According to the Eligibility Quality Administrator, on June 16, 2021, the individual submitted a member portal application indicating she was pregnant. When the eligibility caseworker processed the application, they failed to update the circumstance start and change dates, which caused TEDS to run the eligibility back to the emergency medical services application date of October 4, 2020. Given the caseworker error and control weakness, the division could have paid for additional coverage the individual was not eligible for. We determined that no payments were made between October 4, 2020, the date the emergency services ended, and June 15, 2021; therefore, we did not question any costs.
- For 1 immigrant who received emergency medical services during the audit period, TEDS did not approve the appropriate eligibility dates. The individual was approved for emergency services benefits beginning January 21, 2021, through February 4, 2021, although there was only medical documentation supporting services performed on January 21, 2021. According to the Eligibility Quality Administrator, the caseworker entered the correct beginning and end dates for the medical services, but a system error resulted in the eligibility span staying open. He stated the TEDS contractor will be correcting this issue in the 17.0 release, which is scheduled to be implemented on December 12, 2021. As a result, we identified federal questioned costs totaling $10 and a remaining $4 in state questioned costs.

Questioned Costs

While total known questioned costs for the above errors related to the Medical Assistance Program totaled less than $25,000, Title 2, *Code of Federal Regulations* (CFR), 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.

Risk Assessment

We reviewed the Division of TennCare's December 2020 Financial Integrity Act Risk Assessment and determined that management listed two risks related to eligibility determinations.

Management identified the risk of an eligibility caseworker or TEDS performing inaccurate eligibility determinations, member case changes, and redeterminations. Management identified two controls to mitigate these risks:

- TEDS will generate canned and ad hoc reports relating to system functionality and worker performance; and
- the Compliance and Policy Group will monitor the performance of the interfaces that feed information from, and into, TEDS.

In addition, management identified the risk of the Member Eligibility Department being unable to sufficiently perform eligibility determinations, case changes, and redeterminations in TEDS. Management identified three controls to mitigate these risks:

- Member Services eligibility staff supervisors will review a sample of case entries during their case review made by each direct report on a monthly basis;
- the Compliance and Policy Group will provide training to new Member Eligibility employees, and to existing employees as requested, regarding system functionality; and
- the Eligibility Operations Group will perform quality checks on all case actions performed by new Member Eligibility employees during their new hire probationary periods.

Management has informed us that once they can resume eligibility renewals, they expect the instances of noncompliance to be less. Management also indicated that during this year they were focused on rewriting training materials for caseworkers on how to use TEDS, working through the remaining legacy system conversion cases, and dealing with impacts from the ongoing public health emergency.

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 division staff and TEDS do not process Medicaid eligibility determinations correctly, the division increases the risk of providing Medicaid benefits to ineligible individuals, thereby

allowing them to receive a benefit they are not entitled to receive and rendering related costs unallowable.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Assistant Commissioner should ensure that eligibility workers are fully trained so that they understand their responsibilities relating to Medicaid eligibility and can properly determine if the members are eligible for benefits. In addition, the Assistant Commissioner should work with the TEDS contractor to continually monitor and reassess TEDS performance to ensure it correctly processes determinations and terminations.

Additionally, division management should evaluate the effectiveness of the control activities for the risks identified in this finding, update the division's annual risk assessment to reflect any new controls management implements 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.

During the review period TennCare processed almost 350,000 applications and took action on hundreds of thousands of existing cases. Even though we now have a modern eligibility determination system that can automatically process much of this work, worker intervention is still necessary for many cases. To ensure that TennCare eligibility workers provide the highest quality for our applicants and members, TennCare currently has more controls in place than we ever have before. These include, but are not limited to, the following:

1) Robust case reading process that includes monthly goals and scores, as well as targeted improvement

   On a monthly basis each manager of TennCare eligibility workers reviews cases determined by each staff member and inputs quality scores into a case reading tool. There are measures in place to ensure that managers are scoring cases uniformly and the items being reviewed are aligned with state and federal audits. Quality goals are incorporated in Individual Performance Plans and staff who consistently miss goals are put on Performance Improvement Plans. Each eligibility worker can review their findings in published reports, and those reports can be viewed at the unit or division level. Monthly conferences are held to discuss case read findings and broad findings can result in policy updates or new training materials. The Member Services Quality team reviews additional cases of workers who do not meet their quality goals in a given month. This is a process that began in December 2020 and has been praised by federal auditors who recently reviewed the TennCare eligibility process. During the last employee review cycle 97% of all cases reviewed within the TennCare Member Services Eligibility Operations Group met quality standards.

2) New worker secondary review process

   Newly hired staff are not permitted to perform final case authorizations without supervisor review for the first three months of employment. If the underlying case action is not correct upon supervisor review, managers will provide targeted coaching to correct the behavior.

   This secondary review process is also used for seasoned employees whose quality case reading scores are not sufficient. This is a tool used while caseworkers are undergoing Process Improvement Plans.

3) Process Improvement Plans (PIPs)

   Process Improvement Plans are used to help eligibility caseworker staff meet quality and production goals. They involve a focused support between the employee's manager and a member of the TennCare Human Resources staff. Weekly meetings are held and the number of cases read are more than doubled until the employee has improved to an acceptable level. If performance does not improve, the employee may be dismissed.

4) Reports

The TennCare Eligibility Determination System provides a reporting dashboard that allows management more access to eligibility data than ever before. With this data we have created dashboards at multiple levels that display quality reviews and scores down to the individual worker level. We also have daily reports that identify pending cases by worker queue that managers review throughout the day. The system also allows management a real time view into task volume and age, which is used to ensure work is being completed in a timely manner and allows TennCare to identify problems or anomalies quickly.

Although human error will never be fully eliminated in such a complicated program, one way we have been working towards that goal is by improving training for Member Services staff. As discussed in the FY2020 audit, we completed an overhaul of training materials in 2021. We have begun training new staff using the revised curriculum and retraining of existing Member Services staff to focuses on business processes and more hands-on system scenarios will begin in February 2022. By mid-year 2022 all staff responsible for processing cases will receive new computer-based training related to the processing of cases, including income determinations. The training will consist of assigned computer-based training, quizzes, and a virtual lab. During the lab, they will work independently to complete several practice scenarios followed by a final practice which serves as the assessment. There will be a facilitator available throughout the lab session to answer any questions. Once an assessment is passed, workers will proceed to the next section.

Additionally, all newly-hired staff attend facilitator-led training that includes both policy and systems focused learning. Guided practices and independent practices are included for each unit of training. New employees are also tested with independent practices. Furthermore, all eligibility caseworkers also receive unit-specific training, special trainings when problem areas are identified, and weekly meetings with subject matter experts to discuss refresher policies arising from case reading common errors.

TennCare does work with the TEDS contractor to continually monitor and assess the TEDS system performance to ensure it correctly processes determinations and terminations. There are robust escalation channels for eligibility or appeals staff to identify issues and raise those both internally and to our systems vendor for analysis and resolution, including promotion of new code. TennCare continually assesses those escalation pathways to look for ways to improve the system. The global pandemic has impacted system performance in many ways. First, annual renewals which reassess member eligibility have been suspended due to the public health emergency since March 2020. Second, TennCare was required to hold most negative eligibility actions during the public health emergency and many of the systematic changes necessary to effectuate that moratorium was completed through temporary data fixes rather than coding changes. This decision was made in March 2020 when we believed the pandemic would be a short-term concern. These data fixes have been difficult to manage over the last two years but will allow TennCare to unwind the moratorium more quickly once the global pandemic ends.

TennCare does have a dedicated audit-focused team within the Member Services Compliance and Policy Group who is assigned to draft the annual risk assessment and monitor controls. We will review our risk assessment and make appropriate updates.

Finding Number	2021-010
Assistance Listing 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	2005TN5021 and 2105TN5021
Federal Award Year	2020 and 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	2020-009
Pass-Through Entity	N/A
Questioned Costs	$8,428

As noted in the prior audit, management of the Division of TennCare should continue to promptly address the division's CoverKids eligibility process deficiencies, which resulted in $11,607 in federal and state questioned costs

Background

The Division of TennCare (division) oversees CoverKids, Tennessee's Children's Health Insurance Program (CHIP). 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. Prior to 2021, BlueCross BlueShield was the sole managed care organization (MCO) of CoverKids services. In general, the division made three types of payments on behalf of CoverKids members from July 1, 2020, through December 31, 2020:

- administrative payments[32] to BlueCross BlueShield;
- fee-for-service claims paid to providers for services[33] provided to members; and
- reimbursements to benefit managers for services, such as pharmacy, dental, and health services.

Beginning January 1, 2021, the division amended its contracts with two MCOs, UnitedHealthcare and Amerigroup, to allow them to also serve CoverKids members. Additionally, the division stopped paying fee-for-service claims to providers and began paying MCOs capitation payments,[34] and the MCOs now pay for health service claims provided to members. From January 1, 2021, through June 30, 2021, the division made two types of payments on behalf of CoverKids members:

[32] The division paid BlueCross BlueShield an administrative rate per member per month and reimburses the provider for all services (claims) provided to CoverKids members.

[33] 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 managed these claims on behalf of the division.

[34] The division contracts with three MCOs and only pays them a capitation rate per member per month to provide services to CoverKids members.

- monthly capitation payments to the MCOs; and
- reimbursements to benefit managers for services, such as pharmacy and dental services.

Division's Eligibility Determination Process for CoverKids Applicants and Members

Initial Eligibility Process

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

- by phone or online through the Federally Facilitated Marketplace;[35]
- by phone or a paper application;
- online through the TennCare Access partner portal;[36] 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, or online, the division enters the applicant's demographic, income, and household information into TEDS for automated processing and verifies the applicant's information against multiple state and federal databases. The verification determines if the applicant is eligible for any available TennCare or CoverKids eligibility category, thereby removing the need for human intervention in many cases. When TEDS requires human intervention for eligibility determinations, such as when the system identifies discrepancies in application information or cannot verify information, the system automatically assigns an eligibility caseworker to process the application manually in TEDS.[37]

Eligibility Renewals Paused

Pursuant to the Families First Coronavirus Response Act, the division is not permitted to terminate members who were enrolled when the federal COVID-19 public health emergency (PHE) period began. As such, the division paused CoverKids eligibility renewals, eligibility changes to lower categories, and terminations on March 18, 2020. During this pause, the division may only terminate CoverKids coverage for existing members who die; voluntarily terminate coverage; become residents of another state; or, for members with pregnancy coverage, when their postpartum period ends. As of December 6, 2021, the PHE remains in effect.

[35] 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.

[36] The division partners with the Department of Health, certain hospitals, and certain long-term care providers to assist individuals in the application process.

[37] According to division 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.

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 issue with TEDS errors and caseworker processing errors that were affecting eligibility determinations.

In the division's six-month follow-up report to the Comptroller's Office, dated September 24, 2021, management stated:

> Our corrective action for this finding is complete except for the cases that need an action that cannot be completed while the federal public health emergency is in place. . . . We also updated the worker training curriculum to increase their understanding of business processes and policies being used in the eligibility determination process. Additionally, we updated our eligibility related Risk Assessment.

Condition, Criteria, and Cause

For the current audit, we determined that division management did resolve the TEDS system error affecting eligibility determinations but did not resolve the eligibility caseworker processing errors affecting eligibility determinations as noted in the prior audit. We also identified a new issue involving a TEDS system issue for postpartum members.

Payment Testwork

To determine whether management made administrative and capitation payments for eligible CoverKids members, we tested a random, nonstatistical sample of 30 administrative payments paid between July 1, 2020, and December 31, 2020, and 30 capitation payments made between January 1, 2021, through June 30, 2021, for a total of 60 payments worth $7,358. The sample was taken from a population of 542,052 administrative and capitation payments totaling $67,026,546. Based on our review, for 5 of 60 payments tested (8%), eligibility caseworkers and TEDS did not verify the members' eligibility.

- For 4 of 60 CoverKids payments tested, an eligibility caseworker and TEDS did not verify the members' household income before enrolling them in the CoverKids program.

  According to Title 42, *Code of Federal Regulations,* Part 457, Section 380(d), "Eligibility verification," if a state "does not accept self-attestation of income, the State must verify the income of an individual by using the data sources and following standards and procedures for verification of financial eligibility. . . ."

  According to the division's Policy 200.035, "Verification," the division must verify and document all of the member's financial and non-financial information. This may occur through systematic verification in TEDS; however, if TEDS is unable to verify the member's information, TEDS will trigger a notice requesting the member to provide proof of the information required for eligibility.

For 2 payments, the division requested proof of income after TEDS could not automatically verify the reported household income of the members. One of the members returned insufficient documentation, which an eligibility caseworker incorrectly accepted as proof of income. The other member did not respond to the request for additional information; however, due to a system error, TEDS approved their renewal application anyway. As a result of these 2 errors, we identified $301 in federal questioned costs and an additional $75 in state questioned costs. For major programs, such as CHIP, 2 CFR 200.516(a)(3), "Audit findings," requires us to report known and likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. Based on our review, we determined that likely questioned costs exceeded $25,000.

For the remaining 2 payments, an eligibility caseworker approved the member's eligibility without proper income verifications. In these instances, the caseworker noted "Other Acceptable Verification," which allowed TEDS to grant the member eligibility. However, no documentation of acceptable verification could be found in the system. After we brought the issue to management's attention, the division verified the reported household income from the members' applications and determined they still qualified for CoverKids coverage; therefore, we did not question costs associated with these 2 payments.

- For 1 of 60 CoverKids payments tested, an eligibility caseworker did not verify that the member was a U.S. citizen, U.S. national, or eligible non-citizen.[38]

  According to 42 CFR 457.380(b), states must verify that all applicants, except newborns, are either a U.S. citizen, U.S. national, or eligible non-citizen before granting coverage.

  For this member, an eligibility caseworker requested additional documentation to confirm citizenship on December 19, 2018, with a member response due back to the division by January 11, 2019. When the member's guardian did not return this information, an eligibility caseworker denied the member for CoverKids. According to the Eligibility Quality Control Director, after his guardian filed an appeal, a division appeals worker changed the member's citizenship status to "U.S. Citizen/National" without obtaining any verifying information and approved the member for CoverKids. On November 19, 2021, the Assistant Quality Control Director stated that division management initiated termination for this member. We identified federal questioned costs totaling $72 and an additional $18 in state questioned costs associated with this member. As noted above, for major programs, such as CHIP, we are required to report known and likely questioned costs greater than $25,000 for a type of compliance requirement for a major program. Based on our review, we determined that likely questioned costs exceeded $25,000.

[38] Most noncitizen legal residents living in the United States cannot receive Medicaid for the first five years of residency, known as the "five-year bar." However, eligible noncitizens, such as asylees and refugees, do not have a five-year waiting period.

Expanded Postpartum Member Testwork

For 12 payments included in our sample, the members who received coverage qualified for the CoverKids program due to their pregnancy status. Based on the results of our initial testwork, all 12 payments in our sample were made while these members were eligible for CoverKids benefits. However, during our review, we noted that the division's federal grantor, the Centers for Medicaid and Medicare Services (CMS), published guidance through a January 6, 2021, Frequently Asked Questions (FAQ) for the Family First Coronavirus Response Act. According to the FAQ, states should resume terminations during the public health emergency for members enrolled in CHIP who qualified for the program due to their pregnancy status at the conclusion of their postpartum period provided they do not qualify for another program. Therefore, we expanded our review to determine whether the division appropriately terminated CoverKids membership after the postpartum period for the 12 members included in our sample. Based on our review, for 7 of the 12 members tested (58%), we determined that the division did not terminate coverage after the member's postpartum period ended, which resulted in payments on behalf of ineligible individuals.

The division's Eligibility Quality Control Director stated that the division implemented TEDS system updates to review and process terminations for postpartum members on February 28, 2021. On March 17, 2021, the division began an automated process to terminate the members' benefits. Based on our review, TEDS generated pre-termination notices to these individuals, but TEDS did not terminate benefits when the members did not respond to the notices. Representatives from the contractor responsible for TEDS maintenance stated that a subsequent TEDS update on April 1, 2021, unintentionally overrode the changes. Prior to the April 1, 2021, implementation of the TEDS update, management tested and approved the update, but the testing did not identify the issue. Prior to our audit engagement, management was unaware of the system error. According to division management, the TEDS contractor developed a new TEDS system update that was implemented on December 13, 2021, to correct the system issue to terminate the members' postpartum benefits. We will review management's system fixes which were implemented after the end of our audit scope of June 30, 2021, during TennCare's 2022 Single Audit.

As a result of these errors, we identified $8,055 in federal questioned costs and an additional $3,086 in state questioned costs. For major programs, such as CHIP, 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. Because our 60-member sample included 12 members who were eligible based on pregnancy and 7 of those 12 (58%) should have been terminated, we believe likely questioned costs could exceed $25,000.

Risk Assessment

We reviewed the Division of TennCare's December 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of an eligibility caseworker or TEDS performing inaccurate eligibility determinations, member case changes, and redeterminations. Management identified two controls to mitigate these risks:

- TEDS will generate standard and specialized reports relating to system functionality and worker performance; and

- the Compliance and Policy Group will monitor the performance of the interfaces that feed information from, and into, TEDS.

However, based on the results of our review, these controls were not sufficient to address the identified 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 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 division staff and TEDS do not process CoverKids eligibility determinations correctly, 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.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,

- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Assistant Commissioner of Member Services should ensure that eligibility caseworkers are fully trained so that they understand their responsibilities relating to CHIP eligibility and can properly determine if the members are eligible for CoverKids benefits.

In addition, the Assistant Commissioner should work with the TEDS contractor to ensure the system fix is operating as designed. Furthermore, the division should determine any additional inappropriate payments made on behalf of members whose postpartum eligibility period had ended and return those payments to the federal government.

Management should evaluate the effectiveness of control activities for the risks identified 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.

During the review period TennCare processed almost 350,000 applications and took action on hundreds of thousands of existing cases. Even though we now have a modern eligibility determination system that can automatically process much of this work, worker intervention is still necessary for many cases. To ensure that TennCare eligibility workers provide the highest quality for our applicants and members, TennCare currently has more controls in place than we ever have before. These include, but are not limited to, the following:

1) Robust case reading process that includes monthly goals and scores, as well as targeted improvement

   On a monthly basis each manager of TennCare eligibility workers reviews cases determined by each staff member and inputs quality scores into a case reading tool. There are measures in place to ensure that managers are scoring cases uniformly and the items being reviewed are aligned with state and federal audits. Quality goals are incorporated in Individual Performance Plans and staff who consistently miss goals are put on Performance Improvement Plans. Each eligibility worker can review their findings in published reports, and those reports can be viewed at the unit or division level. Monthly conferences are held to discuss case read findings and broad findings can result in policy updates or new training materials. The Member Services Quality team reviews additional cases of workers who do not meet their quality goals in a given month. This is a process that began in December 2020 and has been praised by federal auditors who recently reviewed the TennCare eligibility process. During the last employee review cycle 97% of all cases reviewed within the TennCare Member Services Eligibility Operations Group met quality standards.

2) New worker secondary review process

   Newly hired staff are not permitted to perform final case authorizations without supervisor review for the first three months of employment. If the underlying case action is not correct upon supervisor review, managers will provide targeted coaching to correct the behavior. This secondary review process is also used for seasoned employees whose quality case reading scores are not sufficient. This is a tool used while caseworkers are undergoing Process Improvement Plans.

3) Process Improvement Plans (PIPs)

   Process Improvement Plans are used to help eligibility caseworker staff meet quality and production goals. They involve a focused support between the employee's manager and a member of the TennCare Human Resources staff. Weekly meetings are held and the number of cases read are more than doubled until the employee has improved to an acceptable level. If performance does not improve, the employee may be dismissed.

4) Reports

   The TennCare Eligibility Determination System provides a reporting dashboard that allows management more access to eligibility data than ever before. With this data we have created dashboards at multiple levels that display quality reviews and scores down to the individual worker level. We also have daily reports that identify pending cases by worker queue that managers review throughout the day. The system also allows management a real time view into task volume and age, which is used to ensure work is being completed in a timely manner and allows TennCare to identify problems or anomalies quickly.

Although human error will never be fully eliminated in such a complicated program, one way we have been working towards that goal is by improving training for Member Services staff. As discussed in the FY2020 audit, we completed an overhaul of training materials in 2021. We have begun training new staff using the revised curriculum. Beginning in February 2022 we will start retraining existing Member Services staff with a focus on business processes and more hands-on system scenarios. By mid-year 2022 all staff responsible for processing cases will receive new computer-based training related to the processing of cases, including income determinations. The training will consist of assigned computer-based training, quizzes, and a virtual lab. During the lab, they will work independently to complete several practice scenarios followed by a final practice which serves as the assessment. There will be a facilitator available throughout the lab session to answer any questions. Once an assessment is passed, workers will proceed to the next section.

Additionally, all newly-hired staff attend facilitator-led training that includes both policy and systems focused learning. Guided practices and independent practices are included for each unit of training. New employees are also tested with independent practices. Furthermore, all eligibility caseworkers also receive unit-specific training, special trainings when problem areas are identified, and weekly meetings with subject matter experts to discuss refresher policies arising from case reading common errors.

TennCare does work with the TEDS contractor to continually monitor and assess the TEDS system performance to ensure it correctly processes determinations and terminations. There are robust escalation channels for eligibility or appeals staff to identify issues and raise those both internally and to our systems vendor for analysis and resolution, including promotion of new code. TennCare continually assesses those escalation pathways to look for ways to improve the system. The global pandemic has impacted system performance in many ways. First, annual renewals which reassess member eligibility have been suspended due to the public health emergency since March 2020. Second, TennCare was required to hold most negative eligibility actions during the public health emergency and many of the systematic changes necessary to effectuate that moratorium was completed through temporary data fixes rather than coding changes. This decision was made in March 2020 when we believed the pandemic would be a short-term concern. These data fixes have been difficult to manage over the last two years but will allow TennCare to unwind the moratorium more quickly once the global pandemic ends.

Based on late 2020 updated guidance from the Centers for Medicare and Medicaid Services, TennCare's federal oversight partner, changes were made to the TEDS system in March 2021 to begin reviewing for continued eligibility then potentially terminating a portion of CoverKids members who recently gave birth. This process began in March 2021 and included all cases that had been held open since the COVID-19 public health emergency began. In April 2021 another change to system then negatively impacted the plans to close coverage based on no response to notices mailed to the 12 members in this audit. This systems issue was then corrected in December 2021.

TennCare is working with the TEDS contractor to ensure this type of error does not occur in the future. A testing expert has joined the project to assess internal testing processes and to develop a plan to enhance regression testing that will automatically run after every new code release. This will help to confirm that a recent program or code change has not adversely affected existing systems processes. Further, TennCare has recently requested additional state staff to assist with testing within Member Services and has a plan to augment this testing team with contractors. Finally, the auditors have suggested that TennCare reimburse the federal government for the months when these new mothers retained coverage. Our accounting division will return funds as determined and required.

TennCare does have a dedicated audit-focused team within the Member Services Compliance and Policy Group who is assigned to draft the annual risk assessment and monitor controls, along with leadership in various units in Member Services. We will review our risk assessment and make appropriate updates.

Finding Number	2021-011
Assistance Listing Number	93.767 and 93.778
Program Name	Children's Health Insurance Program (CHIP) Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Federal Award Identification Number	2005TNIMPL, 2005TNINCT, 2005TN5MAP, 2005TN5ADM, 2105TNIMPL, 2105NV5MAP, 2105NV5ADM, 2105TNINCT, 2105TN5MAP, 2105TN5ADM, 2005TN5021, 2105TN5021
Federal Award Year	2020 and 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Other
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

The Division of TennCare did not implement adequate internal controls in two specific areas

The Division of TennCare did not design and monitor internal controls in two areas. During our audit, we identified one internal control deficiency that was in violation of entity policies or industry-accepted best practices. Subsequent to our audit fieldwork, division management became aware of another internal control deficiency that was in violation of entity policies or industry-accepted best practices.

We reviewed the division's December 2020 Financial Integrity Act Risk Assessment and determined that management listed risks relating to these areas; however, the division 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 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.

Ineffective implementation and operation of internal controls increases the likelihood of error, data loss, and unauthorized access to Division of TennCare information. Pursuant to Standard 6.63 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 Division of TennCare with detailed information regarding the specific conditions as well as the related criteria, causes, and our specific recommendations for improvement.

Recommendation

Management should ensure that these conditions are corrected by the development and effective implementation of internal controls in these areas. Management should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action when deficiencies occur.

Management's Comment

We concur with this finding. A combination of ineffective communication in addition to human error led to the issues noted in these areas. However, at no point was there evidence of sensitive data used inappropriately or removed from any systems. As part of our corrective action, we will be implementing a new policy to address the one area in addition to new system functionality that will obtain more accurate information and improve processes in the future.

Finding Number	2021-012
Assistance Listing Number	21.019
Program Name	Coronavirus Relief Fund
Federal Agency	Department of the Treasury
State Agency	Department of Finance and Administration Department of Military
Federal Award Identification Number	N/A
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allocable Costs/Cost Principles
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	$497,106

Management's inadequate oversight of reallocation entries resulted in duplicate expenditure billings to the Coronavirus Relief Fund

Background and Cause

The State of Tennessee was awarded over $2.6 billion as a part of the Coronavirus Relief Fund (CRF). According to the program procedures overview for CRF in Part 4, Assistance Listing 21.019, "Coronavirus Relief Fund," of the uniform guidance compliance supplement,

> The purpose of the Coronavirus Relief Fund (the Fund) is to provide direct payments to state, territorial, tribal, and certain eligible local governments to cover:
>
> 1. Necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID–19);
> 2. Costs that were not accounted for in the government's most recently approved budget as of March 27, 2020; and
> 3. Costs that were incurred during the period that begins on March 1, 2020; and ends on December 31, 2021.

The supplement also states that

> Governments otherwise have broad discretion to utilize payments for expenditures ranging from COVID-19 testing including, but not limited to, reimbursing small businesses for the costs of business interruption caused by required closures.

In addition to CRF, the Department of Military also received funds for several other grants with the largest amount being the "Disaster Grants – Public Assistance (Presidentially Declared Disasters)" (FEMA Disaster Grants Program) from the Federal Emergency Management Agency (FEMA), a part of the United States Department of Homeland Security.

Some costs incurred by the department were allowable under multiple programs, so management tried to allocate the costs to create the best financial benefit to the state. CRF is limited to the amount of funds sent to the state. Other programs such as the FEMA Disaster Grants Program have an unlimited amount of funds available due to approval of a major disaster declaration for Tennessee.

There were several changes to policy for the FEMA Disaster Grants Program that prompted management to move costs from the CRF to the FEMA Disaster Grants Program. For example, page 1 of FEMA Policy 104-21-0003, Version 2, dated September 8, 2021, states,

> This updated interim policy retroactively extends the period of work eligibility to the beginning of the incident period. It also specifies that work conducted from the beginning of the incident period through December 31, 2021, will be reimbursed at a federal cost share of 100 percent.

Prior to the issuance of this policy, the department was meeting the FEMA Disaster Grants Program match requirement through use of CRF funds, but this change allowed management to repurpose those funds previously used to meet the match for another purpose. These changing requirements caused the need for management to perform multiple adjustments with the last adjustments occurring in December 2021. In total, we observed over 300 summary reallocation journal entries adding or removing funds to the CRF program. We also saw examples of transactions moving back and forth between the programs more than once.

Management uses Edison, the state's accounting system, to track and account for federal funds. To differentiate between programs, management assigns project IDs to each expenditure entry. Ordinarily as allowable expenses are incurred, they are recorded in the system under one of the federal program's associated project IDs.

When management determined that a transaction initially recorded under one program could be funded by another program, management recorded a summary journal entry to reallocate costs from one program to another. One summary journal entry line may represent hundreds or thousands of underlying source transactions. Management attached as support for the summary entry the source transactions that were reallocated.

Recording summary entries instead of reversing original entries means that to determine the true costs funded by a program, all reallocation journals must be considered in determining the true population. Since management's process did not always evaluate prior reallocations, some original transactions were allocated multiple times to the CRF program as described in this finding.

With increased reallocations, management should have implemented enhanced oversight of reallocation activities. This would include a more holistic approach of evaluating the effects of all previous journals when performing a reallocation.

The volume of adjustments contributed to the late submission of the Schedule of Expenditures of Federal Awards (SEFA) to the Division of Accounts in the Department of Finance and Administration. The Division of Accounts is responsible for gathering SEFA information from each state agency and compiling the schedules to form the state's SEFA. The division requested

SEFA information by September 10, 2021. However, the SEFA was not submitted until January 2022.

Condition and Effect

Management did not have adequate procedures to ensure that items were not billed more than once to the CRF program. We identified source transactions that were allocated to the CRF program multiple times. As a result, questioned costs totaling $497,106 were noted relating to the duplicate billings to CRF.

Criteria

Title 2, Code of Federal Regulations, Part 200, Section 302(a), states,

> . . . the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the . . . tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Recommendation

Management should develop an adequate process to ensure expenditure entries are not billed to the program more than once. Management should consider a one-to-one reversal of individual Edison original transactions as opposed to the use of summary entries to adjust funding in Edison, as this would have greatly aided in the process of generating a detailed original listing of transactions ultimately billed to the program. This is especially true in cases involving a large number of adjustments such as with this program. If management does not use a one-to-one reversal process, they should consider maintaining a master list of all source transactions allocated or reallocated to the program.

Management's Comment

We concur.

The questioned costs totaling $497,106 have been returned to the CRF program in FY 2022, and additional Department of Military eligible costs totaling this same amount will be drawn against the CRF in FY 2022. Through this action the total CRF funds allocated and spent by the Department of Military will remain at $105,221,467.

Regarding the recommendation to develop an adequate process to ensure expenditure entries are not billed to the same program more than once, the Department of Military's accounting office, staffed by the Department of Finance and Administration, Division of Accounts, in collaboration with Department of Military (including the Tennessee Emergency Management Agency) staff have begun an enhancement and redesign of the control activities designed to address the risk of duplicate reallocations.

The initial phase of this enhancement and redesign process includes the implementation of automated procedural searches of all journal entries to identify potential duplicates. For example, journal entry lines that were posted using the same key chartfields and amount are shown in the results.

Additional enhancements include the consistent use of one-to-one posted Edison transaction reversals and reallocations versus summary level reversals and reallocations. This will assist in making automated procedural searches more complete. Efforts are also underway to review and improve the in-place process for the exchange of necessary reallocation data between program office and accounting office staff, as well as to explore cost effective methodologies/approaches to building and maintaining a shared database of the original source transactions underlying processed reallocations.

Finding Number	2021-013
Assistance Listing Number	21.019
Program Name	Coronavirus Relief Fund
Federal Agency	Department of the Treasury
State Agency	Department of Finance and Administration Department of Human Services
Federal Award Identification Number	SLT0245
Federal Award Year	2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

The Departments of Finance and Administration and Human Services did not monitor Coronavirus Relief Fund subrecipients

Background

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provided additional federal funds to offset the effects of the outbreak of the 2019 novel coronavirus (COVID-19) through already established federal programs, such as the Supplemental Nutritional Assistance Program (SNAP) and the Education Stabilization Fund. The CARES Act also established new programs to facilitate pandemic responses. Through the CARES Act, Congress created the Coronavirus Relief Fund (the Fund) to provide assistance to states, territories, tribes, and certain eligible local governments to cover necessary pandemic-related expenditures incurred from March 1, 2020, through December 31, 2021, that were not accounted for in the entities' most recently approved budgets.

According to the "Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments," Volume 86, *Federal Register*, page 4183 (January 15, 2021),

> . . . a State, local, or tribal government may use payments from the Fund only to cover previously unbudgeted costs of necessary expenditures incurred due to the COVID-19 public health emergency during the covered period [March 1, 2020, through December 31, 2021].[. . .] The Direct Recipient of payments from the Fund is ultimately responsible for compliance with this limitation on the use of payments from the fund.

The Department of Finance and Administration (F&A) received the Coronavirus Relief Fund award from the federal government and therefore, as the direct (or prime) recipient, was responsible for ensuring the state complied with applicable federal regulations when expending the CRF award. State leadership, through the Governor's Financial Stimulus Accountability

Group (FSAG),[39] developed a spending plan for selected state entities, and F&A provided these entities with guidance on use of the funds, including interpretations of United States Treasury's *Federal Registers* applicable to the Fund. F&A was responsible for reimbursement to these entities for eligible and allowable expenditures.

Under the spending plan, FSAG directed $150 million from the Fund to the Department of Human Services (DHS) to establish the Tennessee Community CARES Program.[40] To administer their portion of CRF for the Tennessee Community CARES Program, DHS contracted with third parties, known as grant administrators, to assist DHS with beneficiary eligibility determinations and with the review of allowable spending under the program.

Condition and Cause

F&A Responsibilities

As the prime recipient, F&A management was ultimately responsible for ensuring the state agencies executed their responsibilities within CRF regulations, including identifying and monitoring subrecipients of the CRF federal award. F&A management informed DHS and other state agencies that the subrecipient monitoring requirement was applicable to Coronavirus Relief Fund; however, F&A management, as the prime recipient, did not ensure DHS complied with these responsibilities and fulfilled their obligations.

DHS misclassified grant administrators as vendors rather than subrecipients and did not perform required subrecipient monitoring activities

When DHS entered into the contract relationships with the six grant administrators, DHS classified the relationship between the state and the nonprofit entity as a vendor-type relationship. We reviewed the contracts and analyzed the nature of the grant administrators' responsibilities and found that these entities met the characteristics of a subrecipient listed in Title 2, *Code of Federal Regulations,* Part 200, Section 331(a), because their responsibilities aligned with those of a subrecipient and not a vendor.

Under the subrecipient model, as established in 2 CFR 200.332, the pass-through entity must

> (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraph (d). . . of this section [. . .]
>
> (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes,

[39] On April 16, 2020, the Governor created the Financial Stimulus Accountability Group (FSAG) to aid in the proper fiscal management of stimulus funds, such as the $2.3 billion in Coronavirus Relief Funds, received by the state and created by the CARES Act.

[40] The goal of the Tennessee Community CARES Program is to provide funding to beneficiaries to allow them to respond to the impacts of COVID-19, specifically to be able to reach individuals that have lost wages and need financial, medical, housing, or food assistance, and to aid organizations in helping prevent the spread of COVID-19 through providing access to supplies.

regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Based on the misclassification, DHS did not schedule monitoring activities through the Division of Audit Services for the grant administrators. We discussed the classification error with DHS management, and in response to this discussion, the department reviewed the characteristics of the contract and came to the same determination that the entities should have been subrecipients. DHS communicated this change to the Grant Administrators.

Audit Services amended DHS's subrecipient monitoring plan; however, the amended plan only included one of the six Grant Administrators because Audit Services only had time to monitor one Grant Administrator and did so in May 2021.[41] Audit Services issued a report identifying instances of the Grant Administrator approving unallowable or unsupported costs that beneficiaries had included in their request for reimbursement. The department is currently pursuing the recovery of questioned costs related to this program.

Effect

Without an accurate determination of the subrecipient relationship, management cannot ensure established control activities are performed to ensure compliance with federal requirements. Furthermore, when F&A does not perform oversight of other state entities charged with administering the federal program, management increases the risk state agencies will not meet federal compliance requirements or fulfill their own responsibilities set for by F&A, thus increasing the risks of noncompliance with federal regulations as well as fraud, waste, and abuse in federal programs. Specifically, without these controls in place, F&A and DHS increased the risks that the Grant Administrators failed to administer the eligibility and allowable cost determinations within the federal Coronavirus Relief Funds requirements.

Recommendation

As the Prime Recipient of the federal award, the Commissioner of the Department of Finance and Administration should direct the department's management and staff to design and implement internal controls to ensure that all agencies participating in temporary federal programs, such as Coronavirus Relief Funds, execute their responsibilities. F&A should develop a process to ensure subrecipients are accurately identified and properly addressed in agency risk assessments and monitoring plans when F&A collaborates with other agencies to execute a federal program. F&A and DHS management should also consider reviewing the risks identified in this finding, updating their agencies' risk assessment, and implementing controls when necessary.

Management's Comments

Department of Finance and Administration

We concur.

[41] This was completed for the monitoring year October 1, 2020, through September 30, 2021.

As the prime recipient, F&A management will continue to communicate responsibilities and expectations to other state agencies to ensure they fulfill their federal award obligations. Specifically, F&A management will develop a process to ensure subrecipients are accurately identified and properly addressed in agency risk assessments and monitoring plans when F&A collaborates with other agencies to execute a federal program.

Department of Human Services

We concur.

The Department concurs that the grant administrators were initially misclassified as vendors, rather than subrecipients. Management did correct the classification but agree that it was changed once the program was underway. The Department has subsequently implemented a process in which subrecipient determinations are made during the contract process ensuring accurate and timely classification.

The Department concurs that required subrecipient monitoring did not completely occur during the award period. The Department's Audit Services Division monitored two of the six grant administrators. The Department's Audit Services Division issued the first monitoring report on August 27, 2021, the second monitoring report was issued on February 17, 2022.

Finding Number	2021-014
Assistance Listing Number	84.010, 84.027, 84.173, 84.367, 84.424, 84.425B, 84.425C, 84.425D, and 84.425R
Program Name	Title I Grants to Local Educational Agencies Special Education Cluster Supporting Effective Instruction State Grants Student Support and Academic Enrichment Program Grants Education Stabilization Fund
Federal Agency	Department of Education
State Agency	Department of Education
Federal Award Identification Number	S010A170042, S010A180042, S010A190042, S010A200042, H027A180052, H027A190052, H027A200052, H173A180095, H173A190095, H173A200095, S367A180040, S367A190040, S367A200040, S424A180044, S424A190044, S424A200044, S425B200027, S425C200027, S425C210027, S425D200047, S425D210047, and S425R210005
Federal Award Year	2017 through 2021
Finding Type	Material Weakness (84.010, 84.027, 84.173, 84.367, 84.424 and 84.425) and Noncompliance (84.010 and 84.367)
Compliance Requirement	Activities Allowed or Unallowed (Material Weakness – 84.010, 84.027, 84.173, 84.367 and 84.424; Noncompliance 84.010 and 84.367) Allowable Costs/Cost Principles (Material Weakness – 84.010, 84.027, 84.173, 84.367 and 84.424; Noncompliance – 84.010 and 84.424) Subrecipient Monitoring (Material Weakness - 84.010, 84.027, 84.173, and 84.367, 84.424 and 84.425)
Repeat Finding	2020-002
Pass-Through Entity	N/A

Questioned Costs

Assistance Listing Number	Federal Award Identification Number	Amount
84.010	S010A190042, S010A200042	$103,287
84.367	S424A190044, S424A200044	$380

As noted in the prior three audits, department management reimbursed subrecipients for costs that were unallowable or not adequately supported, resulting in $103,667 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 (Title I),[42]
- Special Education Cluster,[43]
- Supporting Effective Instruction State Grants[44] (Title II),
- Student Support and Academic Enrichment Program Grants[45] (Title IV), and
- Education Stabilization Fund (ESF).[46]

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 that exceed 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. The department and the federal grantor do not require subrecipients to

[42] 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.

[43] 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; help states, localities, educational service agencies, and federal agencies provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities.

[44] Supporting Effective Instruction State Grants (Title II) 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.

[45] The Student Support and Academic Enrichment Program is a federal program to improve students' academic achievement by providing all students with access to a well-rounded education, improving school conditions for student learning, and improving the use of technology to improve the academic achievement and digital literacy of all students.

[46] The Education Stabilization Fund is a federal program designed in part to provide state educational agencies and local educational agencies (LEAs), including charter schools that are LEAs, with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

submit supporting documentation when filing reimbursement requests for 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

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 and Division of Federal Programs and Oversight 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 fiscal and programmatic objectives, including a sample of 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 fiscal 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 reimbursed subrecipients for unallowable and unsupported costs. The Division of Local Finance's fiscal monitoring procedures did not require monitors to review subrecipient transactions and obtain supporting documentation for actual expenditures reimbursed. As a result, management could not ensure that LEAs complied with federal allowable activities/allowed cost reimbursements. Management concurred and stated the following:

> 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.

Management explained in their six-month follow-up that they plan to develop a new process to review, throughout the year, each LEA's reimbursement requests for allowability and adequate supporting documentation. Management planned to roll out the new process to LEAs in July 2021, with reviews of reimbursement requests to begin in October 2021.

Condition and Criteria

Fiscal Monitoring Procedures Were Not Adequate to Ensure that Monitoring Activities Were Performed

We found that the Division of Local Finance's subrecipient monitoring process still did not include procedures to review the subrecipients' compliance with federal allowable activities and allowable cost requirements, including the underlying supporting documentation such as invoices and receipts for expenditure transactions. Additionally, management did not document the sampling methods used or maintain working papers or copies of other evidence to document work performed.

The department relies on its fiscal monitoring activities as its primary detective control to ensure subrecipients are submitting allowable expenditures for reimbursement. However, the design of the subrecipient monitoring process as described in the background above does not ensure that, during monitoring visits, the department's fiscal monitors review samples of supporting documentation for actual expenditures reimbursed to the LEA from federal awards. Therefore, neither management nor we could review the effectiveness of management's control that ensures the department's compliance with allowable costs requirements.

Management is responsible for designing, implementing, and monitoring internal controls in accordance with *Standards for Internal Control in the Federal Government* (Green Book), which provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. The Green Book states,

> A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

To achieve the department's mission, management is responsible for establishing the necessary operational processes to carry out the department's functions, objectives, and goals. These key operational processes should include effective internal controls activities, including management overseeing the processes that fulfill the department's objectives for meeting federal program compliance.

Department Reimbursed Subrecipients for Unallowable and Unsupported Costs

We tested nonstatistical, random samples of reimbursements to LEAs. See **Table 1** for the details of these populations and samples. Based on our testwork, we noted that the department reimbursed LEAs for unallowable and unsupported expenditures, resulting in $103,667 in federal questioned costs.

Table 1
Federal Program Population and Sample Information

Program	Population Items	Population Total	Sample Items	Sample Total
Title I	4,724	$272,925,473	62	$15,636,301
Title II	3,413	$36,135,062	61	$2,203,542

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

Department Reimbursed Subrecipients for Unallowable Costs

Based on our testwork, we noted that department staff reimbursed subrecipients from two federal programs for unallowable expenditures, totaling $8,189 in federal questioned costs. See **Table 2** for a summary of questioned costs for both of the programs.

Table 2
Results of Testwork – Unallowable Costs

Federal Program	Total Unallowable (Questioned) Costs	Unallowable Cost Description
Title I	$7,865	Full meals from restaurants for parent engagement activities, and unnecessary and unreasonable expenses for grocery tote bags and a field trip
Title II	324	Meals
Total	**$8,189**	

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

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."

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 three subrecipients from the Title I and Title II programs for unsupported expenditures, totaling $95,478

in federal questioned costs. We asked the LEAs to provide us with documentation to support their claims to the department. The LEAs either

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

See **Table 3** for a summary of questioned costs for each of the two programs.

Table 3
Results of Testwork – Total Unsupported Costs

Federal Program	Total Unsupported (Questioned) Costs
Title I	$95,422
Title II	56
Total	**$95,478**

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

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

We questioned federal costs of $103,287 charged to the Title I program and $380 charged to the Title II program and found that likely questioned costs exceed $25,000 for both programs. Requirements in 2 CFR 200.516(a)(3) instruct us to report questioned costs when **known** or **likely** questioned costs are greater than $25,000 for a type of compliance requirement for a major program.

Risk Assessment

We reviewed the department's December 2020 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.

In addition, management listed the risk that monitoring documents do not contain all the appropriate questions to determine if a district is not in compliance with state or federal law. Management listed three internal controls to mitigate the risk:

1. The monitoring document was developed in collaboration with teams across the department;

2. The monitoring document is updated annually in collaboration with teams across the department; [and]
3. The monitoring document was crosschecked against the requirements outlined in ESSA [Every Student Succeeds Act] and IDEA [Individual With Disabilities Education Act].

While the listed controls are important, management did not design mitigating controls to ensure that monitors reviewed subrecipients' underlying records, based on an established sampling methodology and documentation protocol, for costs to federal programs that are not allowable or not adequately documented.

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

The Director stated that department staff reiterated to LEAs allowable cost guidance for issues identified in the prior finding, particularly food purchases. The Director agreed that subrecipient monitoring activities should include a review of LEAs' expenditures to ensure they are allowable and properly supported.

Effect

When management has not fully developed controls to ensure that monitors perform and document key activities to determine LEA compliance, management cannot ensure that subrecipients used program funds for authorized purposes. Additionally, management cannot ensure expenditures complied with federal statutes, regulations, and terms and conditions of the grant award; nor can management ensure that subrecipients achieved the subaward performance goals. 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.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or

- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner should ensure management implements procedures for fiscal monitoring staff to review subrecipient transactions and obtain adequate supporting documentation during monitoring activities to assist the monitors in achieving these key activities. These procedures should include clear monitoring tools and sampling methodologies to guide the monitoring activities. The Commissioner should also continue to 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's Chief of Districts and Schools will ensure the Division of Local Finance and Division of Federal Programs and Oversight will implement effective controls to address the risks noted in this finding, update the department's risk assessment as necessary, and take the necessary action if deficiencies are identified. As part of the department's continuous improvement process, staff within the Division of Local Finance and Division of Federal Programs and Oversight staff will be assigned to continually monitor risks and assess mitigating controls. Procedures will be reviewed and revised as needed to ensure clear monitoring tools and sampling methodologies guide the agency's monitoring activities and current best practices. In addition, the department's Division of Local Finance and Division of Federal Programs and Oversight will continue to ensure program staff train and provide technical assistance to subrecipients about allowable program expenditures and the requirement to maintain documentation to support reimbursed expenditures.

Finding Number	2021-015
Assistance Listing Number	84.010, 84.367, 84.424, and 84.425D
Program Name	Title I Grants to Local Educational Agencies Supporting Effective Instruction State Grants Student Support and Academic Enrichment Program Education Stabilization Fund
Federal Agency	Department of Education
State Agency	Department of Education
Federal Award Identification Number	S010A170042, S010A180042, S010A190042, S010A200042, S010A210042, S367A170040, S367A180040, S367A190040, S367A200040, S424A170044, S424A180044, S424A190044, S424A200044, S425D200047, and S425D210047
Federal Award Year	2017 through 2020
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility (84.010, 84.367, 84.424, 84.425) and Earmarking (84.010)
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Department management did not appropriately calculate grant allocations to local educational agencies

Background

The Tennessee Department of Education (the department) is the pass-through entity for federal programs and distributes funds to the state's 146 local educational agencies (LEAs) under the following programs administered by the U.S. Department of Education (USDOE):

- Title I Grants to Local Educational Agencies[47] (Title I),
- Supporting Effective Instruction State Grants[48] (Title II),
- Student Support and Academic Enrichment Program Grants[49] (Title IV), and

[47] Title I Grants to Local Educational Agencies 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.

[48] 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.

[49] The Student Support and Academic Enrichment Program is a federal program to improve students' academic achievement by providing all students with access to a well-rounded education, improving school conditions for student learning, and improving the use of technology to improve academic achievement and digital literacy of all students.

- the Elementary and Secondary School Emergency Relief (ESSER) component of Education Stabilization Fund.[50]

The department received federal funding as presented in **Table 1**.

Table 1
Department's Federal Funding for Fiscal Year 2021 by Program

Program	Total Federal Award Amount	LEA Allocation	State Administration and Activities
Title I	$328,541,302	$302,875,878	$25,665,424
Title II	41,689,376	40,418,974	1,270,402
Title IV	22,838,729	21,696,793	1,141,936
ESSER[51]	1,107,656,022	996,890,420	110,765,602

Source: Edison and department documentation.

Department's Responsibilities as a Grant Administrator

As outlined in Title 2, *Code of Federal Regulations* (CFR), Part 200, Sections 303 and 329, as a grant administrator for federal funds, the department must

- establish and maintain effective internal control over the federal award that provides reasonable assurance that the department manages and complies with the federal award statutes, regulations, and terms and conditions; and
- evaluate and monitor the department's compliance with statutes, regulations, and terms and conditions of federal awards.

Overview of Allocation Distribution by Funding Source

Title I

Title I is comprised of four grant formulas: basic, concentration, targeted, and education finance incentive grants. USDOE determines the amount to allocate to each state and how much should be allocated to each LEA based on their formula children[52] counts. When applicable, the department must then adjust the USDOE allocation amounts for

[50] Elementary and Secondary School Emergency Relief is one subprogram of the Education Stabilization Fund, the program under which the U.S. Department of Education was allocated federal relief funds, for the purpose of providing LEAs with emergency relief funds to address the impact of COVID-19 on elementary and secondary schools.
[51] Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, ESSER 2.0.
[52] According to 34 CFR 200.70, Formula children include children ages 5 to 17 who are "(1) From families below the poverty level based on the most recent satisfactory data available from the Bureau of the Census; (2) From families above the poverty level receiving assistance under the Temporary Assistance for Needy Families program under Title IV of the Social Security Act; (3) Being supported in foster homes with public funds; and (4) Residing in local institutions for neglected children." The number of formula children is estimated using data from the Bureau of the Census.

1. when LEAs consolidate or separate, when area boundaries are redrawn, or when changes have occurred since the Census Bureau updated its list of LEAs;[53] and
2. special LEAs that are not on the list of traditional LEAs provided to the USDOE by the Census Bureau.[54]

For all students enrolled in special LEAs, the department must determine under which traditional LEA the student is counted. The department uses this information to transfer funding from the traditional LEA to the special LEA based on the formula children criteria.

Once the department adjusts the original USDOE allocation for the special LEAs, it must then further adjust the allocations to ensure each LEA receives at least its hold-harmless amount.[55] The department determines which LEA allocations do not meet the LEAs' hold-harmless amount and proportionately reduce or raise allocations to meet the hold-harmless amount.

Title II

USDOE provides the department with Title II funding totals but does not determine how much should be allocated to each LEA. To allocate Title II funding, the department reduces the total funding by the state's administration and activities set-aside[56] and then allocates the remaining funds to the LEAs. The amount allocated to each LEA is determined based on the following:

- 20% based on the number of children ages 5 to 17 residing in the LEA's area; and
- 80% based on the number of children ages 5 to 17 residing in the LEA's area with families below the poverty line.

To determine the allocation to special LEAs, staff use population counts that they determined during the Title I allocation process as described above.

Title IV and ESSER

The department uses the Title I allocations to determine Title IV and ESSER allocations to LEAs. Title IV allocations should be proportionate to the Title I allocations the LEA received in the preceding fiscal year. ESSER allocations should be proportionate to Title I allocations for the most recent fiscal year.

[53] For our audit period, this adjustment was not applicable.
[54] The department's special LEAs include the Achievement School District, the State Board of Education, and the state's special schools. Tennessee's Special School Districts include the Tennessee School for the Blind, the Tennessee School for the Deaf Knoxville, the Tennessee School for the Deaf Nashville, the West Tennessee School for the Deaf, and the Alvin C. York Institute.
[55] Hold-harmless requires the department to allocate to an LEA at least a certain percentage of its prior-year allocation—85%, 90%, or 95%, depending on the LEA's proportion of formula children.
[56] According to the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, Section 2101(c)(3), "each State that receives an allotment under subsection (b) for a fiscal year shall reserve not less than 95 percent of such allotment to make subgrants to local educational agencies for such fiscal year, as described in section 2102." The department uses the remaining 5% for state administration costs.

Federal Notice of Noncompliance

Department's Noncompliance

In April 2021, the USDOE's Office of Elementary and Secondary Education (OESE) conducted a performance monitoring review of multiple programs and found the department incorrectly calculated its funding allocations to LEAs under the Title I and Title II programs. Because the department must use the Title I allocations to determine Title IV and ESSER allocations to LEAs, the department also incorrectly allocated these programs. OESE stated in the *Tennessee Consolidated Performance Review Report #2 of 2 FY 2021*, dated November 30, 2021,[57] that for the special LEAs, the department

> determines their allocations for [Title I and Title II] based on their enrollment. This approach is inconsistent with the requirements . . . for Title I, Part A because [the department] does not derive a Title I, Part A formula count for these LEAs or determine whether they meet the eligibility criteria under each formula. The approach is also inconsistent with the Title II, Part A requirements . . . because [the department] is allocating 100 percent based on the number of students in the LEA rather than 20 percent.

OESE also found that the department did not apply hold-harmless requirements for Title I for each of the four formula grants. The department instead determined if LEAs met hold-harmless requirements based on the **total** Title I allocations.

Department's Planned Corrective Action

The department began working with OESE in late summer/fall of 2021 to develop and implement corrective action. Management developed updated procedures to calculate Title I and Title II allocations and obtained approval from OESE to continue with allocation corrections for fiscal years 2018 through 2022 using those procedures. As of January 12, 2022, management was developing a plan to pay LEAs that were under allocated using other available federal funds. Once they develop this repayment plan, management indicated they must obtain approval from OESE before implementing it.

Condition

Noncompliance

As part of our Single Audit, under the Office of Management and Budget Compliance Supplement,[58] the following audit objectives are applicable for the Title I and Title II federal program:

[57] Tennessee Consolidated Performance Review Reports can be found at *https://oese.ed.gov/files/2021/11/TDOE-Performance-Review-Report-Part-1.pdf* and *https://oese.ed.gov/files/2021/11/TDOE-Performance-Monitoring-Review-Report-2.pdf*

[58] The Compliance Supplement is based on the requirements of Title 2, *Code of Federal Regulations*, Part 200, and is issued to assist auditors in performing the required Single Audit.

- Eligibility – Determine whether amounts provided to subrecipients were calculated in accordance with program requirements.
- Earmarking – Determine whether minimum or maximum limits for specified purposes were met.

During our audit fieldwork, department management informed us about OESE's performance monitoring review results regarding

- the department's incorrect calculations for Title I and Title II allocations,
- the effect the errors had on Title IV and ESSER allocations, and
- the department's incorrect calculation of Title I hold-harmless earmarking requirement.

As such, we did not perform further tests on these objectives based on the noncompliance reported in OESE's review. See also **Finding 2021-016** regarding the department's noncompliance in calculating Title IV allocations, and how the Title I noncompliance further compounded that Title IV issue.

Risk Assessment

Because of the issues we identified, we reviewed the department's December 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of inadequate controls over the data and the funding calculation for Every Student Succeeds Act allocation for school districts. Management listed "experienced staff with detailed understanding of the mechanics" as a control to mitigate the risk; however, the control, as noted by management in our discussions, was adversely impacted due to turnover of experienced staff. Without having appropriate risk response to identify, analyze, and respond to changes, management fails to mitigate the risk and increases the likelihood of error and noncompliance.

Cause and Effect

The incorrect Title I allocations rendered Title IV and ESSER allocations incorrect, which resulted in the department over- or underfunding LEAs in four federal programs for each of the last five fiscal years. Federal requirements for these programs changed when the Every Student Succeeds Act (ESSA) was passed in fiscal year 2016, and department management indicated that they did not have to adjust allocations until fiscal year 2018. According to the department's Chief of Districts and Schools, management failed to update their procedures based on new ESSA requirements because of experienced staff turnover and the remaining staff being unaware of federal program requirement changes; therefore, staff continued with the same allocation procedures until OESE notified them that their procedures were incorrect.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Criteria

Title I

In its review report, OESE summarized 34 CFR 200.72 and stated that for each special LEA, management

> must estimate the number of Title I, Part A formula children for that LEA by deriving the equivalent of the most recently available poverty estimates from the U.S. Census Bureau's Small Area and Income Population Estimates (SAIPE) branch, which the Department provides to each [state]. [A state] must then use the derived formula count to determine whether the LEA meets the eligibility criteria under each Title I, Part A formula.

In addition, 34 CFR 200.73 indicates that a state "may not reduce the allocation of an eligible LEA below the hold-harmless amounts" and requires the state to "apply the hold-harmless requirement separately for basic grants, concentration grants, targeted grants, and education finance incentive grants."

Title II

OESE explained in their review that, according to ESEA, the department must allocate Title II funds in the following manner:

- 20 percent of these funds to LEAs based on the relative number of individuals ages 5 through 17 who reside in the area the LEA serves based on the most recently available data from the U.S. Census Bureau's SAIPE branch or equivalent data derived by the [department] for LEAs for which SAIPE estimates are not available; and
- 80 percent of these funds to LEAs based on the relative numbers of individuals ages 5 through 17 who reside in the area the LEA serves and who are from families with incomes below the poverty line (based on the most recently available data from the U.S. Census Bureau's SAIPE branch or equivalent data derived by the [state] for LEAs for which SAIPE estimates are not available).

Risk Assessment

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

According to Principle 9, "Identify, Analyze, and Respond to Change,"

> **9.03** Conditions affecting the entity and its environment continually change. Management can anticipate and plan for significant changes by using a forward-looking process for identifying change. Management identifies, on a timely basis, significant changes to internal and external conditions that have already occurred or are expected to occur. Changes in internal conditions include changes to the entity's programs or activities, oversight structure, organizational structure, personnel, and technology. Changes in external conditions include changes in the governmental, economic, technological, legal, regulatory, and physical environments. Identified significant changes are communicated across the entity through established reporting lines to appropriate personnel.

Recommendation

Management should continue working with OESE to recalculate LEA allocations and make whole the underfunded LEAs. Management should also develop and implement procedures to ensure staff responsible for performing and reviewing federal award calculations are aware of current federal requirements.

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's Chief of Districts and Schools will continue to work with the U.S. Department of Education to finalize and obtain approval of a corrective action plan and once approved will promptly address the LEAs Title I, II and Title IV allocations for fiscal years 2018 through 2022 as needed.

The department's Division of Local Finance and Division of Federal Programs and Oversight will implement revised controls to address the risks noted in this finding. This work will include updating the department's risk assessment as necessary, professional development and taking the necessary actions if deficiencies are identified. Internal controls will be developed to ensure staff responsible for performing and reviewing federal award calculations are aware of current federal requirements. Moving forward, the department's Office of Finance will serve as a secondary internal check prior to annual allocations being released.

Finding Number	2021-016
Assistance Listing Number	84.424
Program Name	Student Support and Academic Enrichment Program
Federal Agency	Department of Education
State Agency	Department of Education
Federal Award Identification Number	S424A170044, S424A180044, S424A190044 and S424A200044
Federal Award Year	2017 through 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Department management did not calculate and allocate Title IV funds to local educational agencies in accordance with federal regulations

Background

The Department of Education (the department) is the pass-through entity for the Student Support and Academic Enrichment program[59] (Title IV), which is administered by the U.S. Department of Education. The state department awards Title IV funds primarily to subrecipients, commonly known as local educational agencies (LEAs). To be eligible for Title IV funds, the LEA must have received Title I allocations in the state's previous fiscal year. Each fiscal year, based on a federal grant formula, the department's Office of the Chief Financial Officer (OCFO) calculates how much to allocate to each LEA. Each eligible LEA receives a minimum of $10,000 in Title IV funding.[60] Currently, the state has 146 LEAs, and because all receive Title I funds, they were all eligible for Title IV funding.

The LEA can use the Title IV funds to accomplish the program's objective to improve students' academic achievement, or the LEA can transfer the Title IV funds to other federal programs that improve the teaching and learning of children. If the LEA decides to use the funds for Title IV program objectives, the LEA must submit an application describing how it will use the funds to improve students' academic achievement.

[59] The Student Support and Academic Enrichment program (Title IV, Part A) is a federal program to improve students' academic achievement by providing all students with access to a well-rounded education, improving school conditions for student learning, and increasing the use of technology to enhance academic achievement.

[60] According to Section 4105(a)(2) of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, the department cannot allocate less than $10,000 to any LEA under this subsection.

Criteria, Condition, and Cause

Deficient Allocation Process Controls Result in Noncompliance with Federal Regulations

The federal Every Student Succeeds Act[61] (ESSA) requires the department to use **prior** fiscal year Title I LEA allocations as the basis for its calculation of Title IV funds. For state fiscal year 2021, the department's allocation process involved the department's OCFO calculation and allocation of Title IV funding totaling $21,696,793 to a population of 146 LEAs.

From our review, we found that OCFO staff did not accurately calculate Title IV funds for 139 of 146 LEAs (95%), because OCFO staff used the **current** fiscal year's Title I allocations, instead of the **prior** year. We reperformed the calculations and determined that the remaining 7 LEAs correctly received the $10,000 minimum allocation. We learned that OCFO staff has not correctly calculated the Title IV allocations since fiscal year 2018 when the Every Student Succeeds Act (ESSA) changed the allocation requirements.

According to current management, the staff responsible for calculating the Title IV allocations misunderstood the federal guidance, and neither former (management in place for 2018) nor current management identified the calculation/allocation errors until we brought the errors to their attention. In addition, the Assistant Commissioner of Federal Programs and Oversight stated that the department experienced staff turnover in key management roles, which resulted in a disruption in recordkeeping and staff's unfamiliarity with the new guidance from the U.S. Department of Education.

In our effort to determine the impact of management's errors in the LEA Title IV allocations, we were also informed by the former Chief Financial Officer that management had Title I funding errors which directly impacted the Title IV calculations/allocations. As discussed in **Finding 2021-015** and reported in the U.S. Department of Education's *Tennessee Consolidated Performance Review Report,*[62] the department also incorrectly allocated Title I funds to LEAs for fiscal years 2018 through 2022. Since Title I allocations are the basis for Title IV allocations, and the **prior** fiscal year's (fiscal year 2020 for the current audit) Title I allocations were incorrect, neither management nor we were able to recalculate or determine the correct Title IV allocations for fiscal year 2021.

According to the Chief of Districts and Schools, as of January 12, 2022, management was developing a corrective action plan based on the issues noted in the performance report and a repayment plan to pay LEAs that were under allocated using other available federal funds; however, the department must obtain approval from the U.S. Department of Education before implementing. Once this approval is obtained, management plans to recalculate Title IV allocations using the **prior** year's correct Title I allocations for fiscal years 2018 through 2022 to address the issues noted in this finding.

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[61] The Every Student Succeeds Act, passed in December 2015, is a federal law that governs the U.S. K–12 public education policy. The law replaced its predecessor, the No Child Left Behind Act.

[62] Tennessee Consolidated Performance Review Reports can be found at *https://oese.ed.gov/files/2021/11/TDOE-Performance-Review-Report-Part-1.pdf* and *https://oese.ed.gov/files/2021/11/TDOE-Performance-Monitoring-Review-Report-2.pdf*

Risk Assessment

Because of the issues we identified during our audit, we reviewed the department's December 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of inadequate controls over the data and the funding calculation for ESSA allocations for school districts. Management listed "experienced staff with detailed understanding of the mechanics" as a control to mitigate the risk; however, the control, as noted by management in our discussions, was adversely impacted due to turnover of experienced staff. Without having an appropriate risk response to identify, analyze, and respond to changes, management fails to mitigate the risk and increases the likelihood of error and noncompliance.

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.

According to Principle 9, "Identify, Analyze, and Respond to Change,"

> **9.03** Conditions affecting the entity and its environment continually change. Management can anticipate and plan for significant changes by using a forward-looking process for identifying change. Management identifies, on a timely basis, significant changes to internal and external conditions that have already occurred or are expected to occur. Changes in internal conditions include changes to the entity's programs or activities, oversight structure, organizational structure, personnel, and technology. Changes in external conditions include changes in the governmental, economic, technological, legal, regulatory, and physical environments. Identified significant changes are communicated across the entity through established reporting lines to appropriate personnel.

Effect

When LEAs do not receive funding as intended by both the federal and state grantors, the underfunded LEAs may lose opportunities to accomplish the program's objective to improve students' academic achievement. In addition, when the state department allocates LEA funding above the prescribed formula, management may have to identify new funding sources to avoid the potential negative consequences associated with asking LEAs to repay/refund the overallocation resulting from the department's error.

Recommendation

The Commissioner should establish the necessary internal controls to ensure staff have the knowledge and expertise to carry out the objectives of the federal program. The Commissioner should also ensure that department staff perform the Title IV allocation calculations in accordance

with program guidance and provide LEAs with the appropriate allocations as soon as feasible. Management and staff should continue to work with the U.S. Department of Education to finalize and obtain approval for their corrective action plan and, once approved, promptly address the LEAs Title I and Title IV allocations as 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

We concur. The department's Chief of Districts and Schools will continue to work with the U.S. Department of Education to finalize and obtain approval of a corrective action plan and once approved will promptly address the LEAs' Title I, Title II, and Title IV allocations for fiscal years 2018 through 2022 as needed.

The department's Division of Local Finance and Division of Federal Programs and Oversight will implement revised controls to address the risks noted in this finding. This work will include updating the department's risk assessment as necessary, professional development and taking the necessary actions if deficiencies are identified. Internal controls will be developed to ensure staff responsible for performing and reviewing federal award calculations are aware of current federal requirements. Moving forward, the department's Office of Finance will serve as a secondary internal check prior to annual allocations being released.

Finding Number	2021-017
Assistance Listing Number	84.010, 84.367, 84.425C, 84.425D, and 84.425R
Program Name	Title I Grants to Local Educational Agencies Supporting Effective Instruction State Grants Education Stabilization Fund
Federal Agency	Department of Education
State Agency	Department of Education
Federal Award Identification Number	S010A170042, S010A180042, S010A190042, S010A200042, S367A180040, S367A190040, S367A200040, S425C200027, S425D200047 and S425R210005
Federal Award Year	2020 and 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Reporting
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Fiscal staff for the Department of Education did not comply with Federal Funding Accountability and Transparency Act reporting requirements for the Education Stabilization Fund

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 (Title I),[63]
- Supporting Effective Instruction State Grants[64] (Title II), and
- Education Stabilization Fund (ESF).

The ESF program combines federal disaster relief funding managed by the U.S. Department of Education from the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Coronavirus Response and Relief Supplemental Appropriations Act of 2021; and the American Rescue Plan Act of 2021. The ESF is composed of four primary subprograms:

- the Elementary and Secondary School Emergency Relief (ESSER) Fund,
- the Governor's Emergency Education Relief (GEER) Fund,

[63] 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.

[64] Supporting Effective Instruction State Grants (Title II) 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.

- the Emergency Assistance to Non-Public Schools (EANS) Fund, and
- the Higher Education Emergency Relief Fund (HEERF).

Reporting for the Federal Funding Accountability and Transparency Act

The Federal Funding Accountability and Transparency Act (FFATA) requires the department to report subrecipient subaward financial information through the FFATA Subaward Reporting System (FSRS) for all subawards over $30,000. According to federal regulations, reports are due "no later than the end of the month following the month in which the obligation was made." The subaward information in FSRS is then available to the public on the USA Spending website for transparency.

For the Education Stabilization Funds, the department's fiscal staff determine the eligible award amount for each subrecipient and enter the amount in ePlan, the department's grants management system. For the subrecipient to receive the grant awards, program staff require the subrecipient to submit an application through ePlan summarizing how the subrecipient plans to use the grant funds to achieve the program objectives. Once staff review and the applicable program's director approves the application, the subrecipient can request reimbursement from the grant award. Program staff issue a Grant Award Notification letter to the subrecipients with the grant information and award amounts.

Program staff provide fiscal staff with a copy of the Grant Award Notification letter, which includes the subrecipient's name, award amount, Data Universal Numbering System (DUNS) number, and grant award terms and conditions. Fiscal staff use the Grant Award Notification Letter to report subawards that are over $30,000 in FSRS.

Condition and Cause

Reporting

From ePlan, we obtained a population of 854 Title I, Title II, and ESF subawards. We then filtered the population to only include subawards over $30,000, to determine if the department complied with FFATA reporting requirements. See **Table 1** for a breakdown of each program and subprogram.

Table 1
Total Subawards by Program*

	ESF			Title I	Title II
	ESSER	GEER	EANS		
Number of all subawards	292	127	110	176	149
Total dollar amount of all subawards	$1,229,368,573	$5,565,491	$31,804,412	$301,293,691	$39,250,548
Number of subawards $30,000 and greater	292	60	97	167	132
Total dollar amount of subawards $30,000 and greater	$1,229,368,573	$4,540,492	$31,571,875	$301,165,983	$38,950,716

*Subawards reportable in fiscal year 2021.
Source: Obtained from ePlan.

From our filtered population of 748 subawards, we selected a nonstatistical, random sample of 87 subawards over $30,000. Based on our review, fiscal staff did not report subawards or did not timely report subaward information in FSRS as required; see **Table 2**.

Table 2
FFATA Noncompliance

Subawards Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
87	10	15	0	0
Dollar Amount of Subawards Tested	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
$103,807,092	$3,400,362	$29,218,767	$0	$0

Source: Obtained from ePlan.

Out of 87 subawards in our sample testwork,[65] we found that fiscal staff did not report and did not timely report 25 subawards (29%) for the programs as shown in **Table 3**.

[65] For Title I and Title II sampled items, management provided evidence showing that they attempted to upload the reportable items, but the upload failed. Ultimately, management was able to upload the reportable items within 1 to 2 days after the due date; therefore, we did not report these minor delays as errors in our testwork results.

Table 3
Results of FFATA Testwork By Subprogram

	Not Reported	Report Not Timely
ESSER	1	13
GEER	1	2
EANS	8	0
Total	**10**	**15**

Source: Obtained from ePlan and FSRS.

In addition to our sample results as noted in **Table 3,** we were also told by fiscal staff that they did not report any EANS subawards, including our 8 errors, for a total of 97, and they did not report 2 additional GEER subawards not included in our sample. As of December 9, 2021, fiscal staff still had not reported 1 EANS, 3 GEER, and 1 ESSER subawards.

Based on discussion with fiscal staff, a lack of communication between fiscal and program staff resulted in the FFATA reporting errors. The department's business practice allows subrecipients to use the grant funds once the program director approves the subrecipient's application and the allocated amount is entered into ePlan, thus creating an obligation subject to FFATA reporting. According to fiscal staff, they report subaward information to FSRS based on information from the grant award notification letters they receive from program staff; however, program staff did not provide grant award notification letters to fiscal staff or did not provide the letters to fiscal staff timely to comply with FFATA reporting.

Risk Assessment

We reviewed the department's December 2020 Financial Integrity Act Risk Assessment and determined that management listed the risks of inaccurate and untimely FFATA reporting to FSRS; however, management labeled the risk "not applicable" to the department and did not include a mitigating control.

Criteria

Reporting

Appendix A to "Reporting Subaward and Executive Compensation Information," Title 2, *Code of Federal Regulations* (CFR), Part 170, states:

> a. *Reporting of first-tier subawards.*
>
> ***Applicability.*** Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency (see definitions in paragraph e. of this award term).
>
> 2. *Where and when to report.*

i. The non-Federal entity or Federal agency must report each obligating action described in [the previous paragraph] of this award term to *http://www.fsrs.gov*.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

3. *What to report.* You must report the information about each obligating action that the submission instructions posted at *http://www.fsrs.gov* . . .

Risk Assessment

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Green Book Principle 7.09, "Response to Risks,"

> 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

Not meeting the FFATA requirements increases the likelihood that the public will not have access to transparent and accurate information regarding expenditures of federal awards. Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner should ensure that the appropriate staff members understand the FFATA reporting requirements and report applicable subawards in accordance with those reporting requirements.

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's Chief of Districts and Schools will ensure that the appropriate staff members understand the FFATA reporting requirements and report applicable subawards in accordance with those reporting requirements. The department will implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and act if deficiencies occur. Additional internal controls will be developed to ensure staff responsible for this work are aware of current requirements. As part of this process, the department's Chief of Districts and Schools and Chief Operating Officer will assign staff to continually monitor risks and assess mitigating controls.

Finding Number	2021-018
Assistance Listing Number	10.553, 10.555, 10.556, 10.579, 21.019, 84.010, 84.027, 84.173, 84.367, 84.424, 84.425B, 84.425C, 84.425D, and 84.425R
Program Name	Child Nutrition Cluster Coronavirus Relief Fund Title I Grants to Local Educational Agencies Special Education Cluster Supporting Effective Instruction State Grants Student Support and Academic Enrichment Program Grants Education Stabilization Fund
Federal Agency	Department of Education
State Agency	Department of Education
Federal Award Identification Number	202020N109945, 20212(0N11(1N11(1N10)9945, 202020N850345, 202121H170345, 201818N810345, 201919N810345, 202020N810345, CARESACTCOVIDRF, S010A170042, S010A180042, S010A190042, S010A200042, H027A170052, H027A180052, H027A190052, H027A200052, H173A180095, H173A200095, S367A180040, S367A190040, S367A200040, S424A180044, S424A190044, S424A200044, S425R210005, S425D200047, S425D210047, S425C200027, S425C210027, and S425B200027
Federal Award Year	2017 through 2021
Finding Type	Significant Deficiency
Compliance Requirement	Other
Repeat Finding	2020-001
Pass-Through Entity	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 2020 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** . . . 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 error, data loss, and unauthorized access to (audit entity) information. Pursuant to Standard 6.63 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504 (i), *Tennessee Code Annotated*. We provided management with detailed information regarding the specific conditions we identified as well as the related criteria, causes, and our specific recommendations for improvement.

Recommendation

Management should ensure that these conditions are corrected by the development and effective implementation of internal controls in this area. Management should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action when deficiencies occur.

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	2021-019
Assistance Listing Number	10.559
Program Name	Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Federal Award Identification Number	205TN331N1099, 205TN331N8503, 215TN331N1150, and 215TN331N1199
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Repeat Finding	2020-014
Pass-Through Entity	N/A
Questioned Costs	$141,741

For the eighth year, the Department of Human Services did not ensure Summer Food Service Program for Children subrecipients submitted accurate meal reimbursement claims, resulting in $141,741 of questioned costs

Background

The Summer Food Service Program for Children (SFSP) is a federal program under the U.S. Department of Agriculture that provides under-resourced children with nutritious meals when school is not in session—primarily during the summer months May through September—however, the program may also provide meals during school vacation breaks or during emergency school closures from October through April. As a pass-through entity for SFSP, the Department of Human Services (DHS) is responsible for approving and contracting with local private or public nonprofit organizations, called subrecipients,[66] to provide the meals directly to children. In order to receive a grant award from DHS, the subrecipients must be eligible to participate in the program and must comply with federal requirements. DHS must also approve the number of feeding sites each subrecipient operates. Furthermore, DHS is responsible for providing sufficient qualified consultative, technical, and managerial personnel to administer the program and monitor performance to ensure that subrecipients comply with program rules and regulations.

DHS management is responsible for monitoring the subrecipients' activities to provide reasonable assurance that they administer federal awards in compliance with federal requirements. Because SFSP program management does not review supporting documentation for meal reimbursement claims before issuing payments to the subrecipients, management must rely on its Division of Audit Services to ensure subrecipients comply with federal program requirements and spend grant funds accordingly. When monitoring staff find noncompliance, the Director of Operations for CACFP and SFSP must determine the next steps to remedy the subrecipient's noncompliance. Specifically, the director may require the subrecipient participate in additional training, or she could determine the noncompliance rises to the level of a serious deficiency. If the noncompliance

[66] Federal regulations refer to SFSP subrecipients as sponsors.

warrants a serious deficiency, then the Division of Audit Services must increase the frequency of monitoring visits to once a year until the subrecipient has corrected the serious deficiency.

Approved Feeding Site Capacity

As part of its internal control process, DHS program management established a subrecipient application process to provide oversight and accountability for subrecipients' operations. During the application process and before subrecipients can begin in the program, DHS program staff must approve various items pertaining to the subrecipients' meal services before the subrecipients can serve meals and submit claims for reimbursement. As part of the required items, subrecipients must provide program staff the maximum number of meals per meal type (breakfast, lunch, or snack service) that can be served at each site, known as site capacity. The capacity information is stored in the Tennessee Information Payment System (TIPS).

It is important to note, however, that management has not updated the TIPS system functions to analyze, identify, and prevent subrecipients from exceeding their maximum daily capacity when submitting reimbursement claims. Subrecipients who submit claims which exceed maximum site capacity should be analyzed by staff to determine whether a billing error or other noncompliance has occurred with the meal claim submission.

Meal Claim Reimbursement Process

During each meal service, subrecipients must complete the department-approved meal count form to document the number of meals served to children. Subrecipients use these forms to calculate reimbursement claim requests to receive payment for the meals they serve to children. Subrecipients must enter and submit total monthly meal counts to DHS through TIPS so that DHS can then review and approve the subrecipients' claims of meal services. Currently the meal counts are entered based on each individual feeding sites.

DHS does not require subrecipients to submit supporting documentation when filing claims; however, federal regulations require subrecipients to maintain all documentation to support their claims at their locations and to comply with federal guidelines during the reimbursement process.

Prior Audit Results

As reported in the seven prior audits, we reported that DHS program and monitoring staff did not ensure SFSP subrecipients complied with established federal regulations involving documentation required to support meal reimbursement claims. DHS management concurred in part with the prior audit finding and stated,

> 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.

Current Audit Results

We identified 26 subrecipients in our testwork which had also been monitored by the Division of Audit Services since 2018. Based on our review of the division's monitoring reports, the monitors found similar issues related to these subrecipients' meal reimbursement claims, which indicates that the subrecipients have not achieved permanent corrective action and have been allowed to continue in the program. We followed up with the Director of Operations for CACFP and SFSP to determine what additional actions she uses to ensure subrecipients take corrective action based on the monitoring activities. According to the director, program staff provide training to subrecipients to reiterate federal program requirements to address subrecipient noncompliance.

While training can be effective, training alone may not achieve subrecipient compliance. We also discussed with program management the steps taken when training is not sufficient to correct subrecipient noncompliance. Based on our understanding of federal regulations, when training proves ineffective, the federal regulations provide for states to initiate a serious deficiency process to address continued subrecipient noncompliance. The serious deficiency notice is designed to notify a subrecipient that permanent corrective action is expected, or the state has the authority to terminate the subrecipient from the program when the subrecipient cannot or will not establish permanent corrective action.

Condition and Criteria

During the fiscal year ended June 30, 2021, DHS paid 44 SFSP subrecipients a total of $30,066,384 through 216 reimbursement claims. Of that population, we tested 1 haphazardly selected monthly reimbursement claim for the 44 subrecipients and an additional monthly reimbursement claim for 6 of those subrecipients that we identified as high-risk,[67] totaling $9,537,126. We obtained meal count documentation from each subrecipient for the selected claims submitted in TIPS.

Based on our review of the subrecipients' meal count documentation, we determined that for 36 of 50 claims (72%) tested, DHS reimbursed subrecipients based on inaccurate, questionable, and unauthorized (over site capacity) meal reimbursement claims.

Claims Documentation Based on Inaccurate Meal Counts

Based on our testwork, we noted that for 30 of 50 claims reviewed, subrecipients could not provide documentation that matched the number of meals they submitted in TIPS as meals served.

According to Title 7*, Code of Federal Regulations* (CFR), Part 225, Section 15(c)(1),

> 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

[67] We identified high-risk subrecipients based on the results reported in the prior year's audit findings, including prior indications of questionable activities and fraud risk factors within the program.

the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.

As a result, we identified $62,223 in **federal questioned costs**.

Subrecipients Provided Questionable Meal Count Documentation

Based on our review of the meal count documentation forms, for 5 of 50 meal reimbursement claims tested, subrecipients used the same photocopied form instead of completing an original meal count form for each meal service as required. From our review of the forms, the meal count forms were duplicated from another meal service as to the actual counts of meals served (e.g., a form for a breakfast service was photocopied and used for the lunch service as we could clearly establish that the tally marks and meal count totals were identical). The only discernable difference we saw on the forms consisted of changes to meal service types (such as breakfast to lunch) or dates in the signature lines, which clearly shows that the subrecipients did not prepare original forms to capture the actual meals served during each meal services, as required by federal regulations. See **Exhibit 1** for an example. When feeding site staff use photocopied forms rather than initiating a new form for each meal service, there is a heightened risk of potentially fraudulent activity.

Exhibit 1
Example of a Photocopied Meal Count Form

Daily Meal Count Form

Site Name: Berean Missionary Baptist Church — Meal Type (circle) (B) L AM snack PM snack SU

Address: 1666 E. Raines Rd — Telephone: 901-409-8929

Supervisor's Name: Mrs. Linda R. Parker — Delivery Time: — Date: 8/03/20

Meals received 650 + Meals available from previous day _____ = 650 (Total meals available) (1)

Meals Served to Children (cross off number as each child receives a meal):

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140
141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160
161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180
181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220
221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240
241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260
261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280
281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300
301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320
321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340
341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360
361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380
381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400

Total meals served = 400 (2)

Total damaged/incomplete/other non-reimbursable meals + _____ (3)

Total leftover meals + _____ (4)

[(2) + (3) + (4) = (5)] Total of items= 400 (5)

By signing below, I certify that the above information is true and accurate:

Linda R. Parker — 8/03/20

Signature (Site Supervisor) — Date

Daily Meal Count Form

Site Name: Berean Missionary Baptist Church — Meal Type (circle) (B) L AM snack PM snack SU

Address: 1666 E. Raines Rd — Telephone: 901-409-8929

Supervisor's Name: Mrs. Linda R. Parker — Delivery Time: — Date: 8/05/20

Meals received 650 + Meals available from previous day _____ = 650 (Total meals available) (1)

Meals Served to Children (cross off number as each child receives a meal):

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140
141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160
161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180
181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220
221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240
241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260
261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280
281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300
301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320
321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340
341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360
361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380
381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400

Total meals served = 400 (2)

Total damaged/incomplete/other non-reimbursable meals + _____ (3)

Total leftover meals + _____ (4)

[(2) + (3) + (4) = (5)] Total of items= 400 (5)

By signing below, I certify that the above information is true and accurate:

Linda R. Parker — 8/05/20

Signature (Site Supervisor) — Date

Source: Subrecipient supporting documentation.

The 2016 *Summer Food Service Program State Agency Monitor Guide* states,

> It is very important to ensure the accuracy of meal counts, as proper meal counts play a large role in program integrity. . . . Potential common meal count problems [or] red flags [include] Recording the same number of meals served day after day.
>
> According to 2 CFR 200.403(a), costs must meet the following criteria:
>
> Be necessary and reasonable for the performance and administration of the Federal award.

As a result, we identified $38,292 in **federal questioned costs.**

Subrecipients Served and Claimed Meals Above the Approved Site Capacity

Based on our review of TIPS pertaining to daily meal serving capacity and our review of the meal count documentation we obtained from the subrecipients, we noted that for 15 of 50 claims reviewed, the subrecipients claimed meals above the approved maximum daily capacity for the subrecipients' feeding sites.

According to 7 CFR 225.6(d), for subrecipients that prepare their own meals, DHS is required to ensure that sites are "approved to serve no more than the number of children for which its facilities are adequate." For subrecipients that use a food vendor, DHS is required to "establish for each meal service an approved level for the maximum number of children's meals which may be served under the program."

The 2016 *Summer Food Service Program Administration Guide* states,

> Sponsors may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for:
>
> - Meals in excess of the site's approved level of meal service (cap for vended sponsors) (SFSP Memorandum 16-2015: Site Caps in the Summer Food Service Program: Revised, April 21, 2015) . . .
> - Meals over the cap. . . .

As a result, we identified $41,226 in **federal questioned costs**.

Risk Assessment

We reviewed the department's 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of subrecipients submitting unsupported claims. Management identified four controls to mitigate the risk:

- Subrecipients undergo annual program training;
- Management conducts pre-operational visits for all program applicants and subrecipients with serious deficiencies noted;

- Management reviews monthly claims prior to acceptance; and
- Subrecipient monitoring efforts.

Although we saw improvement in the department's subrecipient monitoring of SFSP during our audit (detective control), we found that management is not effectively utilizing the listed controls to mitigate the risk of paying subrecipients with unsupported claims. Management's review of monthly claims (desk review) prior to acceptance is ideally an effective control. According to the Director of Operations for CACFP and SFSP, management recognizes desk reviews as an effective tool to reduce program noncompliance. Her staff have performed desk reviews when they encounter high-risk subrecipients, but due to staffing, her team cannot perform desk reviews and process payments timely due to a short window to approve subrecipients' reimbursement claims and issue payments.

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

DHS program management stated that the Division of Audit Services monitors identified the same issues during their monitoring visits. The director can initiate the serious deficiency (SD) process; however, we could not determine that the director followed the SD policies, and she did not document her consideration of noncompliant subrecipients for the SD process. See **Finding 2021-020** for further details.

Management stated that they are working with the TIPS vendor to develop system enhancements to allow feeding sites to enter meal counts into TIPS immediately. Also, according to the Director of Operations for CACFP and SFSP, management hopes the enhancements will reduce mathematical errors and help DHS identify questionable meal count patterns and red flags. In some of these situations, management stated it is hard to apply immediate fixes because they identify them after the summer has ended. In our discussions with subrecipients, they said the errors were caused by either human error or lack of adequate subrecipient review. Subrecipients also stated that additional training provided by DHS would help reduce these errors.

Effect

While monitoring provides management with detective controls to identify subrecipients' errors, program management must take additional actions beyond subrecipient training and monitoring, such as issuing serious deficiency notices and terminating subrecipients who fail to implement permanent corrective action as required by program requirements, to ensure the integrity of the program.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

As the pass-through entity, DHS has the responsibility to impose additional conditions upon subrecipients who demonstrate continued program noncompliance, or take other action as described in 2 CFR 200.208 and 200.339. We recommend that DHS take the additional steps to ensure it 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. This includes terminating the subrecipients from the program.

Management's Comment

We concur in part.

The state auditors reviewed $9,537,126 of SFSP reimbursement claims and identified an approximate 1.5% error rate. The Department 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 2020 and 2021. 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, the Department is unable to effectively show implemented changes. Additionally, the summers of 2020 and 2021

were heavily impacted by COVID-19, and the nationwide waivers that were implemented to support feeding children during this time. The Department is unable to determine if these waivers were considered in this casework.

The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. DHS believes that technology can help to mitigate sponsor claiming errors.

Condition: *Claims Documentation Based on Inaccurate Meal Counts*

The Department concurs that inaccurate meal counts occur in the SFSP program, as it is one of the frequent issues identified in the Department's monitoring process and the primary focus of our new technology solution for SFSP 2022.

It is important to note that six of the claims included in the questioned costs are below the state threshold for collection.

Condition: *Subrecipients Provided Questionable Meal Count Documentation*

The Department concurs that questionable meal count documentation can occur in the SFSP program; however, it does not necessarily indicate that meals were not served, or costs need to be questioned. New SFSP technology for use in 2022 will allow sites and sponsors to directly submit daily meal count data to the Department, eliminating the opportunity for duplication of meal count worksheets.

Condition: *Subrecipients Served and Claimed Meals Above the Approved Site Capacity*

The Department does not concur that meals served and claimed above the approved site capacity at self-prep sites must be disallowed, and therefore there should be no questioned costs associated with this condition. All of the sites identified in this condition are considered to be self-prep.

USDA memo SFSP 16-2015 Site Caps in the Summer Food Service Program: Revised states that, "Program regulations do not require State agencies to disallow meals served to children at self-preparation sites in excess of site caps."

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-020
Assistance Listing Number	10.558 and 10.559
Program Name	Child and Adult Care Food Program Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Federal Award Identification Number	215TN331N1150, 215TN331N1199, and 215TN331N2020
Federal Award Year	2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Repeat Finding	2020-015
Pass-Through Entity	N/A
Questioned Costs	10.558 FY2021: $18,700 10.558 FY2022: $12,574 10.559 FY2021: $88,640 10.559 FY2022: $96,313

The Department of Human Services did not ensure that Summer Food Service Program for Children and Child and Adult Care Food Program subrecipients served and documented meals according to established federal regulations, resulting in $216,227 of federal questioned costs

Background

The Child and Adult Care Food Program (CACFP) is a year-round food program for eligible participants at childcare centers, day care homes, after-school care programs, emergency shelters, and adult day care centers. The Summer Food Service Program for Children (SFSP) provides under-resourced children with nutritious meals when school is not in session. While CACFP can operate year-round, SFSP primarily operates during the summer months—May through September—however, the program may also provide meals during school vacation breaks or during emergency school closures from October through April. Both programs are funded by the U.S. Department of Agriculture (USDA) and administered on the state level by the Department of Human Services (DHS). DHS contracts with locally based institutions, called subrecipients, who administer the programs by providing meals. Subrecipients can participate in both programs. As a pass-through entity, DHS is responsible for ensuring that subrecipients are eligible to participate in the programs and that the subrecipients comply with federal requirements.

Meal Service

To ensure they serve as many individuals as practical, subrecipients may operate the programs at one or more feeding sites. DHS requires subrecipients to count meals served and record this number on a daily meal count form. Subrecipients can claim reimbursement requests only for meals that comply with program requirements, such as meals served with all required components

and within DHS-approved dates and timeframes. Meal components[68] are the USDA-required minimum portions of food components that make up a reimbursable meal for the meal type (breakfast, lunch/supper, or a snack) served.

USDA-issued COVID-19 waiver *The Nationwide Waiver of Meal Service Time Restrictions for Summer 2021 Operations,* in effect during our audit period, allowed subrecipients to serve multiple meal types at one meal service, thereby waiving the required amount of time that must elapse between one service and the next and the duration requirements of meal services. This waiver states that subrecipients must still comply with their DHS-approved application requirements to establish official meal service start and end times at each site.

Claim Reimbursement Process

After the meal service, feeding site personnel then submit the meal count forms to the subrecipient, who totals the meals served by meal type for the month. The subrecipient then enters the monthly totals and submits the monthly reimbursement claim in the Tennessee Information Payment System (TIPS). In TIPS, DHS management approves the claim reimbursement, and Edison, the state's accounting system, processes the payments to subrecipients.

Department's Subrecipient Monitoring

DHS does not require subrecipients to submit supporting documentation when filing claims; however, federal regulations require subrecipients to maintain all documentation to support their claims and to comply with federal guidelines during the meal reimbursement process. DHS's Division of Audit Services is responsible for monitoring subrecipients to obtain reasonable assurance that both subrecipients and site personnel comply with state and federal requirements.

According to the Director of Audit Services, on an annual basis he performs a subrecipient risk assessment to determine which subrecipients his team will monitor during the upcoming year.[69] When DHS monitors identify that subrecipients have not complied with federal requirements, the Division of Audit Services sends the monitoring report to program management. DHS program management addresses these meal service violations by requiring subrecipients to submit a corrective action plan, which outlines actions and steps to prevent the noncompliance from reoccurring in the future. Corrective action could also include the repayment of disallowed federal funds the subrecipient received.

Program Management's Serious Deficiency Policies

A serious deficiency (SD) is a process designed to address repeated subrecipient noncompliance and achieve permanent corrective action. In accordance with federal guidelines, program management established control policies and procedures to carry out the DHS Administrative Policies and Procedures 9.03, *Serious Deficiency Process for Child and Adult Care Food Program (CACFP)* and Administrative Policies and Procedures 10.06, *Serious Deficiency Process for*

[68] The components include a required meat/meat alternative, milk, vegetable, grain, and/or fruit.

[69] According to the 2014 *Monitoring Handbook for State Agencies: A Child and Adult Care Food Program Handbook*, DHS must review at least 33.3% of all CACFP subrecipients. According to the 2017 *Summer Food Service Program State Agency Monito Guide*, state agencies must review every subrecipient at least every three years.

Summer Food Service Program, which requires program management to start termination procedures in order to remove the subrecipient from the program and disapprove the subrecipient's application from future program participation unless the subrecipient takes appropriate permanent corrective actions to prevent the reoccurrence of the deficiencies. The control policies also outline guidance to Food Program staff when determining whether or not findings rise to the level of a SD. According to both programs' policies, if monitoring findings rise to the level of an SD, Food Program staff use the monitoring report to develop the SD notice and will route the notice to the department's Office of General Counsel (for CACFP only) and the Commissioner's designee. In general, the department's policies allow subrecipients 30 days to implement full and permanent corrective actions of the SDs or monitoring findings, unless the SD notice requires a shorter period.

When Food Program management and staff issue an SD to a subrecipient, the Division of Audit Services is required to increase monitoring for this subrecipient, which management ensures by adding them to the monitoring schedule for the next year.

Prior Audit Results

As noted in the prior seven audits, we reported that DHS did not ensure that SFSP subrecipients served and documented meals in accordance with federal regulations. Management concurred in part and stated,

> 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.

Because of the continuing issues with subrecipients in the SFSP, we expanded our current testwork to include CACFP subrecipients. During our current testwork, we concluded that DHS's technical assistance and training alone are not sufficient to ensure the integrity of either program or to correct the continuing issues with subrecipients' meal reimbursements. We found the following SFSP and CACFP federal noncompliance.

Current Audit Results

We identified 23 subrecipients—18 SFSP and 5 CACFP—in our testwork which had also been monitored by the Division of Audit Services since 2018. Based on our review of the division's monitoring reports, the monitors found similar issues related to these subrecipients' meal reimbursement claims for both programs, which indicates that the subrecipients have not achieved permanent corrective action and have been allowed to continue in the program. We followed up with the Director of Operations for CACFP and SFSP to determine what additional actions she uses to ensure subrecipients take corrective action based on the monitoring activities. According to the director, program staff provide training to subrecipients to reiterate federal program requirements to address subrecipient noncompliance.

While training can be effective, training alone may not achieve subrecipient compliance. We also discussed with program management the steps taken when training is not sufficient to correct

subrecipient noncompliance. Based on our understanding of federal regulations, when training proves ineffective, the federal regulations provide for states to initiate a serious deficiency process to address continued subrecipient noncompliance. The serious deficiency notice is designed to notify a subrecipient that permanent corrective action is expected, or the state has the authority to terminate the subrecipient from the program when the subrecipient cannot or will not establish permanent corrective action.

Sample Selection Process

Our audit period covered July 1, 2020, through June 30, 2021, the state's fiscal year. Our audit results are based on our observations of meal services that occurred from June 2021 to September 2021, and our subsequent review of reimbursement claims; therefore, our work and any identified federal questioned costs related to our audit period as well as fiscal year ending June 30, 2022 (July 2021 through September 2021 impact our June 30, 2022, single audit scope).

Summer Food Service Program for Children Meal Observations

From a population of 42 subrecipients that DHS approved to participate in the SFSP from May 2021 to August 2021 that operated a total of 1,080 feeding sites, we selected a haphazard sample of 20 subrecipients to cover the west, middle, and east grand divisions. These 20 selected subrecipients operated a total of 698 feeding sites.

We scheduled a total of 58 meal service visits at 46 different feeding sites.

Child and Adult Care Food Program Meal Observations

From a population of 273 subrecipients that DHS approved to participate in the CACFP from October 2020 to September 2021[70] that operated a total of 2,600 feeding sites, we selected 8 high-risk subrecipients for our testwork.[71] These 8 subrecipients operated 119 feeding sites.

We scheduled a total of 21 meal service visits at 16 different sites.

Claim Review for Meal Observations

At the conclusion of our on-site meal observations, we subsequently requested meal count documentation from the subrecipients to ensure that they claimed (through their reimbursement claim submitted in TIPS) the correct number of meals for the days of our scheduled meal service visits.

[70] DHS operates CACFP using the federal fiscal year, October 1 to September 30.

[71] We identified high-risk subrecipients based on the results reported in the prior year's audit findings, including prior indications of questionable activities and fraud risk factors within the program.

Current Audit Results

Based on our meal observation testwork, we identified

- for both programs, multiple instances of federal program noncompliance during our meal observations (see **Condition A**);
- CACFP subrecipients operating ineligible at-risk after-school feeding sites (see **Condition B**); and
- multiple SFSP subrecipients operating at the same feeding site locations (see **Condition C**).

Based on our reviews of the reimbursement claims, we found that subrecipients

- did not maintain accurate meal reimbursement documentation for all meals for the **day** of our meal observation (see **Condition D**),
- did not maintain accurate meal reimbursement documentation for all meals served in the **month** we reviewed (see **Condition E**),
- did not perform point-of-service meal counts (see **Condition F**), and
- provided meal count documentation that exhibited questionable meal claiming patterns (see **Condition G**).

Finally, based on our testwork and discussions with DHS program management, we found that program management did not follow control policies governing serious deficiencies to ensure subrecipients with repeated noncompliance achieved compliance through permanent corrective action (see **Condition H**).

Condition and Criteria A (Observation): Meal Service Noncompliance (Repeat Condition)

Based on our observations at subrecipient feeding sites, we identified the following errors during meal services for both SFSP and CACFP:

- At 31 of 35 SFSP meal services we observed (89%), feeding site personnel did not comply with up to 8 different federal program requirements per site while serving meals. See **Table 1**.
- At 9 of 12 CACFP meal services we observed (75%), feeding site personnel did not comply with up to 6 different federal program requirements per site while serving meals. See **Table 1**.

In terms of subrecipients, these overlapping meal service issues were found at 19 SFSP subrecipients and 5 CACFP subrecipients.

We used these resources to determine the federal program requirements governing the meal services for Summer Food Service Program for Children (SFSP) and the Child and Adult Care Food Program (CACFP):

- USDA's 2016 *Summer Food Service Program Administration Guide* (the SFSP guide);
- Title 7, *Code of Federal Regulations* (CFR), Section 226, which governs the Child and Adult Food Program; and
- USDA-issued COVID-19 waivers in effect during our audit.

Table 1
Summer Food Service Program For Children and Child and Adult Food Care Program
Program Noncompliance Observed During Meal Services

Federal Program Requirement	SFSP	CACFP	Waiver Impact
	Number of Feeding Sites with errors	Number of Feeding Sites with errors	
Subrecipients allowed children to take more than the allowable number of meals off-site. SFSP guide (p. 133); 7 CFR 226.17a(k); 7 CFR 226.17(b)(3)	15	2	
Subrecipients served meals to adults or allowed adults to pick up meals for persons who were not their own children.	10	N/A	X[72]
Subrecipients served meals outside of the approved timeframe. SFSP guide (p. 133); 7 CFR 226.20(k)	14	3	X[73]
Subrecipients served incomplete meal components. SFSP guide (p. 58); 7 CFR 226.20(c)	13	6	X[74]
Subrecipients did not correctly count the number of meals served during service. SFSP guide (p. 133); 7 CFR 226.17(b)(9); 7 CFR 226.17a(o)	15	2	
Subrecipients did not perform meal counts during the meal service. SFSP guide (p. 112), 7 CFR 226.17(b)(9)	10	1	
Subrecipients did not sign the Meal Count Form. SFSP guide (p. 184)	3	N/A	

[72] *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.

[73] *The Nationwide Waiver of Meal Time Restrictions for Summer 2021 Operations* (applicable to SFSP), and the *Nationwide Waiver of Meal Times Requirements for School Year 2021-2022* (applicable to CACFP) 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.

[74] *The Nationwide Waiver to Allow Meal Pattern Flexibilities for Summer 2021 Operations* 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. Site supervisors did not cite any food shortages as a reason why they did not serve all meal components during our meal observations.

Federal Program Requirement	SFSP	CACFP	Waiver Impact
	Number of Feeding Sites with errors	Number of Feeding Sites with errors	
Subrecipient served children not enrolled at a feeding site. SFSP guide (p. 13)	1	N/A	
Subrecipients did not maintain daily attendance. 7 CFR 226.17a(o)	N/A	4	

Source: Auditor prepared.

The above-mentioned instances of noncompliance substantiate grounds to disallow program payments. See **Conditions D and E** for the results of our review of the reimbursement claims that the subrecipients submitted and DHS approved and paid that correspond with our site visits as well as related federal questioned costs.

Condition and Criteria B (Observation): Ineligible At-Risk After-school Programs

During our meal service observations, we noted two subrecipients served meals to children at four total feeding sites; however, these sites did not meet CACFP's at-risk after-school program requirements.

According to the 2017 *At-Risk Afterschool Meals: A Child and Adult Care Food Program Guide* (page 9),

> Students who are part of school sports teams and clubs can receive Afterschool Snacks or Meals as part of a broad, overarching educational or enrichment program, but the Program cannot be limited to a sports team.
>
> Organized athletic programs that only participate in interscholastic or community level competitive sports (for example, youth sports leagues such as "Babe Ruth" and "Pop Warner" baseball leagues, community soccer and football leagues, area swim teams, etc.) may not be approved as sponsors or independent centers in the Program.

Based on our observations at the first subrecipient's two feeding sites, one feeding site was a community-level competitive youth football league. At the second site—a high school—we could not locate where the subrecipient served the meals. Based on discussion with a football coach, who was the subrecipient's site supervisor, he gave the subrecipient-provided meals exclusively to the school's football team in the fieldhouse. As a result, we identified the following federal questioned costs for CACFP: **$18,700 related to FY 2021 and $7,690 related to FY 2022**.

Based on our observations at the second subrecipient's two feeding sites, neither site offered enrichment activities on the day of our site visits. One site supervisor stated that she stopped offering enrichment activities because the children no longer sat down to eat. According to the second site supervisor, she ended enrichment activities at the start of the COVID-19 pandemic. Because we found this subrecipient in violation of other program requirements (see **Condition D**), we did not question costs for this condition.

Condition and Criteria C (Observation): Multiple Subrecipients Served Meals at the Same Feeding Sites (Repeat Condition)

During our meal observations and attempted meal observations, we noted the following problems:

At four feeding sites we saw more than one subrecipient serving meals at the same time and/or at the similar physical location. As such, children were served more than the maximum of two meals per day.

We scheduled two feeding site visits operated by one subrecipient. The first feeding site was located at a basketball court where we observed children exiting a community center, obtaining meals from a van at the basketball court, and returning to the center. For the second visit, the address listed in TIPS took us to a residence, rather than the specific name of the community center associated with this address in TIPS. We googled the center's name and discovered that this community center was the same community center located next to the basketball court from our first site visit. We observed the subrecipient serving the same children in their center that were served during the first site visit (basketball court). Based on our review of TIPS and our visits, this subrecipient claimed breakfast, lunch, and supper on the day of our visit, thus exceeding the maximum of two meals per child per day.

According to the 2016 SFSP guide (page 57),

> 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 . . .).

We considered the subrecipient DHS first approved to serve at the sites as serving allowable meals unless we noted other meal service noncompliance. We questioned the costs DHS paid to the other subrecipients who served and claimed meals at the same site. This resulted in **$62,444 of federal questioned costs for FY 2021** and **$46,146 in federal questioned costs for FY 2022, both for SFSP**.

Condition and Criteria D (Claim Review): Incorrect Number of Meals Claimed for the Day of Our Actual or Attempted Meal Service (Repeat Condition)

Actual Meal Service Observations Performed

We physically observed 35 SFSP meal services at 20 subrecipients, and we physically observed 12 CACFP meal services at 8 subrecipients. We compared the number of reimbursable meals we counted during our visits to the reimbursement claim the subrecipients submitted in TIPS for meals served. Based on our work, we found that

- 19 of 20 SFSP subrecipients (95%) did not claim the correct number of meals compared to the number of meals we counted, resulting in a difference of **$5,730 of FY 2022 federal questioned costs**.
- 4 of 8 CACFP subrecipients (50%) did not claim the correct number of meals compared to the number of meals we counted, resulting in a difference of **$1,301 of FY 2022 federal questioned costs**.

Attempted Meal Service Observations

We attempted to observe

- 23 additional SFSP meal services for 8 subrecipients, and
- 9 additional CACFP meal services for 2 subrecipients.

During these attempted visits, however, we did not see any site personnel or children at these sites. We then reviewed the subrecipients' claims to ensure they did not claim these days. Based on our audit work, we determined that

- 4 SFSP subrecipients claimed meals for reimbursement on the days we attempted to observe a meal service, even though we saw no meal service took place, resulting in **$2,575 of FY 2022 federal questioned costs**.
- 2 CACFP subrecipients claimed meals for reimbursement on the days we attempted to observe a meal service, even though we saw no meal service took place, resulting in **$699 of FY 2022 questioned costs**.

Condition and Criteria E (Claim Review): Meal Reimbursement Documentation Was Inaccurate for the Month of Meal Service (Repeat Condition)

In addition to verifying whether subrecipients claimed meals and received reimbursements on the days we observed meal services, we also reviewed the subrecipients' claim for the entire month for corresponding feeding sites and meal types we visited to determine if DHS management reimbursed the subrecipients for claims that were not properly supported.

- Based on our testwork on actual meal service observations performed, we noted that 14 SFSP subrecipients did not maintain accurate documentation to support the monthly meal reimbursement for which DHS paid, resulting in **$5,185 in FY 2022 federal questioned costs**.
- For meal service observations we attempted to perform, our testwork revealed that 2 SFSP subrecipients did not maintain accurate documentation to support the monthly meal reimbursement claim, resulting in **$2,772 in FY 2022 federal questioned costs**.
- Based on our testwork on actual meal service observations performed, we found that 2 CACFP subrecipient did not maintain accurate documentation to support the monthly meal reimbursement for which DHS paid, resulting in **$1,871 of FY 2022 federal questioned costs**.
- For meal observations we attempted to perform, our testwork revealed that 1 CACFP subrecipient did not maintain accurate documentation to support the monthly meal reimbursement for which DHS paid, resulting in **$1,013 of FY 2022 federal questioned costs**.

According to 7 CFR 225.15(c),

> [SFSP subrecipients] shall maintain accurate records justifying all meals claimed . . . Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. The [subrecipient'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.

We find in 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.

Condition and Criteria F (Claim Review): Subrecipient Did Not Perform Point-of-Service Meal Counts

We noted one subrecipient did not use an allowable meal count form. On the day we observed the subrecipient's meal service, we noted that the site personnel had no method of counting each meal given to children; when we asked site personnel about the counting during our visit, the site supervisor told us they maintain the count in their head. When we reviewed the subrecipient's meal count documentation used to support the May/June and July/August 2021 claims they submitted to DHS, we noted that subrecipient's documentation contained each feeding site location, date and time of the meal service, and a handwritten number to indicate the total number of meals served at each site. We also did not see a signature from the site supervisor, which is required. We would expect to see documentation of tally marks on meal count forms to indicate that feeding site personnel tracked the meals served at the point of service, as required by federal program requirements.

According to the SFSP guide (page 120), "Violations of Program requirements may result in withholding or recovery of reimbursements, corrective action, or termination and exclusion from future Program participation." Such violations include "Failure to count meals at point of service" (page 121). Furthermore, the guide instructs the site supervisor to sign the meal count form when taking a point-of-service meal count every day, which the site supervisors did not do.

We questioned the costs related to our site visit date in **Condition D**.

Condition and Criteria G (Claim Review): Subrecipients with a History of Serious Deficiencies Provided Meal Count Documentation Showing Questionable Meal Claim Patterns

Based on the site visits we and DHS monitors performed, we identified two subrecipients that claimed significantly higher meal counts compared to the numbers we and DHS observed. Specifically, these subrecipients claimed that they served the same number of meals daily to children for an extended period of time, with no variances. Both subrecipients have a history of questionable meal claiming patterns and significant compliance issues.

Subrecipient 1

For our current audit, Subrecipient 1 received funding from both SFSP and CACFP. We and DHS monitors counted a significantly lower number of meals served during our visits compared to the amount the subrecipient claimed. We reviewed the subrecipient's reimbursement claims for the following periods and found no change in meal counts, which seems unreasonable to a prudent person.

- January 2021 through July 2021 – claimed 80 meals at each meal service for this site for 139 straight days.

The subrecipient was approved to serve a maximum of 80 meals at each meal service. We, as well as DHS monitors, visited the feeding site on the following dates and counted the following number of children served:

- July 14, 2021 – DHS Visit – 28
- August 9, 2021 – Comptroller Visit –5
- September 30, 2021 – Comptroller Visit – 12

We questioned costs based on the difference between the number the subrecipient claimed from January 2021 through August 2021 for this site and the highest number observed, which was from DHS's site visit recorded on July 14, 2021—28. This resulted in **federal questioned costs for SFSP totaling $26,196 for FY 2021** and **$14,903 for FY 2022**.

Subrecipient 2

For Subrecipient 2, we performed a meal observation on the subrecipient's largest feeding site and noted an extremely low number of children present compared to the total this subrecipient historically claimed for reimbursement for this site. We, as well as DHS monitors, visited the feeding site on the following dates and counted the following number of children served:

- June 23, 2021 – Comptroller Visit – 27
- July 9, 2021 – DHS Visit – 25
- July 13, 2021 – DHS Visit – 59
- July 27, 2021 – Comptroller Visit – 20

Prior to July 13, 2021, the subrecipient claimed between 111 to 200 lunches and snacks per day. On July 13, 2021, the DHS monitor spoke with the subrecipient's staff about reducing the number of meals delivered to the site to 75 lunches and snacks because the monitor believed the subrecipient was wasting food. Based on our review in TIPS on January 20, 2022, this subrecipient is currently approved to claim up to 403 lunches and snacks per day.

We questioned costs for the difference between the number of meals the subrecipient claimed in June and July 2021 and the highest number of meals observed—59—per day for the same period for this site only. This resulted in the following federal questioned costs for SFSP: **$19,002 for FY 2022**.

According to the SFSP guide, subrecipients "may claim reimbursement only for those meals that meet SFSP requirements. Reimbursement may not be claimed for . . . [m]eals that were not served."

Prior Reported Issues with Subrecipients 1 and 2

Each subrecipient has participated in the SFSP and CACFP for at least five years and has undergone numerous DHS-provided

- trainings,
- corrective actions, and
- technical assistance.

Each has received findings for various noncompliance issues by the Division of Audit Services. We have also reported both subrecipients in our findings each year for the last five years. In these findings, we have noted that they

- claimed the same number of meals each day;
- used photocopied meal count forms, instead of using a new meal count form for each meal service as required;
- claimed meals that we did not physically observe them serving;
- provided us with meal count documentation that did not support their claim for reimbursement;
- claimed meals served at ineligible sites; and
- served meals with incomplete meal components.

Given the repeated noncompliance, DHS program management has issued both subrecipients serious deficiency (SD) notices. Program management issued SDs to Subrecipient 1 in 2017 and 2018 and issued SDs to Subrecipient 2 in 2018. We released a special report in 2020 involving Subrecipient 1 claiming and receiving payment for meals it did not serve. Based on those on-site visits, we found feeding sites that had locked doors; however, the subrecipient still filed a meal reimbursement claim for these sites. For Subrecipient 2, we released an investigative report in 2020 describing that the subrecipient overstated the number of meals served to children. In this

report, we stated that cameras identified that the number of children present at a feeding site was less than the number of meals claimed for reimbursement. Despite repeated issues and the SD notices, both subrecipients remain in the food programs. See **Condition H**.

Condition and Criteria H: Program Management Did Not Follow Control Policies Governing Serious Deficiencies

Given the repeated subrecipient noncompliance identified in **Condition G**, we determined that program management is not effectively utilizing their control policies to ensure compliance with federal guidance or federal regulations.[75] The policies describe guidelines for DHS program staff when determining SDs. They include, but are not limited to,

- a single new finding resulting in 35% or more of meals being disallowed (for example, insufficient quantities of milk purchased, meal count errors, applications with regulatory deficiencies, reclassification of participants, etc.);
- claiming reimbursement for meals not served to participants;
- claiming reimbursement for meals that do not meet program requirements; and
- a failure to maintain adequate records.

We asked program management to describe their SD analysis process to assess whether to issue an SD to a subrecipient based on the monitoring report, as outlined in the SD policies. Management stated it is at their discretion whether to issue an SD. Our work, as well as the Division of Audit Services' subrecipient monitoring reviews, indicated noncompliance that would require an issuance of an SD based on the guidelines listed in the SD policies.

Written policies and procedures do not serve their intended purpose when they are outdated, incomplete, and unused. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) sets internal control standards for federal entities and serves as best practice for non-federal government entities, including state and local government agencies. As stated in the Green Book overview, internal control is a process used by management to help an entity achieve its objectives. Internal control helps an entity run its operations effectively and efficiently; report reliable information about its operations; and comply with applicable laws and regulations. Furthermore, the Green Book overview states, "management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations."

[75] According to the USDA's *Serious Deficiency, Suspension, & Appeals for State Agencies & Sponsoring Organizations – A Child and Adult Care Food Program Handbook*, if a subrecipient "fails to implement timely corrective action to fully and permanently correct the serious deficiencies cited, the state agency must notify the [subrecipient] that the state agency is proposing to terminate [their] agreement and to disqualify [them] from program participation." Title 7, *Code of Federal Regulations*, Chapter 225, Part 6(b)(9), related to SFSP, states, "the State agency shall not approve the application of any applicant sponsor identifiable through its organization or principals as a sponsor which has been determined to be seriously deficient as described in § 225.11(c). However, the State agency may approve the application of a sponsor which has been disapproved or terminated in prior years in accordance with this paragraph if the applicant demonstrates to the satisfaction of the State agency that it has taken appropriate corrective actions to prevent recurrence of the deficiencies."

Risk Assessment

Based on our review of DHS's December 2020 Financial Integrity Act Risk Assessment, we determined that management did not identify the risk of noncompliance with control policies governing the issuance of SDs. 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.

Summary of Questioned Costs

We questioned **$221,436** for the noncompliance noted above. See **Table 3** for the overall questioned costs and the associated condition.

Table 3
Questioned Costs by Condition and Program

Condition and Program	Questioned Costs			
	FY 21		FY 22	
	SFSP	CACFP	SFSP	CACFP
Condition B: Ineligible at-risk programs	$ -	$ 18,700	$ -	$ 7,690
Condition C: Multiple subrecipients served meals at the same feeding sites	$ 62,444	$ -	$ 46,146	$ -
Condition D: Inaccurate number of meals claimed for the day of our actual or attempted meal service observations	$ -	$ -	$ 8,305	$ 2,000
Condition E: Meal reimbursement documentation was inaccurate for the month of our meal service observations and attempted observations	$ -	$ -	$ 7,957	$ 2,884
Condition G: Subrecipients provided meal count documentation showing questionable patterns	$ 26,196	$ -	$ 33,904	$ -
Total	**$ 88,640**	**$ 18,700**	**$ 96,313**	**$ 12,574**

Cause

During our discussions, DHS management stated that the Division of Audit Services found similar types of noncompliance at the meal services. DHS program management stated that, due to how briefly the summer food program operates, they did not have enough time to respond to questionable claims. DHS management did not provide a cause for the other issues noted in this finding. In our discussions with subrecipients, they said the causes for the errors noted in the conditions above were human errors and miscommunication between DHS and the subrecipient. The director can initiate the SD process; however, we could not determine that the director followed the SD policies, and she did not document her consideration of noncompliant subrecipients for the SD process.

Effect

While monitoring provides management with detective controls to identify subrecipients' errors, management must take additional actions beyond subrecipient training and monitoring, such as issuing serious deficiency notices and terminating subrecipients who fail to implement permanent corrective action as required by program requirements, to ensure the integrity of the program.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner and the Director of Operations for CACFP and SFSP should ensure that both DHS and its subrecipients comply with the federal requirements. The Director of Operations for CACFP and SFSP should effectively utilize detective controls over CACFP and SFSP they already have. These controls should ensure that all subrecipients follow federal guidelines when serving meals and claiming meals on their meal reimbursements. If subrecipients cannot or will not permanently correct noncompliance with federal regulations, the director should follow the programs' control policies to initiate the process to remove any subrecipients claiming meals for reimbursement when they do not in fact feed children and document the SD analysis process.

Management should identify and assess the risk of not following the established SD policies and implement effective controls to mitigate the risk. Management should also update the risk assessment as necessary and take action if deficiencies occur.

Management's Comment

We concur in part.

The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department does not concur with the calculation of questioned costs and how they relate to the federal waivers in response to COVID-19.

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.

The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. DHS believes that technology can help to mitigate sponsor documentation and claiming errors.

Condition A: (Observation): *Meal Service Noncompliance (Repeat Condition)*

We concur in part.

The Department agrees that our monitoring process can result in findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department does not concur with the findings in association with the federal waivers in response to COVID-19. The waivers were created by USDA and implemented in the CACFP and SFSP to serve children in non-traditional ways to support child nutrition during the public health emergency. The errors identified in this condition do not necessarily indicate meal service noncompliance, but waiver implementation errors.

Condition B: (Observation): *Ineligible At-Risk After-school Programs*

We concur in part.

The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action.

The Department does not concur that a site located at a high school is exclusive to competitive sports teams and therefore is ineligible for participation in CACFP. The site has the authorization of the school principal to operate at the school cafeteria. Meals served through the CACFP at-risk after-school program should be available to all children.

The second site identified in this observation closed and is no longer participating in CACFP.

Condition C: (Observation): *Multiple Subrecipients Served Meals at the Same Feeding Sites (Repeat Condition)*

We concur in part.

The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department reviews the provided site location and takes action if overlaps are identified.

The Department does not concur that all of these listed incidents show that children were served more than the allowable number of meals per day. Some of these sites were likely serving different children and therefore may be allowable.

Condition D: (Claim Review): *Incorrect Number of Meals Claimed for the Day of Our Actual or Attempted Meal Service (Repeat Condition)*

We concur.

The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action.

The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. The Department believes that technology can help to mitigate sponsor claiming errors.

Condition E: (Claim Review): *Meal Reimbursement Documentation Was Inaccurate for the Month of Meal Service (Repeat Condition)*

We concur.

The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action.

Condition F: (Claim Review): *Subrecipient Did Not Perform Point-of-Service Meal Counts*

We concur.

The Department agrees that our monitoring process can result in findings similar to what is noted in this finding. Compliant meal count forms are provided to all SFSP sponsors in the mandatory SFSP training and specific point of service 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.

The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. The Department believes that technology can help to mitigate sponsor claiming errors.

Condition G: (Claim Review): *Subrecipients with a History of Serious Deficiencies Provided Meal Count Documentation Showing Questionable Meal Claim Patterns*

We concur in part.

The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. In this situation the state auditors did not observe a difference between the number of meals claimed and the number of children present. Without evidence of noncompliance the Department cannot question costs.

Condition H: *Program Management Did Not Follow Control Policies Governing Serious Deficiencies*

We do not concur.

The Department does not concur that the SFSP and CACFP Serious Deficiency Processes are incomplete, outdated, or unused. Program management did follow control policies governing serious deficiencies and this audit did not provide any evidence to the contrary. The Serious Deficiency process is reviewed by USDA on an ongoing basis and every CACFP Serious Deficiency notice is sent to USDA for review and feedback.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-021
Assistance Listing 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	205TN331N1099, 205TN331N2020, 205TN340N1050, 205TN331N8503, 215TN331N1150, 215TN331N1199, and 215TN331N2020
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Repeat Finding	2020-012
Pass-Through Entity	N/A
Questioned Costs	$25,067

The Department of Human Services did not ensure that the Child and Adult Care Food Program subrecipients submitted accurate meal reimbursement claims, resulting in questioned costs totaling $25,067

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, after-school care programs, emergency shelters, and adult day care centers. CACFP is funded by the U.S. Department of Agriculture and administered on the state level by the Department of Human Services (DHS). As a pass-through entity for CACFP, DHS is responsible for ensuring that these institutions, called 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 participant children, subrecipients enter and submit total monthly meal counts to DHS through the Tennessee Information Payment System.

To fulfill federal requirements, DHS management is responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipients administer federal awards in compliance with federal requirements, and management must take proper actions to address subrecipient noncompliance when it occurs. Because the department does not require subrecipients to submit supporting documentation with their claims for reimbursement before initiating payment to the subrecipients, management relies on both the food program management and the Division of Audit Services to perform activities to address subrecipient noncompliance identified through monitoring activities. While food program management is responsible for approving subrecipients to participate in the program as well as reimbursement claims for payment, the Division of Audit Services monitors after the fact to ensure the subrecipients complied with federal requirements. If the Division of Audit Services determines a subrecipient failed to comply, food program management requires the subrecipient to submit a corrective action plan and to repay program funds.

CACFP regulations require that the department's Division of Audit Services monitor at least 33.3% of all subrecipients each year. Generally, as part of their monitoring plan, Audit Services monitors review one meal reimbursement claim, representing one month of the program year, at each subrecipient. Audit Services monitors perform regular monitoring visits at each subrecipient once every two or three years, depending on the type of institution.

Prior Audit Results

As noted in the six prior audits, we reported that CACFP program and monitoring staff had not ensured that subrecipients maintained accurate supporting documentation for meal reimbursement claims and that CACFP program 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,

> 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 [the U.S. Department of Agriculture Food and Nutrition Service].

Current Audit Results

We identified 20 subrecipients in our testwork which had also been monitored by the Division of Audit Services since 2018. Based on our review of division's monitoring reports, the monitors found similar issues related to these subrecipients' meal reimbursement claims, which indicates that these subrecipients have not achieved permanent corrective action and have been allowed to continue in the program. We followed up with the Director of Operations for CACFP and SFSP to determine what additional actions she uses to ensure subrecipients take corrective action based on the monitoring activities. According to the director, program staff provide training to subrecipients to reiterate federal program requirements to address subrecipient noncompliance.

In an effort to assist subrecipients so they can achieve compliance, the department began offering subrecipients CACFP training again in October 2021 to reiterate the requirements of the program. While training can be effective, training alone may not achieve subrecipient compliance. We also discussed with program management the steps taken when training is not sufficient to correct subrecipient noncompliance. Based on our understanding of federal regulations, when training proves ineffective, the federal regulations provide for states to initiate a serious deficiency process to address continued subrecipient noncompliance. The serious deficiency notice is designed to notify a subrecipient that permanent corrective action is expected, or the state has the authority to terminate the subrecipient from the program when the subrecipient cannot or will not establish permanent corrective action.

Condition and Criteria

From a population of 272 CACFP subrecipients, with reimbursements DHS paid totaling $50,187,456 during fiscal year ended June 30, 2021, we selected a nonstatistical, random sample

of 55 subrecipients, a haphazard sample of 5 high-risk subrecipients,[76] and tested 1 haphazardly selected monthly reimbursement for each subrecipient, totaling $1,988,853. To select the feeding site(s) to review for the claim, we haphazardly selected sites based on the following methodology:

- If the subrecipient had 10 or more feeding sites, we selected up to 10 sites.
- If the subrecipient had less than 10 feeding sites, we selected all sites.

We then obtained the subrecipients' supporting documentation for their claims submitted in the Tennessee Information Payment System (TIPS). For the claim review, this documentation included daily meal counts for the month tested.

Based on our testwork, we noted that for 20 of 60 claims reviewed, the subrecipients could not provide documentation to support the number of meals they submitted in TIPS as meals served. We found that 19 subrecipients submitted their claim for reimbursement in TIPS for more meals served than they were able to support with proper documentation. The remaining 1 subrecipient failed to provide any response to our documentation request. Although we, as well as DHS program and the Division of Audit Services management, reached out to the subrecipient to request documentation for the sampled meal claim tested, the subrecipient did not respond to any of the requests.

As part of our review of claims and supporting documentation, we have accepted all available supporting evidence for the claim, and we only report errors when the subrecipient cannot provide accurate or complete documentation. When subrecipients cannot support any part of the reimbursement claims tested, then DHS has improperly reimbursed subrecipients who reported inaccurate or unsupported meal reimbursement claims, resulting in overpayments to the subrecipients totaling $25,067.

According to 7 CFR 226.15(e),

> 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.

In addition, 7 CFR Part 226.10(c) states,

> 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.

[76]We identified high-risk subrecipients based on the results reported in the prior year's audit findings, including prior indications of questionable activities and fraud risk factors within the program.

Risk Assessment

We reviewed the department's 2020 Financial Integrity Act Risk Assessment and determined that management listed the risk of subrecipients submitting unsupported claims. Management identified four controls to mitigate the risk:

- Subrecipients undergo annual program training;
- Management conducts pre-operational visits for all program applicants and subrecipients with serious deficiencies noted;
- Management reviews monthly claims prior to acceptance; and
- Subrecipient monitoring efforts.

Although we saw improvement in the department's subrecipient monitoring of CACFP during our audit (detective control), we found that management is not effectively utilizing the listed controls to mitigate the risk of paying subrecipients with unsupported claims. Management's review of monthly claims (desk review) prior to acceptance is ideally an effective control. According to the Director of Operations for CACFP and SFSP, management recognizes desk reviews as an effective tool to reduce program noncompliance. Her staff have performed desk reviews when they encounter high-risk subrecipients, but due to staffing, her team cannot perform desk reviews and process payments timely due to a short window to approve subrecipients' reimbursement claims and issue payments.

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

While we found that the Division of Audit Services monitors identified the same issues during their monitoring visits, we did not see actions, other than training, by the program staff which would address subrecipients' lack of accurate support for meal claims entered and submitted in TIPS. Program management did not provide any additional information on how it plans to address the subrecipients' inaccurate claim reporting. The director can initiate the serious deficiency (SD) process; however, we could not determine that the director followed the SD policies, and she did not document her consideration of noncompliant subrecipients for the SD process. See **Finding 2021-020** for further details.

Effect

While monitoring provides management with detective controls to identify subrecipients' errors, CACFP program management must take additional actions beyond subrecipient training and monitoring, such as issuing serious deficiency notices and terminating subrecipients who fail to implement permanent corrective action as required by program requirements, to ensure the integrity of the program.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

As the pass-through entity, DHS has the responsibility to impose additional conditions upon the subrecipients who demonstrate continued program noncompliance, or take other action as described in 2 CFR 200.208 and 200.339. We recommend that DHS take additional steps to ensure it 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. This includes terminating the subrecipients from the program.

Management's Comment

We concur in part.

The state auditors identified 14 of the 20 subrecipients with questioned costs were below the department threshold and would not be pursued for recovery, 10 of those were questioned costs of less than $10.00.

The Department does not concur with the recommendation to terminate subrecipients from the program that have errors that are correctable and result in minimal questioned costs.

This area of noncompliance identifies, in total, $25,067 in questioned costs out of $1,988,853 of reviewed funds. This shows a 1% error rate in CACFP claim disbursement.

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

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-022
Assistance Listing 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	205TN331N1099, 205TN331N2020, 205TN331N8503, 205TN340N1050, 215TN331N1150, 215TN331N1199, and 215TN331N2020
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	2020-013
Pass-Through Entity	N/A
Questioned Costs	$4,742

The Department of Human Services did not ensure that Child and Adult Care Food Program subrecipients maintained complete and accurate eligibility documentation, resulting in $4,742 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) to provide nutritious meals and snacks to eligible children who receive care at eligible childcare centers, adult day care centers, day care homes, after-school programs, and emergency shelters. Eligible childcare centers provide nonresidential childcare services to children, primarily of preschool age, who receive care through day care centers, settlement houses, neighborhood centers, Head Start centers, or organizations who provide care for disabled children.

The Department of Human Services (DHS) is the state agency responsible for administering CACFP. To carry out the CACFP program, DHS program management contracts with the eligible institutions listed above, called subrecipients. The subrecipients may either operate at one location or operate multiple locations, called feeding sites.

Subrecipients receive a base rate for meals served to eligible children; however, they receive higher levels of reimbursement for meals served to children who meet the income eligibility criteria published by the USDA's Food and Nutrition Services for free or reduced-priced meals. Subrecipients must determine each enrolled child's eligibility for free and reduced-price meals to accurately claim reimbursement for the meals served to that child at the correct meal reimbursement rate by obtaining qualifying documentation from parents or guardians of the children they serve. Subrecipients may establish a participating child's eligibility using either a household application or use proof of participation in another federal program, such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Food Distribution Program on Indian Reservations (FDIR). Subrecipients are required to obtain updated income and household information for each eligible child annually to determine if the child's meal classification changed, thereby changing the meal reimbursement rate the

subrecipient can claim. In order to support their reimbursement claims to DHS, subrecipients are required to retain accurate and complete eligibility documentation for children served.

DHS is ultimately responsible for ensuring that subrecipients and participating children are eligible in accordance with federal requirements. To ensure DHS reimburses subrecipients for eligible children at the correct meal rates, the department relies on its Division of Audit Services to monitor the subrecipients and, if applicable, their feeding sites to ensure subrecipients have met eligibility requirements based on the accurate and complete eligibility documentation retained by the subrecipients.

Prior Audit Results

As noted in the eight 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,

> 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 [Food and Nutrition Service].

Current Audit Results

We identified 33 subrecipients in our testwork which had also been monitored by the Division of Audit Services since 2018. Based on our review of the division's monitoring reports, the monitors found similar issues related to these subrecipients' eligibility determination and documentation errors indicating the subrecipients have not achieved permanent corrective action and have been allowed to continue in the program. We followed up with the Director of Operations for CACFP and SFSP to determine what additional actions she uses to ensure subrecipients take corrective action based on the monitoring activities. According to the director, program staff provide training to subrecipients to reiterate federal program requirements to address subrecipient noncompliance.

In an effort to assist subrecipients so they can achieve compliance, the department began offering subrecipients CACFP training again in October 2021 to reiterate the requirements of the program. While training can be effective, training alone may not achieve subrecipient compliance. We also discussed with program management the steps taken when training is not sufficient to correct subrecipient noncompliance. Based on our understanding of federal regulations, when training proves ineffective, the federal regulations provide for states to initiate a serious deficiency process to address continued subrecipient noncompliance. The serious deficiency notice is designed to notify a subrecipient that permanent corrective action is expected, or the state has the authority to terminate the subrecipient from the program when the subrecipient cannot or will not establish permanent corrective action.

Condition and Criteria

From a population of 272 CACFP subrecipients and DHS reimbursements totaling $50,187,456 during fiscal year ended June 30, 2021, we selected a nonstatistical, random sample of 55

subrecipients, a haphazard sample of 5 high-risk subrecipients,[77] and tested 1 haphazardly selected monthly reimbursement for each subrecipient, totaling $2,046,373. In addition to testing the subrecipients, we also selected a haphazard sample of 593 children served by the subrecipients in order to determine if the subrecipients correctly determined the children's eligibility for free and reduced meals. We obtained documentation from the subrecipients for the sampled children. Based on the documentation subrecipients provided, we identified the following problems.

Missing or Incomplete Eligibility Documentation

According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 23(e)(1)(ii),

> . . . the application for children shall contain a request for the following information:
>
> (A) The names of all children for whom application is made;
>
> (B) The names of all other household members;
>
> (C) The last four digits of the social security number of the adult household member who signs the application, or an indication that the adult does not possess a social security number.
>
> (D) The income received by each household member identified by source of income (such as earnings, wages, welfare, pensions, support payments, unemployment compensation, social security, and other cash income received or withdrawn from any other source, including savings, investments, trust accounts, and other resources); . . .

Furthermore, 7 CFR 226.23 (e)(1)(iv) states,

> Households applying on behalf of children who are members of SNAP or FDPIR households; children who are TANF recipients; or for children enrolled in tier II day care homes, other qualifying Federal or State program, shall be required to provide: (A)For the child(ren) for whom automatic free meal eligibility is claimed, their names and SNAP, FDPIR, or TANF case number; . . .[78]

Based on our testwork, we found that 22 of 60 subrecipients did not have eligibility documentation or maintain complete documentation for participating children's classified meal status. Specifically, we found the following issues:

- 8 subrecipients did not provide any documentation or provided inaccurate household size information for 19 children, and one of these subrecipients also did not provide any income information for 1 child;

[77]We determined high-risk subrecipients based on the results reported in the prior year's audit findings. These subrecipients were determined high-risk based on prior indications of questionable activities and fraud risk factors within the program.

[78] SNAP stands for Supplemental Nutrition Assistance Program. TANF stands for Temporary Assistance for Needy Families. FDIR stands for Food Distribution Program on Indian Reservations.

- 18 subrecipients did not provide the parents'/guardians' last four digits of their social security number for 51 children's applications;
- 3 subrecipients did not document a case number on 6 children's applications even though the application indicated the households received benefits from another federal program;
- 5 subrecipients did not obtain the required annually updated income applications for 15 children during the fiscal year; and
- after we and DHS made repeated requests to one subrecipient for documentation, the subrecipient did not provide eligibility documentation for the 10 children we sampled.

For the 22 subrecipients that lacked documentation, we identified $1,934 in federal questioned costs.

Misclassified Children's Meal Status

Based on our review of the eligibility documentation provided, we found that 20 of 60 subrecipients did not correctly classify children or did not provide documentation demonstrating classification for free, reduced-price, or paid meal status. Specifically, 19 subrecipients incorrectly classified 29 children for free, reduced-price, or paid meal status; and the remaining subrecipient (the same subrecipient noted in the previous section) did not respond to our request for documentation for 10 children identified as participants in the program. The eligibility documentation errors of these 20 subrecipients resulted in $2,808 in federal questioned costs.

Questioned Costs

While total known questioned costs for the above errors related to CACFP totaled less than $25,000, 2 CFR 200.516(a)(3) requires us to report known and **likely** questioned costs greater than $25,000 for a type of compliance requirement for a major program. For this program, we determined that likely questioned costs exceeded $25,000.[79]

Risk Assessment

Based on our review of DHS's December 2020 Financial Integrity Act Risk Assessment, we determined that management did not identify the risk of subrecipients incorrectly determining eligibility requirements and maintaining documentation to support participant eligibility. 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.

[79]We did not include the 5 high-risk subrecipients when calculating likely questioned costs. We projected known questioned costs based on the results of our sample of 55 items only.

Cause

The Director of Operations for CACFP and SFSP stated the department has experienced challenges for years with some subrecipients not complying with CACFP requirements, especially during the COVID-19 pandemic. The director is also aware that the department's monitors have identified the issues as well. The director can initiate the serious deficiency (SD) process; however, we could not determine that the director followed the SD policies, and she did not document her consideration of noncompliant subrecipients for the SD process. See **Finding 2021-020** for further details.

Effect

While monitoring provides management with detective controls to identify subrecipients' errors, program management must also initiate additional actions when necessary, such as issuing serious deficiency notices and terminating subrecipients who fail to implement permanent corrective action from the program, to ensure the integrity of the program.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner should ensure that the Director of Operations of CACFP and SFSP addresses the areas where subrecipient deficiencies were identified by the department's monitoring efforts, including those identified in this finding, and take appropriate actions to achieve compliance. Management should ensure subrecipients demonstrate a willingness to comply with program requirements and take appropriate actions. If they fail to do so, management should impose additional conditions upon the subrecipients or take other action, as described in 2 CFR 200.339, such as terminating subrecipients from the program.

Management should identify and 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 $4,742 of questioned costs represents a 0.2% error rate for the reimbursement claims sampled and a statistical 0.00% error rate for the total claims.

The Department continues to evaluate findings identified in this finding and in our own internal monitoring and has created training sessions to mitigate programmatic weaknesses including training subrecipients on participant eligibility and documentation. All CACFP trainings are developed and conducted in conjunction with USDA FNS.

Condition: *Missing or Incomplete Eligibility Documentation*

We concur in part.

The state auditors found error with eligibility applications due to all household member names not being listed. The Department does not concur that this as 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 daycare homes/centers 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 homes/centers.

The Department does 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 the Department is continuing to provide training and technical assistance surrounding this area.

Condition: *Misclassified Children's Meal Status*

We concur.

The Department concurs 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 the Department is continuing to provide training and technical assistance surrounding this area.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-023
Assistance Listing Number	10.558 and 10.559
Program Name	Child and Adult Care Food Program Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Federal Award Identification Number	205TN331N1099, 205TN331N2020, 205TN331N8503, 205TN340N1050, 215TN331N1150, 215TN331N1199, and 215TN331N2020
Federal Award Year	2020 and 2021
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

The Department of Human Services did not issue timely management decisions for audits of food program subrecipients as required

Background

The Child and Adult Care Food Program (CACFP) is a year-round food program for eligible participants at childcare centers, day care homes, after-school care programs, emergency shelters, and adult day care centers. The Summer Food Service Program for Children (SFSP) provides under-resourced children with nutritious meals when school is not in session. Both programs are funded by the U.S. Department of Agriculture (USDA) and administered on the state level by the Department of Human Services (DHS). DHS contracts with institutions, called subrecipients, who administer the programs by providing meals. As a pass-through entity, DHS is responsible for ensuring that subrecipients are eligible to participate in the programs and that the subrecipients comply with federal requirements.

Pursuant to the Office of Management and Budget's *Uniform Grant Guidance* and "Audit Requirements," Title 2, *Code of Federal Regulations* (CFR), Part 200, Section 501,

> (a) *Audit required.*[80] A non-Federal entity [subrecipient] that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Furthermore, as the pass-through entity, DHS is required by 2 CFR 200.332(f) to verify that all subrecipients that spend $750,000 or more obtain a Single Audit within nine months after the subrecipient's fiscal year-end. As part of that Single Audit, if a subrecipient receives an audit finding, the department must issue a management decision within six months of the audit report's

[80] An independent audit is an examination of financial records, accounts, business transactions, accounting practices, and internal controls conducted by a third party, such as a CPA firm.

release, indicate if the department agreed with the finding, and describe any corrective action the subrecipient must take.

Based on discussions with DHS management, twice each fiscal year, the department's Division of Audit Services' staff extracts expenditure information paid to subrecipients from Edison, the state's accounting system. Staff then compiles the expenditures based on the subrecipients' fiscal year to determine if DHS paid the subrecipient more than $750,000 during the most recent fiscal year. According to management, once they identify the subrecipients who meet the audit threshold, the division's Director of Internal Audit creates a tracker using Microsoft Excel. The director will track the receipt of required audit reports throughout the fiscal year and will note on the tracker if the audit reports identified findings relevant to the federal program. If a subrecipient's audit report identified findings, the Director of Internal Audit is responsible for notifying the program responsible for ensuring the subrecipient's compliance with federal requirements, including reviewing any findings and issuing management decisions.

Condition, Criteria, and Cause

No Management Decisions Issued

From a population of two subrecipients whose audit reports included audit findings, the Director of Operations for CACFP and SFSP did not issue the required management decision within six months of the audit report's issuance. According to the director, when she reads an audit report with a finding and the finding addresses corrective action, she will take no action if she agrees with the subrecipient's planned actions. Otherwise, if she does not agree with the subrecipient's planned corrective action or there is not a corrective action stated, she will request a corrective action. The director's actions do not include issuing a management decision, which is required in 2 CFR 200.521(d), which states,

> (d) *Time requirements.* The Federal awarding agency or **pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC [Federal Audit Clearinghouse]** [emphasis added]. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

The CPA firm issued one subrecipient's 2020 audit report on February 4, 2021. This report states that the subrecipient received $1,918,994 in CACFP and $3,242,894 in SFSP funds in fiscal year 2020. The CPA firm for the second subrecipient issued its 2019 report on March 21, 2021; in this report, the subrecipient received $2,781,114 in CACFP and $433,250 in SFSP funds. The director was required to issue a management decision to the subrecipients by August 4, 2021, and September 21, 2021, respectively. In both reports, the independent auditors identified findings related to the lack of controls over both food programs' meal counts, which are the basis for reimbursements.

Risk Assessment

We reviewed the department's 2020 Financial Integrity Act Risk Assessment and determined that management did not identify the risk of not issuing management decisions to subrecipients that received Single Audit findings.

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," Identification of Risks,

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

Effect

When management does not issue management decisions to follow up on and document that the audited entity (the subrecipients) appropriately addressed findings identified in their Single Audits, DHS management increases the risk that their subrecipients may use federal grant funds for unauthorized purposes and fail to comply with federal statutes and regulations.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or

- pursuing other available legal remedies.

Recommendation

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. Specifically, the Director of Operations for CACFP and SFSP should formally request subrecipients take corrective action when independent audits identify findings in the audit reports. In addition, the director should issue timely management decisions in response to the subrecipients' corrective action plans as required by federal regulations.

Management's Comment

We concur.

The Department's Food Programs' management was unable to find the requested documentation regarding management decisions for two audits. Beginning in 2022, food program management will develop a tracking log of all CACFP and SFSP program participants that have independent single audits that include findings pertaining to food programs. Food program management will follow up on all findings and issue the required management decision within 6 months. This will be evidenced in the tracking log.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-024
Assistance Listing Number	93.558 and 93.575
Program Name	Temporary Assistance for Needy Families Child Care and Development Fund Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Federal Award Identification Number	1901TNTANF, 2001TNTANF, 2001TNCCDF, 2001TNCCC3, 2101TNCCDF, and 2101TNCCC5
Federal Award Year	2019 through 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Reporting
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

Fiscal staff for the Department of Human Services did not comply with Federal Funding Accountability and Transparency Act reporting requirements for the Child Care and Development Fund and the Temporary Assistance for Needy Families programs

Background

The Department of Human Services (the department) administers the Child Care and Development Fund (CCDF) program and the Temporary Assistance for Needy Families (TANF) program, which are federal programs under the oversight of the U.S. Department of Health and Human Services (HHS). The Department of Finance and Administration (fiscal management and fiscal staff) is responsible for performing all fiscal-related duties on behalf of the department, including Federal Funding Accountability and Transparency Act (FFATA) reporting. The Department of Finance and Administration assumed responsibility for performing the department's fiscal functions on April 11, 2016. FFATA requires the department to report subrecipient subaward financial information through the FFATA Subaward Reporting System (FSRS). The subaward information in FSRS is then available to the public on the USA Spending website for transparency.

Condition and Cause

Reporting

CCDF

We obtained from the Department of Human Services, the prime grant recipient, the population of 3 CCDF subrecipients' subawards totaling $148,738,072 and found that staff did not report the subrecipients' subawards in FSRS for the CCDF program for the year ended June 30, 2021.

TANF

We obtained from the Department of Human Services, the prime grant recipient, the population of the 38 TANF subrecipients' subawards totaling $130,157,592 and found that fiscal staff did not

report the subrecipients' subawards in FSRS for the TANF program for the year ended June 30, 2021.

Fiscal management was not aware they were responsible for the FFATA reporting for the CCDF and TANF programs. Fiscal management stated that they are working on a Corrective Action Plan and are in the process of filing the FFATA reports. We will audit the FFATA reporting requirements for the CCDF and TANF programs during the next audit.

Risk Assessment

We reviewed the Department of Human Services' and the Department of Finance and Administration's December 2020 Financial Integrity Act Risk Assessment for the Department of Human Services' operations and determined that management did not identify the risk of noncompliance with FFATA reporting for the CCDF and TANF programs and as such did not establish control activities to ensure compliance with FFATA reporting requirements.

Criteria

Reporting

Appendix A to "Reporting Subaward and Executive Compensation Information," Title 2, *Code of Federal Regulations* (CFR), Part 170, states,

> a. *Reporting of first-tier subawards.*
>
> ***Applicability.*** Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency (see definitions in paragraph e. of this award term).
>
> 2. *Where and when to report.*
>
> i. The non-Federal entity or Federal agency must report each obligating action described in [the previous paragraph] of this award term to *http://www.fsrs.gov*.
>
> ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)
>
> 3. *What to report.* You must report the information about each obligating action that the submission instructions posted at *http://www.fsrs.gov* . . .
>
> d. *Exemptions.*
>
> If, in the previous tax year, you had gross income, from all sources, under $300,000, you are exempt from the requirements to report . . . subawards . . .
>
> e. *Definitions.* For purposes of this award term:

1. Federal Agency means a Federal agency as defined at 5 U.S.C. 551(1) and further clarified by 5 U.S.C. 552(f).
2. Non-Federal *entity* means all of the following, as defined in 2 CFR part 25:
    i. A Governmental organization, which is a State, local government, or Indian tribe;
    ii. A foreign public entity;
    iii. A domestic or foreign nonprofit organization; and,
    iv. A domestic or foreign for-profit organization . . .
4. *Subaward:*
    i. This term means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
    ii. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see 2 CFR 200.331).
    iii. A subaward may be provided through any legal agreement, including an agreement that you or a subrecipient considers a contract.
5. *Subrecipient* means a non-Federal entity or Federal agency that:
    i. Receives a subaward from you (the recipient) under this award; and
    ii. Is accountable to you for the use of the Federal funds provided by the subaward.

Risk Assessment

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Green Book Principle 7.02, "Identification of Risks,"

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

Effect

CCDF and TANF

Without establishing and implementing effective reporting controls over FFATA, the risk increases that the public will not have access to transparent and accurate information regarding expenditures of federal awards.

TANF

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,
- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner of the Department of Human Services and the Department of Finance and Administration's Controller for the Department of Human Services fiscal activities should ensure that the appropriate staff members understand the FFATA reporting requirements and report applicable subawards in accordance with those reporting requirements.

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 will continue to notify the Department of Finance and Administration, which provides fiscal services to the Department, of CCDF subrecipient subawards through its procurement process and preparation of subrecipient Federal Award Identification Worksheets to support timely and accurate FFATA reporting.

The Department was not aware of this requirement. The Department will continue to notify the Department of Finance and Administration, which provides fiscal services, of TANF subrecipient and amended awards through its procurement process and preparation of subrecipient Federal Award Identification Worksheets to support timely and accurate FFATA reporting.

Fiscal staff for the Department of Human Services began properly reporting the FFATA for CCDF and TANF when notified of the requirement by state auditors. Neither program nor fiscal was aware of the requirement. The initial reports were filed as of October 2021 and have been filed as required thereafter. Fiscal staff have developed a process to identify subrecipient subawards for both the CCDF and TANF programs to ensure the FFATA is reported accurately and timely going forward.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-025
Assistance Listing 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, 2001TNCCC3, 2101TNCCDF, 2101TNCCC5, and 2101TNCDC6
Federal Award Year	2018 through 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Special Tests and Provisions
Repeat Finding	2020-020
Pass-Through Entity	N/A
Questioned Costs	N/A

As noted in the five prior audits, the Department of Human Services and the Department of Education did not comply with the federal health and safety requirements for the Child Care and Development Fund program, and did not implement internal controls to ensure that providers complied with the necessary requirements

Background

The Department of Human Services (DHS) is Tennessee's lead agency responsible for administering the Child Care and Development Fund (CCDF) cluster of programs, which is a federal program under the oversight of the U.S. Department of Health and Human Services. CCDF funds subsidize child care for low-income families for parents who are working or attending training or educational programs. Additionally, the program supports activities to promote overall child care quality for all children, regardless of subsidy receipt.

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. Although DHS is the state's lead agency, DHS has a Memorandum of Agreement with the state's Department of Education (DOE) to ensure health and safety inspections of the state's child care providers that meet certain education requirements. For all other in-state providers, DHS is responsible for performing inspections to ensure that the providers have met all health and safety requirements.

The state's child care providers participating in the CCDF program may be licensed or license-exempt. Licensed providers consist of family day cares, group child care homes, and child care centers. License-exempt providers consist of individuals that provide care for a small number of children, Boys and Girls Clubs, and other education-related providers assigned to DOE. Additionally, Tennessee's children who are eligible for CCDF may receive child care from providers located outside the state. In that case, DHS staff obtain an up-to-date license from the providers' respective state regulators as assurance that those providers have met the health and safety requirements.

Requirements Waived Due to COVID-19 Pandemic

Normally, the *Code of Federal Regulations* requires lead agencies to verify and document that child care providers participating in CCDF meet eleven specific areas related to health and safety. In response to the global COVID-19 pandemic, DHS requested and was approved for waivers to reduce the number of health and safety requirements reviewed for inspections. The waiver was effective March 3, 2020, through September 30, 2021. Approved by the federal Administration of Children and Families' Office of Child Care, the waiver allowed the state to reduce the number of health and safety requirements from eleven to five and required child care providers to be inspected for the following **five** requirements:

1. 45 CFR 98.41(a)(1)(iii) – Administration of medication, consistent with standards for parental consent.
2. 45 CFR 98.41(a)(1)(v) – Building and physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic.
3. 45 CFR 98.41(a)(1)(vii) – 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).
4. 45 CFR 98.41(a)(1)(viii) – Handling and storage of hazardous materials and the appropriate disposal of biocontaminants.
5. 45 CFR 98.41(a)(1)(xi) – Recognition and reporting of child abuse and neglect.

Emergency Preparedness and Response Planning

As noted above, 45 CFR 98.41(a)(1)(vii) requires each child care provider to perform emergency preparedness and response planning. This planning is required to include preparations for a natural disaster or threat perpetrated by an individual. The child care provider must address procedures for evacuation; relocation; shelter-in-place/lock down; communication and reunification with families; continuity of operations; accommodations for infants/toddlers, children with disabilities, and children with chronic medical conditions; and staff/volunteer training and drills.

Processes for Inspections of Child Care Providers

Department of Human Services

According to DHS Policy 13.02, "Monitoring for Compliance," providers must receive at least one announced visit per licensing year,[81] and the number of unannounced visits per licensing year is determined by the provider's star-quality rating[82] and any complaints received. For non-licensed providers, licensing consultants perform health and safety inspections during their initial enrollment and annually thereafter.

[81] A licensing year begins when a child care provider receives its license.
[82] The Star-Quality Child Care Program is a voluntary program that rewards child care agencies that exceed minimum licensing standards.

From our walkthroughs, we learned that DHS's licensing consultants must complete the Child Care Agency Monitoring and Evaluation Check Sheet, a 12-page checklist with 15 high-risk areas encompassing various departmental rules. The checklist helps the consultants evaluate for compliance with federal and state regulations, including specific items for the health and safety requirements discussed above. At the conclusion of their inspection, the consultants upload the completed checklist into DHS's shared drive and enter a summary of the results into the Tennessee Licensed Care System (TLCS). A supervisor then reviews the inspection by examining the checklist and narrative in TLCS and documents their review in TLCS.

Department of Education

According to DOE School-based Support Services' *Procedures Booklet,* Section 4.I, "How to Conduct a Visit to a School/Program for Oversight," providers must receive at least one announced and one unannouced visit per school year.

From our walkthroughs, we learned that DOE's Early Childhood Quality and Support Specialists must complete the Verification of Program Review, a five-page checklist to help verify compliance. The checklist encompasses various departmental rules and federal and state regulations, including those for health and safety requirements. During inspections, the specialists must check if the requirement was met or unmet. At the conclusion of their inspection, the specialists upload the completed checklist into DOE's shared drive and enter a summary of the results into TLCS. A supervisor reviews the inspection by examining the checklist and narrative in TLCS and documents their review in TLCS.

Federal Notice of Noncompliance

The U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care (OCC) monitors each state once every three years to determine if states are in compliance with federal CCDF regulations. On April 3, 2020, the U.S. Department of Health and Human Services issued a **Preliminary Notice of Possible Non-Compliance** to DHS. The noncompliance dealt with DHS's inspections of child care providers and included violations in the following areas:

1. Consumer Education (45 CFR 98.33(a)(4)) – DHS did not post full monitoring and inspection reports for all licensed child care providers, and did not post any reports for child care providers inspected by DOE.
2. Emergency Preparedness and Response Planning (45 CFR 98.41(a)(1)(vii)) – Child care providers' emergency preparedness and response planning did not include all of the requirements.
3. Inspections for Licensed Providers (45 CFR 98.42(b)(2)(i)) – There was no evidence that the state inspected licensed child care providers for all emergency preparedness and response requirements.
4. Inspections for License-Exempt Providers (45 CFR 98.42(b)(2)(ii)) – There was no evidence that the state inspected license-exempt child care providers for all emergency preparedness and response requirements.

After DHS provided a response to the report, OCC issued a **Notice of Non-Compliance Extension** on August 31, 2021, that stated Tennessee remained out of compliance with the areas noted above. Currently DHS is in communication with OCC about corrective actions to address the remaining compliance issues.

Prior Audit Results

In the prior audit finding, we found that DHS and DOE program staff did not consistently document whether child care providers complied with health and safety requirements, and that DHS and DOE supervisors did not have an adequate review process. We also found DHS and DOE staff did not ensure that providers included all required areas of disaster and emergency response in their emergency preparedness plans.

DHS management concurred with the audit finding and stated that in November 2020 they revised the emergency preparedness checklist and template to include all elements specified in the federal regulations to ensure compliance with CCDF requirements. Management's six-month follow-up stated that the "department is in the process of child care modernization that is expected to be implemented in spring 2022." DHS provided targeted technical assistance to providers whose Emergency Preparedness and Response Plans (EPRPs) were identified as deficient in the prior Single Audit. Before June 1, 2021, these providers were required to submit revised EPRPs to be reviewed for compliance by the department.

DOE concurred with the prior audit finding and stated it planned to strengthen existing controls to ensure staff perform all child care provider site visits in accordance with federal regulations and internal policy, including health and safety checks.

Sample Selection Process and Current Audit Results

From a population of 1,934 licensed providers assigned to DHS and 459 providers assigned to DOE, we selected a nonstatistical, random sample of 60 child care providers from each population. We performed testwork to determine if DHS and DOE documented on their checklists and/or on the TLCS narratives that they had inspected the 5 health and safety regulations applicable during our audit period. We also performed testwork to determine if supervisors documented their reviews of those inspections in TLCS. For all 18 out-of-state providers that had received CCDF funds for providing child care to Tennessee children, we performed testwork to determine if DHS had obtained an active license issued to the child care provider by their home state regulators.

We were unable to perform testwork on inspections of non-licensed providers because DHS had not performed any inspections during the audit period (see **Condition C**).

Condition, Criteria, and Cause

Condition A: DHS and DOE Did Not Ensure That Child Care Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness and Response Plans (Repeat Condition)

Due to deficiencies identified in the prior audit and the **Notice of Non-Compliance Extension** from the HHS/OCC, we obtained the Emergency Preparedness and Response Plan (EPRP) from

each of the providers in our samples of those inspected by DHS and DOE. We examined the EPRPs to determine if they included each of the areas required by 45 CFR 98.41(a)(1)(vii).

Based on our testwork, we found that for 40 of 59[83] licensed providers (68%) inspected by DHS, the providers had not included all requirements in their EPRP. In response to the **Preliminary Notice of Possible Non-Compliance**, management created an EPRP template for providers as an option to use when creating their own EPRP. Management provided technical assistance to the providers that we reported in our prior audit. While these actions are a good start, DHS management has not demonstrated a plan to ensure all providers comply with the EPRP requirements.

For DOE, we found that for 32 of 60 providers (53%), the providers did not include all required elements in their EPRP.

In response to these errors, DOE management stated,

> the errors occurred due to changes to policy mid-year, unclear expectations regarding emergency plan checks (many staff misunderstood that it was our responsibility to check emergency plans and not DHS), contracted staff not completing required work, misunderstandings regarding items on the required [EPRP] list (infant/toddler information, medical conditions, disabilities – programs and staff did not think these items were required if they do not serve these populations).

Condition B: Supervisory Reviews at Both DHS and DOE Were Not Adequate to Ensure That Inspections Include All Required Areas Related to Health and Safety (Repeat Condition)

We found that supervisory reviews of staff's inspections for the health and safety requirements in 45 CFR 98.41(a)(1) did not identify deficiencies in the inspections. Despite documenting their review in TLCS, supervisors at both departments failed to identify when the inspection checklists did not document whether child care providers complied with the required health and safety regulations.

For DHS, we found that for 17 of 60 licensed child care provider inspections (28%), the licensing consultant had not documented on page 2 of the checklist or in the TLCS narrative which requirements they inspected for at least 1 or more of the 5 federal health and safety requirements. Although the supervisors signed off on these inspections, the supervisors did not document in their review that any of the inspections omitted required elements. To explain the errors we identified, DHS management stated that the approved amended State Plan allowed them to apply discretion in enforcing the health and safety monitoring requirements; however, our interpretation of the federal regulations is that the lead agency must review the 5 health and safety requirements.

For DOE, we found that for 18 of 60 licensed child care provider inspections (30%), the licensing specialist did not document in their inspections whether the provider met 1 or more of the 5 federal health and safety requirements. We also found that the supervisory reviews did not identify the

[83] We were unable to obtain an EPRP for 1 child care provider because they had been terminated before the end of our audit scope. Therefore, we only tested 59 of the 60 plans from the sample above.

omissions we observed. DOE management stated that time management can be a challenge for their staff who inspect child care providers because staff look at other requirements in addition to the federally required health and safety requirements. Additionally, the pandemic created challenges due to the nature of providers closing, operating virtually, and/or experiencing staffing issues that affected visits and follow-ups.

As noted in **Condition A**, we found that 40 providers inspected by DHS and 32 providers inspected by DOE had deficient EPRPs, and the supervisors did not identify the deficiencies.

Review Process Challenges

We learned that the licensing consultants at DHS and the licensing specialists at DOE are not required to obtain a copy of the providers' EPRP when performing inspections; therefore, the supervisors do not have access to review the plans themselves.

The only documentation that the licensing consultants and licensing specialists are required to upload into their shared drive are the completed checklists. Therefore, supervisors cannot be assured that the inspections were properly performed for all requirements. Additionally, neither department had written policies and procedures for the supervisory review process.

Management is responsible for designing, implementing, and monitoring internal controls in accordance with *Standards for Internal Control in the Federal Government* (Green Book), which provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. The Green Book states,

> A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

To achieve the department's mission, management is responsible for establishing the necessary operational processes to carry out the department's functions, objectives, and goals. These key operational processes should include effective internal controls activities, including management overseeing the processes that fulfill the department's objectives for meeting federal program compliance.

<u>Condition C: Inspections Were Not Performed for Non-licensed Child Care Providers As Required (New Condition)</u>

DHS management informed us that during our audit period, none of the 16 non-licensed providers authorized to participate in CCDF received inspections for the health and safety requirements in 45 CFR 98.41(a)(1). According to the Director of Compliance for the Child Care and Community Services Division, management believed that the OCC waived those inspection requirements as part of the waiver approved on March 3, 2020. We reviewed the waivers and the approved amendment to the State Plan that the department submitted. According to the approved amendment effective for federal fiscal years 2019 through 2021, the State Plan states, "In-person, virtual, or a combination of virtual and in-person visits resumed during the last week of July 2020."

Inspections for non-licensed providers should have restarted in July 2020, the same time they restarted for licensed providers.

Risk Assessment

We reviewed DHS's and DOE's December 2020 Financial Integrity Act Risk Assessments for department operations and determined that management listed the risk of noncompliance with federal health and safety requirements. Management identified the inspections of child care providers as the internal control to mitigate the risk. However, based on the results of our review, the inspections and subsequent supervisory reviews were not adequate to mitigate the risks of noncompliance. Additionally, management has not identified any risks related to their inspections of child care providers. According to Green Book Principle 7.02, "Identification of Risks,"

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

According to Green Book Principle 7.09, "Response to Risks,"

> 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 provider inspections are properly documented and reviewed, children in the providers' care are subjected to potential health and safety risks. When child care providers do not have a comprehensive EPRP, children may be at risk during a time of crisis. Additionally, in the event of an emergency evacuation or closure, the providers have not sufficiently addressed the likely risks related to communication and child/parent reunification.

Recommendation

Department of Human Services and Department of Education management should ensure that staff who perform inspections of child care providers understand their responsibilities for health and safety requirements as established in the approved State Plan. Management must establish the necessary controls, including written policies and procedures for adequate supervisory reviews. Because of their significant responsibilities for ensuring the health and safety of children in child care, management should establish a quality assurance process to evaluate the effectiveness of their inspection process, including the actual inspection and supervisory review.

In addition, management of both departments should carefully evaluate their risk assessments to ensure they include all risks and implement effective controls to address the risks noted in this finding. Management should update the risk assessment as necessary, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

Department of Human Services

Condition A: *DHS and DOE Did Not Ensure That Child Care Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness and Response Plans (Repeat Condition)*

We concur.

The Emergency Preparedness and Response Plans (EPRPs) of forty (40) child care providers did not fully comply with the requirements at 45 CFR § 98.42(a)(1)(vii). The Department directed its quality contractors to deliver targeted technical assistance supporting remediation of identified EPRP deficiencies during the audit. Each deficient EPRP will be reviewed by the Department's Child Care Services program to ensure corrective action is fully demonstrated before June 30, 2022. The Department continues its process of child care modernization that is expected to be implemented in May 2022, including a new eLicensing system to strengthen internal controls and monitoring supporting documentation. The Department will continue to identify opportunities that further enhance training and technical assistance opportunities in the topics of emergency preparedness and response available from its quality contractors and other subject matter experts.

Condition B: *Supervisory Reviews at Both DHS and DOE Were Not Adequate to Ensure That Inspections Include All Required Areas Related to Health and Safety (Repeat Condition)*

We concur.

Documentation of monitoring visits conducted and not subject to the waiver approved by the Administration for Children and Families Office of Child Care at 45 CFR §98.42(b)(2) and effective during the audit period of July 01, 2020, through June 30, 2021, do not itemize each health and safety requirement monitored. The Department is in the process of child care modernization, which is expected to be implemented in May 2022, including a new eLicensing system to strengthen processes for documentation. As part of modernization rollout, the Department will provide refresher training for all staff, frontline, and supervisors, that aligns with introduction of the new technology solutions that support capturing this information.

Condition C: *Inspections Were Not Performed for Non-licensed Child Care Providers As Required (New Condition)*

We do not concur.

The Department conducts health and safety monitoring visits of license-exempt providers once annually per Policy 11.32 *Authorized Child Care Professional Home Visits*. In response to the COVID-19 health crisis, monitoring requirements at 45 CFR §98.42(b)(2) were waived by the Administration for Children and Families Office of Child Care (OCC) in its approval letter to the Department dated June 08, 2020, with an effective date of March 03, 2020. OCC approved waiver renewal of monitoring requirements at 45 CFR §98.42(b)(2) on April 22, 2021, effective through September 30, 2021. The Department applied discretion as authorized by Executive Order of the

Governor and as further approved by OCC in Section 1.8.3 of the CCDF State Plan for 2019-2021. The Department is resuming monitoring visits of license-exempt providers in 2022.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Department of Education

We concur.

The department's Chief Operating Officer will work collaboratively with the Department of Human Services and staff within the Department of Education to:

- Revise inspection protocols and training to ensure staff and law enforcement stakeholders who perform inspections of childcare providers understand their responsibilities for health and safety requirements as established in the approved State Plan;
- Establish the necessary controls, including written policies and procedures for adequate supervisory reviews;
- Establish a quality assurance process to evaluate the effectiveness of the Department of Education inspection process, including the actual inspection and supervisory review;
- Evaluate school risk assessments to ensure they include all risks and implement effective controls to address noted risks; and
- Update the risk assessment as necessary, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and act if deficiencies occur.

Finding Number	2021-026
Assistance Listing Number	93.575
Program Name	Child Care and Development Fund Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Federal Award Identification Number	1801TNCCDF
Federal Award Year	2018 through 2020
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Matching, Level of Effort, Earmarking
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

The Department of Human Services did not establish adequate internal controls over Child Care and Development Fund earmarking, and as a result, management did not comply with the earmarking requirement

Background

The Department of Human Services (DHS) administers the Child Care and Development Fund (CCDF) cluster, which is a federal program under the oversight of the U.S. Department of Health and Human Services. The Department of Finance and Administration (F&A) is responsible for performing all fiscal-related duties on behalf of the department, including tracking expenditures for earmarking requirements.

CCDF funds subsidize child care for low-income families for parents who are working or attending training or educational programs. Additionally, the program supports activities to promote overall child care quality for all children. CCDF consists of three main funding sources: discretionary funds, mandatory funds, and matching funds.[84] Additionally, under the Temporary Assistance for Needy Families (TANF) program, a state may transfer TANF funds to CCDF; the transferred funds become part of the CCDF discretionary funds.

The U.S. Department of Health and Human Services requires DHS to meet three earmarking requirements for CCDF: **administrative earmarking**, **quality earmarking**, and **direct spending earmarking,** which includes **discretionary and mandatory funds**.

In response to the global COVID-19 pandemic, DHS requested multiple waivers from the federal Administration of Children and Families Office of Child Care (AFC) that affect how the department administers the CCDF cluster. AFC approved earmarking waivers effective for the period March 3, 2020, through September 30, 2021, which allowed DHS to waive the earmarking requirements for administrative, quality, and direct spending for discretionary funds. DHS did not

[84] Discretionary funds are authorized by Section 658B of the Child Care and Development Block Grant. Mandatory funds are the funds authorized by Section 418(a)(1) of the Social Security Act. Matching funds are optional funds authorized by Section 418(a)(2) of the Social Security Act and require the state to provide a matching amount of appropriations.

request a waiver related to earmarking for **direct spending for mandatory funds**. As such, during the current audit scope, we tested earmarking expenditures charged to the CCDF grant award for the 2018[85] federal grant year under the **direct spending for mandatory funds** earmarking requirements.

Criteria, Condition, and Cause

Under the CCDF direct spending for mandatory funds earmarking requirements (Title 45, *Code of Federal Regulations* [CFR], Section 98.50[e]), states and territories must spend a minimum of 70% of mandatory funds to meet the needs of families who (1) receive TANF assistance; (2) are attempting through work to transition off TANF; and (3) are at risk of becoming dependent on TANF.

Based on our review, we found that F&A's Controller and DHS's Child Care Services Program Directors did not ensure that DHS expended the minimum amount for mandatory funds during the required time period of October 1, 2018, through September 30, 2020, to meet earmarking requirements. DHS missed the earmarking requirement by over $2 million. (See **Table 1.**)

Table 1
Mandatory Funds for the Federal Fiscal Year 2018 Grant Award

Category of Funds	Required State Spending Amount	Expenditures Per the State's Accounting Records	Total Unmet Spending Requirement
Mandatory	$26,391,532	$24,298,184	$2,093,348

Source: Edison accounting records.

Although F&A's Controller and DHS's Child Care Services Program Directors had implemented a control process consisting of quarterly meetings to review CCDF program expenditures required to meet earmarking requirements, management did not include a review of expenditures to fulfill the direct spending for mandatory earmarking requirement.

According to the F&A Controller, her staff will perform adjusting entries and submit revised financial reports to the federal government for the 2018 grant award. Additionally, the Controller stated that they are now tracking expenditures for direct spending earmarking to review in their quarterly meetings.

Risk Assessment

We reviewed DHS's and F&A's December 2020 Financial Integrity Act risk assessment for DHS operations and determined that management listed the risk of noncompliance with federal earmarking requirements; however, the risk did not identify all earmarking requirements. As a result, management's identified control to mitigate these risks was not sufficient given that it did not address all earmarking requirements. According to Green Book Principle 7.02, "Identification of Risks,"

[85] The 2018 grant covered the period of October 1, 2017, through September 30, 2020, which ended within our audit period of July 1, 2020, through June 30, 2021.

> 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. . . .

Specifically, in this audit period, management did not implement the control activity for the federal direct spending earmarking requirement.

Effect

The department cannot meet the federal award requirement and is less likely to achieve the grant's purpose of helping families to improve their economic condition if they do not spend the required amounts on direct services for families who either qualify or are at risk of qualifying for TANF.

Recommendation

DHS's Director of Child Care Services and F&A's Controller for DHS fiscal activities should ensure they have implemented the necessary controls to monitor compliance with the direct spending earmarking requirements.

In addition, management should carefully evaluate their risk assessment to ensure they include all risks and implement effective controls to address the risks noted in this finding. Management should update the risk assessment as necessary, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

We concur.

The Department, along with the Department of Finance and Administration which provides fiscal services to the Department, will continue to meet regularly to evaluate expenses, review budget and spending strategies, assure appropriate allocation of funds, and review earmarking calculation and reporting requirements.

The Department of Finance and Administration Controller and the Department's Child Care Program Management review a schedule of federal earmarks quarterly, which was effective in March 2020. This specific earmark, direct spending for mandatory funds, had not been included in our quarterly review with Child Care Program Management. Fiscal reviews a schedule of all applicable child care and development fund earmarks with Child Care Program Management effective September 30, 2021. A correcting entry was recorded, and the 2018 final reports will be submitted to the federal agency by March 31, 2022.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-027
Assistance Listing 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, 2001TNCCC3, 2101TNCCDF, 2101TNCCC5, and 2101TNCDC6
Federal Award Year	2018 through 2021
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	$12,394

The Department of Human Services did not maintain documentation of children's eligibility determinations and did not ensure that subrecipients established adequate controls over the eligibility determination process

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.

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.[86]

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. The DHS

[86] The Star-Quality Child Care Program is a voluntary program that rewards child care agencies that exceed minimum licensing standards. See https://www.tn.gov/humanservices/for-families/child-care-services/child-care-report-card-star-quality-program.html.

Division of Fiscal Services staff use the forms, in conjunction with provider and client eligibility data, to process payments to each provider.

Child Care for Children of Essential Workers

After the COVID-19 pandemic began, DHS implemented a new focus of the program to help provide child care for children of essential workers.[87] The program was available from April 2020 through August 31, 2021. The Coronavirus Aid, Relief, and Economic Security Act and the Coronavirus Response and Relief Supplemental Appropriations Act[88] allowed states to use funding to provide child care to essential workers' children without regard to family size or income limits. Children had to be under 13 years of age (or up to age 19, if incapable of self-care or under court supervision) and have at least one parent who is an essential worker.

As part of its responsibilities for this new focus of the program, DHS determined eligibility and subsidized child care for children of essential workers who received care at a provider that DHS had already certified to receive CCDF payments. Additionally, DHS contracted with two more subrecipients to provide child care across the state. The subrecipients were responsible for determining children's eligibility and providing care for the children. DHS paid the subrecipients a flat daily rate per child, depending on whether the child received part-time or full-time care. The subrecipients submitted weekly invoices for reimbursement with a list of children served for the week.

Condition and Cause

Program Staff Did Not Maintain Documentation for Eligibility Determinations

To determine whether program staff correctly determined eligibility, we selected a nonstatistical, random sample of 60 eligible individuals from a population of 87,946 eligible individuals with payments totaling $461,047,035 for the Child Care Certificate Program from July 1, 2020, through June 30, 2021.

Based on our testwork, we found that for 3 of 60 eligible children (5%) tested, program staff did not maintain documentation supporting eligibility determinations. Documentation not on file included verification of the eligible child's age and verification of the parent's employment. We questioned the costs paid for these children during our audit period, totaling $12,394. According to the Director of Compliance, there was an increase in application volume for emergency child care for essential employees during the COVID-19 health crisis.

Questioned Costs

While total known questioned costs for the above errors totaled less than $25,000, Title 2, *Code of Federal Regulations*, Part 200, Section 516(a)(3), requires us to report known and likely

[87] Essential workers are identified as working in an essential services category (such as healthcare, law enforcement, food, or postal service) during the state of emergency period for the COVID-19 pandemic.

[88] Both acts provided direct economic assistance for American workers, families, small businesses, and industries. The Coronavirus Aid, Relief, and Economic Security (CARES) Act implemented a variety of programs to address issues related to the onset of the COVID-19 pandemic.

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.

Subrecipients Did Not Implement Internal Controls Over Eligibility Determinations

We performed testwork to determine whether the children were eligible in accordance with program requirements for essential workers' children. From a population of 6,174 eligible children, totaling $19,138,980 payments to subrecipient 1; and a population of 24,609 eligible children, totaling $31,918,560 payments to subrecipient 2, we selected a nonstatistical, random sample of 25 children who received child care from each subrecipient from July 1, 2020, through June 30, 2021.

From our testwork, we determined that the subrecipients could not provide verification of age for 50 of 50 children (100%) because DHS management did not provide any guidance to the subrecipients concerning the type of documentation to review and did not ensure that subrecipients established adequate controls for the age verification process. When we informed DHS management of our testwork results, management was able to obtain age verification and documentation through other means for all children in our sample testwork. As a result, although we identified control deficiencies, we did not have questioned costs for this condition.

Additionally, on July 27, 2021, the department's Division of Audit Services issued a subrecipient monitoring report for one of the subrecipients above. The monitoring report covered the period September 1, 2020, through November 30, 2020, and stated that the subrecipient provided child care for 17 children who did not meet the age requirements. As a result, the report questioned $7,260 in reimbursement costs paid to the subrecipient during this period. The report recommended the subrecipient implement internal controls to ensure that all children meet the program's age requirements.

Based on our discussions and walkthroughs with subrecipient management, neither subrecipient management nor staff obtained documentation (such as birth certificates or school records) to verify children met the age requirements when determining eligibility. Additionally, neither subrecipient documented the individuals that approved the children's eligibility, and no one performed a supervisory review. Based on our discussion with DHS management, the subrecipients' process for registering children included recording the child's stated age based on inquiry but did not include obtaining documentation to verify the child's age.

Risk Assessment

We reviewed DHS's December 2020 Financial Integrity Act Risk Assessment for department operations and determined that management did not identify the risk of subrecipients' noncompliance with eligibility determinations. As such, management did not establish control activities to ensure compliance with CCDF eligibility requirements.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides guidance to management for maintaining documentation of its internal control system. According to Green Book Principle 7.02, "Identification of Risks,"

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

Criteria

Green Book Principle 3.10, "Documentation of the Internal Control System," states,

> Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

According to Title 45, C*ode of Federal Regulations,* Part 98, Section 20(a),

> To be eligible for services under § 98.50, a child shall, at the time of eligibility determination or redetermination:
>
> (1)
>
> (i) Be under 13 years of age; or,
>
> (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision.

Effect

When management does not ensure supporting documentation was obtained or internal controls were in place for supervisory review, errors or mistakes can be made and go undetected. Unless DHS establishes and implements adequate controls to ensure the accuracy of CCDF Child Care Certificate Program eligibility determinations and redeterminations, DHS increases the risk of paying child care providers for services rendered to ineligible program participants.

Recommendation

The Commissioner should ensure that DHS's internal controls are adequately designed and operating effectively to prevent or detect incorrect provider payments. The Commissioner should ensure program staff obtain and maintain supporting documentation for individuals who are determined eligible for CCDF funding.

Although the program to provide child care to essential workers' children has ended, the Commissioner should ensure that DHS gives adequate guidance to subrecipients of any future programs to ensure that the subrecipients have internal controls in place to enforce and document all program requirements.

In addition, management should carefully evaluate its risk assessment to ensure it includes all risks, and management should implement effective controls to address the risks noted in this finding. Management should update the risk assessment as necessary, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

Condition: Program Staff Did Not Maintain Documentation for Eligibility Determinations

We concur.

The Department could not produce all supporting eligibility documentation for three (3) children.

The Department addressed document retention requirements and use of technology solutions in a refresher training delivered to Child Care Certificate Program (CCCP) staff on August 25, 2021.

The Department will include document retention requirements and use of technology solutions in future new employee and refresher CCCP trainings. The Department is in the process of child care modernization that will further address these issues.

Condition: Subrecipients Did Not Implement Internal Controls Over Eligibility Determinations

We do not concur.

The Department established temporary/emergency child care services as an immediate response to the COVID-19 health crisis under the broad discretion afforded it by Executive Order of the Governor and approved waivers by the Administration of Children and Families Office of Child Care.

The Department implemented internal controls through verification of parent eligibility documentation or other reasonable means such as examining a parent's professional identification confirming status as an Essential Services worker as defined by Attachment A to Executive Order 22 was performed by each subrecipient consistent with the terms and conditions of their respective grant contract. Information regarding the child's age was provided to and maintained by the subrecipients as part of the screening process once a parent's eligibility as an Essential Services worker was verified. Given the emergency nature of services and the desire to support essential workers, while limiting administrative burdens, the Department did not require the contractors to collect additional documentation to verify a child's age. Federal regulations do not specify any required method of verifying a child's age.

The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.

Finding Number	2021-028
Assistance Listing Number	10.568 and 10.569
Program Name	Food Distribution Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Agriculture
Federal Award Identification Number	205TN817Y8105, 215TN817Y8105, 205TN800Y8703, and 215TN717J7003
Federal Award Year	2020 and 2021
Finding Type	Material Weakness
Compliance Requirement	Eligibility Special Tests and Provisions
Repeat Finding	N/A
Pass-Through Entity	N/A
Questioned Costs	N/A

The Department of Agriculture did not have internal controls over inventory and household eligibility determinations for the Emergency Food Assistance Program

Background

The Department of Agriculture (the department), in partnership with the U.S. Department of Agriculture (USDA) and local organizations, operates the Emergency Food Assistance Program (TEFAP) to provide low-income households emergency food assistance. USDA purchases a variety of food items and makes them available to state distributing agencies. Subrecipients that have contracted with the department administer the program in compliance with the grant award on behalf of the department. The department places food orders with USDA on behalf of the subrecipients, and USDA delivers the food directly to the subrecipients' warehouses. By tracking food receipts and distributions, performing a physical inventory count at least annually, and documenting adjustments to inventory records such as losses due to spoilage, the subrecipients manage the inventory in their warehouses. Also, the subrecipients determine whether applicants meet income requirements and are residents of the state of Tennessee, and they provide food to households deemed eligible. The department reimburses the subrecipients to cover administrative costs, such as payroll costs associated with operating the TEFAP program. During our audit period, the department contracted with 22 subrecipients for the purpose of administering TEFAP.

Condition and Cause

Inventory Management and Household Eligibility

To determine whether subrecipients of the TEFAP program followed federal requirements for inventory management and household eligibility determinations, we observed physical inventories, reviewed supporting inventory records and eligibility determination documentation, and interviewed management and staff of the department. Based on our review, we found that department management did not have internal controls in place to ensure compliance with TEFAP inventory and eligibility requirements. Given that management had no controls, we also performed compliance tests to determine compliance with federal regulations. We did not identify

subrecipient noncompliance related to inaccurate inventory records or incorrect eligibility determination.

Based on discussions with department management, in prior fiscal years, the department performed on-site subrecipient reviews to determine if subrecipients were accurately determining household eligibility and managing the inventory according to federal requirements. According to management, they stopped performing these reviews of subrecipients in March 2020 due to the effects of the COVID-19 pandemic. Without a federal waiver to alleviate the impacts of the health emergency, management was required to either continue their established control activities or implement alternative controls to ensure subrecipients complied with the federal requirements.

The department had developed a monitoring schedule to review the subrecipients for federal fiscal year 2021;[89] however, as of January 28, 2022, management has neither resumed their previous control activity review process nor implemented other control activities to ensure subrecipients reasonably complied with the federal regulations.

Risk Assessment

We reviewed the Department of Agriculture's December 2020 Financial Integrity Act Risk Assessment for department operations and determined that management did not identify the risk of noncompliance with federal inventory and eligibility requirements and as such did not identify control activities to ensure compliance with these requirements.

Criteria

Inventory Management and Household Eligibility

According to 2 CFR 200.303(a), a non-federal agency must

> Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, according to 7 CFR 251.10(e),

> (1) Each State agency must monitor the operation of the program to ensure that it is being administered in accordance with Federal and State requirements. State agencies may not delegate this responsibility. . .
>
> (3) Each review must encompass, as applicable, eligibility determinations, food ordering procedures, storage and warehousing practices, inventory controls, approval of distribution sites, reporting and recordkeeping requirements, and civil rights.

[89] Our audit scope was July 1, 2020, through June 30, 2021, which is the state fiscal year. The department planned their monitoring schedule around the federal fiscal year, which spans October 1, 2020, through September 30, 2021.

Risk Assessment

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. According to Green Book Principle 7.02, "Identification of Risks,"

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

Additionally, Principle 9.04, "Analysis of and Response to Change," states,

> As part of risk assessment or a similar process, management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system. Changes in conditions affecting the entity and its environment often require changes to the entity's internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions. Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness.

Effect

The lack of sufficient internal controls over inventory management and household eligibility determinations increases the risk of noncompliance with federal requirements and fraud, waste, and abuse in this federal program.

Additionally, federal regulations address actions that federal agencies may impose if a state entity does not comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of a federal award. According to 2 CFR 200.208(c), "Specific conditions," these actions may include

- requiring reimbursement instead of advance payments;
- not allowing the agency to proceed to the next phase until it submits evidence of acceptable performance;
- requiring additional, more detailed financial reports or additional project monitoring;
- requiring the agency to obtain technical or management assistance; or
- establishing other prior approvals.

If the federal agency determines the state agency cannot remedy its noncompliance through the above actions, 2 CFR 200.339, "Remedies for noncompliance," outlines additional actions the federal agency may take. Depending on the circumstances, these actions may include

- temporarily withholding payments until the noncompliance has been corrected,

- denying the use of funds,
- partly or fully suspending or terminating the federal award,
- suspending or debarring the agency,
- withholding further awards for the project or program, or
- pursuing other available legal remedies.

Recommendation

The Commissioner of the Department of Agriculture should ensure that appropriate staff members establish and implement effective internal controls in response to changes in the operating environment to ensure compliance with inventory and eligibility requirements.

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 will establish control activities (review process) to ensure and document subrecipient compliance with inventory and eligibility requirements. The monitoring schedule the department had planned to implement in FY21 will be implemented during FY22, with an anticipated completion date of September 30, 2022, to coincide with the end of the federal fiscal year and the grant contract period.

Monitoring activity will transition to a desk audit format with virtual visits incorporated as needed to maximize safety protocols and minimize disruption of the monitoring schedule due to public health or other emergency situations.

If deficiencies are disclosed, the department will submit a report of findings to the subrecipient and ensure corrective action is taken.

The commodity administrator will be responsible for monitoring risks and assessing controls.

Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Unclustered Programs				
	Department of Agriculture				
10.001	Agricultural Research Basic and Applied Research			$ 1,940,604.00	$ -
10.025	Plant and Animal Disease, Pest Control, and Animal Care			1,430,184.00	233,646.00
10.069	Conservation Reserve Program			199,361.00	-
10.156	Federal-State Marketing Improvement Program			115,081.00	15,274.00
10.170	Specialty Crop Block Grant Program - Farm Bill			370,526.00	210,363.00
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds			$ 978,000.00	
	Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash)			8,528,536.00	
				9,506,536.00	9,506,536.00
10.202	Cooperative Forestry Research			799,103.00	-
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act			6,744,493.00	-
10.215	Sustainable Agriculture Research and Education	University of Georgia	SUB00002446	$ 14,184.00	
		University of Georgia	SUB00001989	17,833.00	
		University of Georgia	SUB00001757	9,850.00	
		University of Georgia	RD309-137/S001471	(490.00)	
		University of Kentucky Research Foundation	3200001610-18-217	(5,016.00)	
		Virginia Polytechnic Institute and State University	2019-USA-4RS03	37,900.00	
				74,261.00	-
10.216	1890 Institution Capacity Building Grants			$ 262,799.00	
		Alabama A&M University	2019-38821-29156	6,579.00	
				269,378.00	(12,900.00)
10.217	Higher Education - Institution Challenge Grants Program			$ 197,843.00	
		Purdue University	2019-70003-29089	4,360.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
		University of Florida	Unknown	17,749.00	
				219,952.00	15,000.00
10.220	Higher Education - Multicultural Scholars Grant Program	North Carolina Agricultural and Technical State University	2014-38413-21797	363.00	-
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants			2,731.00	-
10.229	Extension Collaborative on Immunization Teaching & Engagement	Extension Foundation	EXC1-2021-2087	1,184.00	-
10.303	Integrated Programs			32,918.00	32,918.00
10.304	Homeland Security Agricultural	University of Florida	UFDSP00011548	33,308.00	-
10.310	Agriculture and Food Research Initiative (AFRI)			$ 795,301.00	
		National 4-H Council	2021-67037-33376	14,992.00	
		University of Georgia	SUB00001643	35,166.00	
		University of Maryland	Z5775002	56,505.00	
		Vanderbilt University	2017-68001-26352	69,621.00	
				971,585.00	470,505.00
10.311	Beginning Farmer and Rancher Development Program			172,702.00	69,679.00
10.326	Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)			104,925.00	84,029.00
10.328	National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program			$ 2,127.00	
		University of Florida	UFDSP0012367	590.00	
		University of Florida	2018-70020-28930	8,460.00	
				11,177.00	-
10.329	Crop Protection and Pest Management Competitive Grants Program			160,424.00	-
10.351	Rural Business Development Grant			127,029.00	52,869.00
10.443	Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers			7,298.00	-
10.446	Rural Community Development Initiative			116,360.00	27,360.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
10.500	Cooperative Extension Service			$ 2,121,848.00		
		Kansas State University	2018-48661-28954	1,784.00		
		Kansas State University	2016-48696-25889	(438.00)		
		University of Arkansas Little Rock	Unknown	3,215.00		
		University of Arkansas Little Rock	31014-03	745.00		
		University of Arkansas Little Rock	2018-70027-28585	72,353.00		
		University of Minnesota	A004345901	(7,343.00)		
		University of Missouri	C00067296-6	14,649.00		
		University of Missouri	C00059381-4	(1,058.00)		
					2,205,755.00	304,329.00
10.511	Smith-Lever Funding (Various Programs)				12,817,934.00	-
10.512	Agriculture Extension at 1890 Land-grant Institutions				1,156,211.00	-
10.514	Expanded Food and Nutrition Education Program				4,666.00	-
10.515	Renewable Resources Extension Act and National Focus Fund Projects				71,872.00	-
10.535	SNAP Fraud Framework Implementation Grant				195,808.00	-
10.542	COVID-19 - Pandemic EBT Food Benefits				1,113,826,641.00	-
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children				79,517,729.00	55,499,211.00
10.558	Child and Adult Care Food Program			$ 54,159,917.00		
	COVID-19 - Child and Adult Care Food Program			2,001,022.00		
					56,160,939.00	54,955,347.00
10.560	State Administrative Expenses for Child Nutrition				6,504,441.00	1,341,605.00
10.572	WIC Farmers' Market Nutrition Program (FMNP)				81,255.00	63,692.00
10.576	Senior Farmers Market Nutrition Program				391,061.00	349,880.00
10.578	WIC Grants To States (WGS)				378,758.00	-
10.582	Fresh Fruit and Vegetable Program				3,741,904.00	3,741,904.00
10.649	Pandemic EBT Administrative Costs				15,648,400.00	-
10.652	Forestry Research				370,728.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
10.664	Cooperative Forestry Assistance			1,102,951.00	348,433.00
10.675	Urban and Community Forestry Program			186,677.00	61,033.00
10.676	Forest Legacy Program			13,809.00	-
10.678	Forest Stewardship Program			182,779.00	-
10.680	Forest Health Protection			$ 354,035.00	
		Gypsy Moth Slow the Spread	21-01-14	31,770.00	
		Gypsy Moth Slow the Spread	20-01-14	16,519.00	
				402,324.00	28,129.00
10.691	Good Neighbor Authority			133,821.00	-
10.697	State & Private Forestry Hazardous Fuel Reduction Program			4,588.00	-
10.699	Partnership Agreements			54,120.00	-
10.707	Research Joint Venture and Cost Reimbursable Agreements			7,390.00	-
10.762	Solid Waste Management Grants			71,015.00	-
10.769	Rural Business Enterprise Grants			746.00	-
10.861	Public Television Station Digital Transition Grant Program			499,908.00	-
10.874	Delta Health Care Services Grant Program			145,500.00	-
10.902	Soil and Water Conservation			$ 534,041.00	
		Alcorn State University	68-3AQ75-18-004	53,258.00	
				587,299.00	281,129.00
10.903	Soil Survey			6,979.00	-
10.912	Environmental Quality Incentives Program			$ 116,700.00	
		Pheasants Forever, Inc	WLFW 2.0	5,155.00	
				121,855.00	-
10.931	Agricultural Conservation Easement Program			97,168.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
10.960	Technical Agricultural Assistance			16,296.00	-
10.962	Cochran Fellowship Program-International Training-Foreign Participant			(1,319.00)	-
10.U01	Expanding Access to Spatial Mapping and GIS Tools	1890 Universities Foundation	Unknown	540.00	-
10.U02	Farm Commodity, Process & System	1890 Universities Foundation	Unknown	10,772.00	-
10.U03	1890 Scholarship Program: Training & Mentoring the Next Generation of Leaders in Food & Agricultural Sciences		2020-38430-31299	210,212.00	-
10.U04	CPB CARES Act Funding Lane 2020		Unknown	75,796.00	-
10.U05	Our Daily Bread of Tennessee - Moran	Our Daily Bread of TN	03-47--6437004	16,306.00	-
10.U06	SARD Professional	University of Florida	AID-OAA-A-15-00039	12,226.00	-
Subtotal Department of Agriculture				$ 1,320,445,343.00	$ 127,679,971.00
		Department of Commerce			
11.003	Census Geography			$ (668.00)	$ -
11.303	Economic Development Technical Assistance			237,593.00	-
11.549	State and Local Implementation Grant Program			7,234.00	-
11.611	Manufacturing Extension Partnership			3,715,100.00	297,815.00
Subtotal Department of Commerce				$ 3,959,259.00	$ 297,815.00
		Department of Defense			
12.002	Procurement Technical Assistance For Business Firms			$ 576,487.00	$ -
12.112	Payments to States in Lieu of Real Estate Taxes			1,119,309.00	1,119,309.00
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services			83,095.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
12.300	Basic and Applied Scientific Research			137,147.00	52,146.00
12.400	Military Construction, National Guard			544,274.00	-
12.401	National Guard Military Operations and Maintenance (O&M) Projects			43,171,782.00	-
12.404	National Guard ChalleNGe Program			389,687.00	-
12.630	Basic, Applied, and Advanced Research in Science and Engineering	American Lightweight Materials Manufacturing Innovation Institute (ALMMII)	PO 0066	$ 1.00	
		National Science Teachers Association	21-871-026	5,572.00	
				5,573.00	-
12.631	Science, Technology, Engineering and Mathematics (STEM) Educational Program: Science, Mathematics And Research for Transformation (SMART)	United Soybean Board	Unknown	11,455.00	-
12.800	Air Force Defense Research Sciences Program			(199.00)	-
12.902	Information Security Grants	Fordham University	SUBAWARD FORD0061-30353	$ 50,034.00	
		Fordham University	FORD0064-30353	9,950.00	
				59,984.00	-
12.903	GenCyber Grants Program			63,980.00	-
12.905	CyberSecurity Core Curriculum			$ 404,265.00	
		Purdue University	13000952-035	63,456.00	
				467,721.00	-
12.U01	Air Force FA442720P0103 Cody		FA442720P0103	24,289.00	-
12.U02	Academic Review and Rewrite of NAVFAC DM 7.02	National Institute of Building Sciences	SUBCONTRACT PROJECT 66, TO4019	52,116.00	-
12.U03	Purdue 13000844-037 SCALE Loveless Oper	Purdue University	13000844-037	48,850.00	-
Subtotal Department of Defense				$ 46,755,550.00	$ 1,171,455.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Department of Housing and Urban Development				
14.169	Housing Counseling Assistance Program			$ 233,359.00	$ 164,881.00
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			28,537,941.00	27,740,700.00
14.231	Emergency Solutions Grant Program			$ 3,043,993.00	
		City of Knoxville	C-21-0171	50,430.00	
	COVID-19 - Emergency Solutions Grant Program			5,420,458.00	
				8,514,881.00	8,143,836.00
14.239	Home Investment Partnerships Program			11,706,392.00	10,885,272.00
14.241	Housing Opportunities for Persons with AIDS			$ 1,429,789.00	
	COVID-19 - Housing Opportunities for Persons with AIDS			198,810.00	
				1,628,599.00	1,577,689.00
14.267	Continuum of Care Program			130,008.00	-
14.275	Housing Trust Fund			3,101,632.00	2,820,370.00
14.401	Fair Housing Assistance Program State and Local			$ 1,002,608.00	
	COVID-19 - Fair Housing Assistance Program State and Local			31,487.00	
				1,034,095.00	-
14.896	Family Self-Sufficiency Program			298,627.00	-
14.U01	Office of Manufactured Housing		DU100K900016709	431,999.00	-
14.U02	City of Knoxville ESG 2021 Patterson	City of Knoxville	C-21-0217	3,906.00	-
Subtotal Department of Housing and Urban Development				$ 55,621,439.00	$ 51,332,748.00
	Department of the Interior				
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining			$ 76,957.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
15.252	Abandoned Mine Land Reclamation (AMLR)			1,326,610.00	445,216.00
15.608	Fish and Wildlife Management Assistance			667,145.00	667,145.00
15.615	Cooperative Endangered Species Conservation Fund			183,874.00	193,693.00
15.616	Clean Vessel Act			245,322.00	245,322.00
15.622	Sportfishing and Boating Safety Act			(40.00)	(40.00)
15.631	Partners for Fish and Wildlife			(41,868.00)	(41,868.00)
15.634	State Wildlife Grants			757,902.00	757,902.00
15.657	Endangered Species Recovery Implementation			285,014.00	-
15.663	NFWF-USFWS Conservation Partnership	National Fish and Wildlife Foundation	1904.16.052925	11,256.00	-
15.676	Youth Engagement, Education, and Employment			16,919.00	-
15.810	National Cooperative Geologic Mapping			105,308.00	-
15.814	National Geological and Geophysical Data Preservation			25,224.00	-
15.904	Historic Preservation Fund Grants-In-Aid			931,438.00	810,943.00
15.916	Outdoor Recreation Acquisition, Development and Planning			2,952,231.00	-
15.928	Battlefield Land Acquisition Grants			2,488,843.00	2,488,843.00
15.939	Heritage Partnership			562,199.00	-
15.945	Cooperative Research and Training Programs – Resources of the National Park System			18,383.00	-
15.U01	FWS Tennessee NWR Complex - Pelren		F15AC00277	6,168.00	-
Subtotal Department of the Interior				$ 10,618,885.00	$ 5,567,156.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Department of Justice				
16.017	Sexual Assault Services Formula Program			$ 88,889.00	$ 55,313.00
16.111	Joint Law Enforcement Operations (JLEO)			13,703.00	-
16.320	Services for Trafficking Victims			140,515.00	-
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus			142,051.00	-
16.540	Juvenile Justice and Delinquency Prevention			563,175.00	445,800.00
16.550	State Justice Statistics Program for Statistical Analysis Centers			67,295.00	-
16.554	National Criminal History Improvement Program (NCHIP)			922,589.00	873,825.00
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants			4,706.00	-
16.575	Crime Victim Assistance			46,335,123.00	44,795,692.00
16.576	Crime Victim Compensation			5,151,000.00	-
16.582	Crime Victim Assistance/Discretionary Grants			$ 42,341.00	
		City of Memphis, Memphis Police Department	37373	15,995.00	
				58,336.00	-
16.585	Drug Court Discretionary Grant Program			529,468.00	529,468.00
16.588	Violence Against Women Formula Grants			2,422,139.00	2,129,458.00
16.593	Residential Substance Abuse Treatment for State Prisoners			475,014.00	471,587.00
16.603	Corrections Technical Assistance/Clearinghouse			25,903.00	-
16.606	State Criminal Alien Assistance Program			306,967.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
16.607	Bulletproof Vest Partnership Program				20,432.00	19,510.00
16.710	Public Safety Partnership and Community Policing			$ 1,840,367.00		
		City of Memphis, Memphis Police Department	2019-MH-WX-K004	15,890.00		
		University of North Texas Health Science Center	RF70050-2021-0151	13,091.00		
					1,869,348.00	81,278.00
16.726	Juvenile Mentoring Program	National 4-H Council	Unknown		35,357.00	-
16.738	Edward Byrne Memorial Justice Assistance Grant Program			$ 4,127,097.00		
	COVID-19 - Edward Byrne Memorial Justice Assistance Grant Program			1,637,461.00		
					5,764,558.00	5,342,125.00
16.741	DNA Backlog Reduction Program				1,452,031.00	-
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program				314,903.00	313,769.00
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program				311,722.00	311,722.00
16.750	Support for Adam Walsh Act Implementation Grant Program				246,499.00	-
16.754	Harold Rogers Prescription Drug Monitoring Program				678,094.00	151,000.00
16.812	Second Chance Act Reentry Initiative				172,099.00	102,822.00
16.813	NICS Act Record Improvement Program				284,004.00	276,483.00
16.825	Smart Prosecution Initiative				67,993.00	61,466.00
16.828	Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program				76,950.00	-
16.833	National Sexual Assault Kit Initiative	City of Memphis, Memphis Police Department	2018-AK-BX-0028		42,325.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
16.838	Comprehensive Opioid, Stimulant, and Substance Abuse Program			1,640,637.00	1,529,658.00
16.842	Opioid Affected Youth Initiative			225,506.00	-
16.922	Equitable Sharing Program			$ 27,614.00	
	COVID-19 - Equitable Sharing Program			121,107.00	
				148,721.00	-
16.U01	Project Guardian Initiative		2020-DG-BX-K012	12,846.00	-
16.U02	U.S. Marshals Service Joint Law Enforcement Operation Taskforce		M-21-D74-O-000072	106,624.00	-
16.U03	Govenors Task Force Marijuana		2020-113	513,431.00	-
16.U04	Govenors Task Force Marijuana		2021-113	145,037.00	-
16.U05	COVID-19 - Task Force OT		USS JOPS	18,909.00	-
16.U06	COVID-19 - Task Force OT		OCDETF SI-SE W327810	2,782.00	-
16.U07	COVID-19 - Task Force OT		OCDETF SETE0230 W327259	2,833.00	-
16.U08	COVID-19 - Task Force OT		OCDETF SETNW0230 W327345	6,662.00	-
16.U09	COVID-19 - Task Force OT		JTTF 0511	7,043.00	-
16.U10	COVID-19 - Task Force OT		DEA MARSHALL	8,220.00	-
16.U11	Hamilton Co Mental Health CourtDaugherty	Hamilton County Mental Health Court	Unknown	7,151.00	-
Subtotal Department of Justice				$ 71,429,590.00	$ 57,490,976.00
			Department of Labor		
17.002	Labor Force Statistics			$ 863,568.00	$ -
17.005	Compensation and Working Conditions			128,178.00	-
17.225	Unemployment Insurance			$ 449,695,793.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
	COVID-19 - Unemployment Insurance			$ 2,796,714,567.00		
					3,246,410,360.00	454,648.00
17.235	Senior Community Service Employment Program				1,203,179.00	1,128,815.00
17.245	Trade Adjustment Assistance				1,833,433.00	98,988.00
17.268	H-1B Job Training Grants			$ 396,660.00		
		Greater Memphis Alliance for a Competitive Workforce	HG-30131-17-60-A-47-GMASWORKFORCE-UofM	154,654.00		
		Greater Memphis Alliance for a Competitive Workforce	HG-30131-17-60-A-47	129,004.00		
					680,318.00	-
17.271	Work Opportunity Tax Credit Program (WOTC)				962,465.00	-
17.273	Temporary Labor Certification for Foreign Workers				228,341.00	-
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants			$ 5,796,960.00		
	COVID-19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants			793,684.00		
					6,590,644.00	6,125,842.00
17.280	WIOA Dislocated Worker National Reserve Demonstration Grants			$ 54,547.00		
		Appalachian Sustainable Development	MI-35510-20-20-A-51-02	2,608.00		
					57,155.00	-
17.285	Apprenticeship USA Grants			$ 759,475.00		
		American Association of Community Colleges	AP-33025-19-75-A-11	44,792.00		
					804,267.00	194,467.00
17.503	Occupational Safety and Health State Program				4,049,252.00	-
17.504	Consultation Agreements				1,038,512.00	-
17.600	Mine Health and Safety Grants				211,760.00	-
17.720	Disability Employment Policy Development				410,083.00	-
Subtotal Department of Labor					$ 3,265,471,515.00	$ 8,002,760.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
			Department of State				
19.009	Academic Exchange Programs - Undergraduate	FHI 360	PO19002774	$ 4,311.00			
		World Learning	A20-2992-002	5,176.00			
					$ 9,487.00	$	-
19.033	Global Threat Reduction				333,138.00		-
19.040	Public Diplomacy Programs			$ 11,242.00			
		American Council	SRS50020GR0057	641.00			
					11,883.00		-
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges				1,055,037.00		921,913.00
19.600	Bureau of Near Eastern Affairs	The American University of Kurdistan	PTE Fed Award # SNEAAC20GR0055		9,210.00		-
19.900	AEECA/ESF PD Programs			$ 39,222.00			
		American Councils for International Education	SUZ800-18-CA-0001	8,335.00			
					47,557.00		-
Subtotal Department of State					$ 1,466,312.00	$	921,913.00
			Department of Transportation				
20.106	Airport Improvement Program			$ 28,327,778.00			
	COVID-19 - Airport Improvement Program			2,619,178.00			
					$ 30,946,956.00	$	30,942,458.00
20.215	Highway Training and Education				28,355.00		-
20.232	Commercial Driver's License Program Implementation Grant				127,676.00		-
20.301	Railroad Safety				2,018.00		-
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				94,010.00		(128,665.00)
20.509	Formula Grants for Rural Areas and Tribal Transit Program			$ 6,561,987.00			

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
	COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program			$ 41,680,967.00		
					48,242,954.00	47,895,753.00
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program				764,625.00	476,023.00
20.607	Alcohol Open Container Requirements				11,647,449.00	3,281,284.00
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements			$ 426,472.00		
		National Safety Council	DTNH22-15-H-00473 0001	6,148.00		
		National Safety Council	AGREEMENT # NSC-26359	78,377.00		
					510,997.00	134,566.00
20.615	E-911 Grant Program				(334,041.00)	-
20.700	Pipeline Safety Program State Base Grant				875,069.00	-
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants				566,495.00	55,544.00
20.720	State Damage Prevention Program Grants				41,751.00	-
20.721	PHMSA Pipeline Safety Program One Call Grant				15,622.00	-
20.U01	USDOT NHTSA CAFE NPRM Greene		Unknown		48,050.00	-
Subtotal Department of Transportation					$ 93,577,986.00	$ 82,656,963.00
			Department of the Treasury			
21.019	COVID-19 - Coronavirus Relief Fund			$ 1,734,901,571.00		
	COVID-19 - Coronavirus Relief Fund	Alliance for Business and Training	Unknown	27,950.00		
	COVID-19 - Coronavirus Relief Fund	Public Education Foundation	Unknown	153,515.00		
					$ 1,735,083,036.00	$ 564,650,639.00
21.023	COVID-19 - Emergency Rental Assistance Program				18,401,470.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
21.026	COVID-19 - Homeowner Assistance Fund			689,118.00	-
Subtotal Department of the Treasury				$ 1,754,173,624.00	$ 564,650,639.00
		Appalachian Regional Commission			
23.002	Appalachian Area Development			$ 10,061,261.00	$ 7,219,574.00
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects			785,089.00	33,903.00
23.U01	ARC OF TN - Pikeville Downtown - Upendra		TN-19529-19	56,886.00	-
Subtotal Appalachian Regional Commission				$ 10,903,236.00	$ 7,253,477.00
		Equal Employment Opportunity Commission			
30.002	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts			$ 134,000.00	$ -
Subtotal Equal Employment Opportunity Commission				$ 134,000.00	$ -
		General Services Administration			
39.003	Donation of Federal Surplus Personal Property (Noncash)			$ 465,149.00	$ -
39.011	Election Reform Payments			112,100.00	-
Subtotal General Services Administration				$ 577,249.00	$ -
		Library of Congress			
42.010	Teaching with Primary Sources			$ 92,674.00	$ -
Subtotal Library of Congress				$ 92,674.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
			National Aeronautics and Space Administration				
43.001	Science			$ 4,249.00			
		University of Toledo	NNX16ACS4A	154,881.00			
					$ 159,130.00	$	-
43.008	Office of Stem Engagement (OSTEM)			$ 60,580.00			
		Vanderbilt University	UNIV61868	10,000.00			
		Vanderbilt University	UNIV61848	14,311.00			
		Vanderbilt University	UNIV59432-FORMERLY 3807-019687	7,975.00			
		Vanderbilt University	UNIV59308	8,354.00			
		Vanderbilt University	SUBAWARD UNIV61856 AMEND 1	14,028.00			
		Vanderbilt University	3799-019687	10,801.00			
		Vanderbilt University	3796-019687	32,000.00			
					158,049.00		-
Subtotal National Aeronautics and Space Administration					$ 317,179.00	$	-
			National Endowment for the Arts				
45.024	Promotion of the Arts Grants to Organizations and Individuals			$ 2,733.00			
		South Arts, Inc	1886417-61-20	12,500.00			
	COVID-19 - Promotion of the Arts Grants to Organizations and Individuals	South Arts, Inc	1856029-61-19	60,000.00			
					$ 75,233.00	$	74,669.00
45.025	Promotion of the Arts Partnership Agreements			$ 846,100.00			
		South Arts, Inc	5924	2,000.00			
		South Arts, Inc	5693	2,328.00			
	COVID-19 - Promotion of the Arts Partnership			474,800.00			
					1,325,228.00		1,270,900.00
Subtotal National Endowment for the Arts					$ 1,400,461.00	$	1,345,569.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	National Endowment for the Humanities					
45.129	Promotion of the Humanities Federal/State Partnership	Humanities Tennessee	SO-268701-20		$ 12,500.00	$ -
45.161	Promotion of the Humanities Research				49,153.00	-
45.163	Promotion of the Humanities Professional Development				2,254.00	-
45.U01	NEH FELL-262466 Miller		FELL-262466		(13,000.00)	-
Subtotal National Endowment for the Humanities					$ 50,907.00	$ -
	Institute of Museum and Library Services					
45.301	Museums for America				$ 22,127.00	$ -
45.310	Grants to States			$ 3,009,463.00		
	COVID-19 - Grants to States			560,206.00		
					3,569,669.00	782,956.00
45.313	Laura Bush 21st Century Librarian Program				392,314.00	24,863.00
Subtotal Institute of Museum and Library Services					$ 3,984,110.00	$ 807,819.00
	Small Business Administration					
59.037	Small Business Development Centers			$ 2,684,652.00		
	COVID-19 - Small Business Development Centers			1,719,641.00		
					$ 4,404,293.00	$ 4,404,293.00
Subtotal Small Business Administration					$ 4,404,293.00	$ 4,404,293.00
	Tennessee Valley Authority					
62.U01	TVA - Solar Farm 8500021516 - Patterson		8500021516		$ 965,129.00	$ -
62.U02	TVA Diversity - Middlebrooks - FY2021		Unknown		7,603.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
62.U03	TVA Diversity Alliance Grant FY20		Unknown	10,385.00	-
62.U04	TVA Plant Communities Eradication-Harper		PO 2593722	12,578.00	-
62.U05	TVA PO 5339017 Baumann		PO 5339017 (9392)	(3,162.00)	-
62.U06	TVA PO 5692532 Baumann		PO 5692532 (9392)	35,433.00	-
62.U07	TVA PO# 6518313 (9392) Lofaro		6518313 (9392)	70,574.00	-
62.U08	TVA PO# 6717053(9392) Lofaro		6717053 (9392)	3,530.00	-
62.U09	Ocoee Trust Fund		FY2020-2024TVA Award	1,577,129.00	393,691.00
Subtotal Tennessee Valley Authority				$ 2,679,199.00	$ 393,691.00
		Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities			$ 19,106,510.00	$ -
64.015	Veterans State Nursing Home Care			28,629,992.00	-
64.034	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces			69,492.00	-
64.054	Research and Development			231,518.00	-
64.101	Burial Expenses Allowance for Veterans			1,696,623.00	-
64.124	All-Volunteer Force Educational Assistance			619,800.00	-
64.203	Veterans Cemetery Grants Program			2,251.00	-
64.U01	COVID-19 - COVID Veteran's Home Funding		VA funding	6,376,950.00	-
64.U02	Support Veterans		11908142	12,256.00	-
64.U03	VA Medical Center IPA Agreements-Waters		Unknown	301,925.00	-
64.U04	US Dept Veterans Kidney Disease Langston		Unknown	52,191.00	-
Subtotal Department of Veterans Affairs				$ 57,099,508.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Environmental Protection Agency				
66.032	State Indoor Radon Grants			$ 127,229.00	$ -
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			206,508.00	-
66.040	Diesel Emissions Reduction Act (DERA) State Grants			207,227.00	207,227.00
66.204	Multipurpose Grants to States and Tribes			10,676.00	-
66.419	Water Pollution Control State, Interstate, and Tribal Program Support			129,348.00	-
66.433	State Underground Water Source Protection			62,561.00	-
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act			63,741.00	27,401.00
66.442	Assistance for Small and Disadvantaged Communities Drinking Water Grant Program (SDWA 1459A)			181,858.00	181,858.00
66.454	Water Quality Management Planning			342,642.00	132,908.00
66.460	Nonpoint Source Implementation Grants			2,282,116.00	843,491.00
66.461	Regional Wetland Program Development Grants			66,090.00	11,012.00
66.605	Performance Partnership Grants			5,741,864.00	-
66.608	Environmental Information Exchange Network Grant Program and Related Assistance			136,244.00	-
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements			35,515.00	-
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals			305,880.00	-
66.708	Pollution Prevention Grants Program			72,466.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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	Extension Foundation	SA-2021-04	$ 5,812.00	
		Extension Foundation	SA-2020-01	12,327.00	
				18,139.00	-
66.801	Hazardous Waste Management State Program Support			1,564,124.00	-
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			292,173.00	-
66.804	Underground Storage Tank (UST) Prevention, Detection, and Compliance Program			388,187.00	-
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program			961,396.00	-
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements			52,759.00	-
66.817	State and Tribal Response Program Grants			681,825.00	-
Subtotal Environmental Protection Agency				$ 13,930,568.00	$ 1,403,897.00
		Nuclear Regulatory Commission			
77.008	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program			$ 369,440.00	$ -
Subtotal Nuclear Regulatory Commission				$ 369,440.00	$ -
		Department of Energy			
81.041	State Energy Program			$ 974,074.00	$ -
81.042	Weatherization Assistance for Low-Income Persons			2,457,023.00	2,273,430.00
81.049	Office of Science Financial Assistance Program	Michigan State University	RC111555 - MTSU	26,368.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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			$ 710,590.00	
		North Carolina State University	SUBAWARD 2017-3030-01 AMEND 3	41,753.00	
				752,343.00	10,000.00
81.119	State Energy Program Special Projects			2,107.00	-
81.136	Long-Term Surveillance and Maintenance			4,459,429.00	195,614.00
81.214	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis			1,562,276.00	160,935.00
81.U01	Oak Ridge WMA		Oak Ridge WMA	173,712.00	-
81.U02	CNS LLC 4300160307 Sawhney		4300160307	(474.00)	-
81.U03	Nat'l 4-H CS Pathway Process Eval-Franck	National 4-H Council	Unknown	11,779.00	-
Subtotal Department of Energy				$ 10,418,637.00	$ 2,639,979.00
			Department of Education		
84.002	Adult Education - Basic Grants to States			$ 10,951,842.00	$ 5,855,885.00
84.010	Title I Grants to Local Educational Agencies			288,194,651.00	285,509,068.00
84.011	Migrant Education State Grant Program			889,957.00	889,957.00
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth			387,923.00	387,923.00
84.031	Higher Education Institutional Aid			13,519,444.00	-
84.048	Career and Technical Education -- Basic Grants to States			$ 22,234,818.00	
		Hamilton County Department of Education	V048A190042	26,387.00	
				22,261,205.00	20,509,095.00
84.051	Career and Technical Education -- National Programs			217,706.00	152,431.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
84.120	Minority Science and Engineering Improvement			$ 189,617.00		
		Meharry Medical College	161206PMJ157	25,855.00		
					215,472.00	-
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States				48,367,375.00	4,719,172.00
84.129	Rehabilitation Long-Term Training				(10,050.00)	-
84.144	Migrant Education Coordination Program				(64,392.00)	(64,392.00)
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind				560,286.00	-
84.181	Special Education-Grants for Infants and Families				9,325,949.00	6,716,007.00
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)				194,549.00	-
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities				346,458.00	-
84.196	Education for Homeless Children and Youth				1,774,622.00	1,690,987.00
84.200	Graduate Assistance in Areas of National Need				46,780.00	-
84.206	Javits Gifted and Talented Students Education				158,836.00	52,415.00
84.282	Charter Schools				3,590,133.00	3,440,085.00
84.287	Twenty-First Century Community Learning Centers				24,873,202.00	24,504,462.00
84.305	Education Research, Development and Dissemination				482,623.00	482,623.00
84.323	Special Education - State Personnel Development				105,050.00	-
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities			$ 541,639.00		
		Salus University	UTK 88405 FALL 2019	(59.00)		
		University of Florida	136897/48431 CEEDAR	9,000.00		
		Vanderbilt University	H325K190068	32,589.00		
					583,169.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	The University of Oregon	2406U0A	16,853.00	-
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs			5,216,270.00	2,956,780.00
84.335	Child Care Access Means Parents in School			753,642.00	-
84.336	Teacher Quality Partnership Grants			106,212.00	-
84.358	Rural Education			4,052,430.00	3,896,310.00
84.365	English Language Acquisition State Grants			6,564,693.00	6,329,325.00
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)			$ 35,518,245.00	
		National Writing Project	94-TN02	126.00	
		National Writing Project	08-TN04-SEED2019-C3WPAI	809.00	
				35,519,180.00	34,959,382.00
84.369	Grants for State Assessments and Related Activities			7,223,700.00	-
84.371	Comprehensive Literacy Development			96,016.00	-
84.372	Statewide Longitudinal Data Systems			1,074,259.00	403,824.00
84.382	Strengthening Minority-Serving Institutions			513,218.00	-
84.407	Transition Programs for Students with Intellectual Disabilities into Higher Education			$ 31,311.00	
		Vanderbilt University	P407A2000009	102,834.00	
				134,145.00	-
84.411	Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	National Writing Project	05-TN03-2019I3C3WP	$ 1,964.00	
		National Writing Project	05-TN03-220i3C3WP	72,281.00	
				74,245.00	-
84.419	Preschool Development Grants			42.00	(4,486.00)
84.424	Student Support and Academic Enrichment Program			19,970,159.00	19,291,912.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
84.425B	COVID-19 - Discretionary Grants: Rethink K-12 Education Models Grants			318,072.00	-
84.425C	COVID-19 - Governor's Emergency Education Relief (GEER) Fund			12,955,825.00	12,235,026.00
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund			407,207,313.00	405,519,156.00
84.425E	COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion			98,790,860.00	-
84.425F	COVID-19 - HEERF Institutional Portion			188,311,376.00	-
84.425J	COVID-19 - HEERF Historically Black Colleges and Universities (HBCUs)			38,121,052.00	-
84.425L	COVID-19 - HEERF Minority Serving Institutions (MSIs)			1,280,435.00	-
84.425M	COVID-19 - HEERF Strengthening Institutions Program (SIP)			10,267,516.00	-
84.425N	COVID-19 - HEERF Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant			814,320.00	-
84.425R	COVID-19 - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program			21,226,637.00	21,226,624.00
84.U01	NAEP State Coordinator/Basic Participation Contract		NAEP03	136,763.00	-
Subtotal Department of Education				$ 1,287,718,023.00	$ 861,659,571.00
		National Archives and Records Administration			
89.003	National Historical Publications and Records Grants			$ 217,814.00	$ 32,362.00
Subtotal National Archives and Records Administration				$ 217,814.00	$ 32,362.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Delta Regional Authority				
90.200	Delta Regional Development			$ 7,561.00	$ 7,561.00
Subtotal Delta Regional Authority				$ 7,561.00	$ 7,561.00
	Election Assistance Commission				
90.401	Help America Vote Act Requirements Payments			$ 335,091.00	$ -
90.404	2018 HAVA Election Security Grants			$ 1,079,332.00	
	COVID-19 - 2018 HAVA Election Security Grants			6,211,176.00	
				7,290,508.00	6,787,064.00
Subtotal Election Assistance Commission				$ 7,625,599.00	$ 6,787,064.00
	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			$ 96,873.00	$ 96,873.00
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals			368,498.00	335,803.00
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services			584,656.00	584,656.00
93.048	COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects			392,885.00	332,705.00
93.052	National Family Caregiver Support, Title III, Part E			$ 3,427,955.00	
	COVID-19 - National Family Caregiver Support, Title III, Part E			661,117.00	
				4,089,072.00	4,089,072.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
93.065	Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure			83,543.00	-
93.069	Public Health Emergency Preparedness			6,794,192.00	2,526,428.00
93.070	Environmental Public Health and Emergency Response			314,401.00	4,241.00
93.071	Medicare Enrollment Assistance Program			618,358.00	618,236.00
93.072	Lifespan Respite Care Program			143,689.00	132,819.00
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance			9,549.00	-
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			2,896,403.00	766,332.00
93.080	Blood Disorder Program: Prevention, Surveillance, and Research			49,430.00	34,436.00
93.090	Guardianship Assistance			$ 9,335,449.00	
	COVID-19 - Guardianship Assistance			1,345,548.00	
				10,680,997.00	-
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			958,900.00	-
93.103	Food and Drug Administration Research			1,854,485.00	-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			2,230,294.00	1,780,221.00
93.110	Maternal and Child Health Federal Consolidated			$ 1,044,810.00	
		Vanderbilt University	VUMC59412	159,266.00	
		Vanderbilt University	T73MC30767	6,167.00	
		Vanderbilt University	SUBAWARD-VUMC6915	6,105.00	
				1,216,348.00	-
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			1,347,859.00	1,206,662.00
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity			221,780.00	160,395.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
93.124	Nurse Anesthetist Traineeship				43,342.00	-
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices				175,712.00	-
93.136	Injury Prevention and Control Research and State and Community Based Programs			$ 6,852,584.00		
		Tennessee Coalition to End Domestic and Sexual Violence	NUS4CE002305-01-00	28,803.00		
	COVID-19 - Injury Prevention and Control Research and State and Community Based Programs			43,263.00		
					6,924,650.00	2,197,608.00
93.150	Projects for Assistance in Transition from Homelessness (PATH)				911,829.00	809,829.00
93.165	Grants to States for Loan Repayment				532,500.00	532,500.00
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children				370,170.00	-
93.211	Telehealth Programs				354,314.00	-
93.217	Family Planning Services				8,058,689.00	1,335,747.00
93.234	Traumatic Brain Injury State Demonstration Grant Program				320,022.00	320,022.00
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program				1,285,922.00	1,068,003.00
93.240	State Capacity Building				414,222.00	-
93.241	State Rural Hospital Flexibility Program				487,262.00	485,096.00
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance			$ 11,939,909.00		
		Buffalo Valley, Incorporated	1H79T1081413-01	87,574.00		
		Mending Hearts, Incorporated	1H79T1081374-01	88,368.00		
		Ridgeview Behavioral Health Services	TI-18-003	21,401.00		
		Rutherford County	SAMHSA 17	36,557.00		
					12,173,809.00	9,762,667.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
93.247	Advanced Nursing Education Workforce Grant Program			2,247,637.00	-
93.251	Early Hearing Detection and Intervention			228,924.00	221,589.00
93.262	Occupational Safety and Health Program			92,744.00	-
93.268	Immunization Cooperative Agreements			$ 7,291,175.00	
	Immunization Cooperative Agreements (Noncash)			89,319,407.00	
	COVID-19 - Immunization Cooperative Agreements			2,424,042.00	
				99,034,624.00	2,676,905.00
93.270	Viral Hepatitis Prevention and Control			550,006.00	-
93.276	Drug-Free Communities Support Program Grants	Promise Center, Inc.	20-200-2	$ 5,595.00	
		Promise Center, Inc.	20-200	5,998.00	
				11,593.00	-
93.301	Small Rural Hospital Improvement Grant Program			$ 373,014.00	
	COVID-19 - Small Rural Hospital Improvement Grant Program			1,155,333.00	
				1,528,347.00	1,542,691.00
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)			166,939.00	103,602.00
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program			157,207.00	13,923.00
93.317	Emerging Infections Programs			4,541,237.00	2,705,382.00
93.319	Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas			594,260.00	-
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			$ 137,487,951.00	
	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			5,116,198.00	
				142,604,149.00	26,730,359.00
93.324	State Health Insurance Assistance Program			1,078,764.00	848,583.00
93.325	Paralysis Resource Center	Christopher & Dana Reeve Foundation	90PR3002-02-01	104.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
93.336	Behavioral Risk Factor Surveillance System			232,883.00	-
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			1,634,516.00	958,973.00
93.359	Nurse Education, Practice Quality and Retention Grants			595,467.00	81,382.00
93.367	Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs			181,696.00	-
93.369	ACL Independent Living State Grants			369,224.00	346,113.00
93.387	National and State Tobacco Control Program			1,035,768.00	228,391.00
93.413	The State Flexibility to Stabilize the Market Grant Program			4,998.00	-
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke			1,382,911.00	561,317.00
93.464	ACL Assistive Technology			379,743.00	173,703.00
93.470	Alzheimer's Disease Program Initiative (ADPI)			250,271.00	168,845.00
93.478	Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees			300,187.00	134,007.00
93.498	COVID-19 - Provider Relief Fund			4,560,019.00	-
93.516	Public Health Training Centers Program	Emory University	A176162	29,683.00	-
93.556	MaryLee Allen Promoting Safe and Stable Families Program			7,218,216.00	-
93.558	Temporary Assistance for Needy Families			152,100,187.00	17,523,991.00
93.563	Child Support Enforcement			64,026,161.00	-
93.568	Low-Income Home Energy Assistance			$ 77,724,888.00	
	COVID-19 - Low-Income Home Energy Assistance			15,181,033.00	
				92,905,921.00	91,766,737.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
93.569	Community Services Block Grant			$ 16,551,542.00		
	COVID-19 - Community Services Block Grant			4,827,041.00		
					21,378,583.00	20,002,109.00
93.576	Refugee and Entrant Assistance Discretionary Grants	Catholic Charities of Tennessee, Inc.	Unknown		77,325.00	-
93.586	State Court Improvement Program				508,427.00	-
93.590	Community-Based Child Abuse Prevention Grants				426,232.00	-
93.597	Grants to States for Access and Visitation Programs				152,974.00	-
93.599	Chafee Education and Training Vouchers Program (ETV)				700,228.00	-
93.603	Adoption and Legal Guardianship Incentive Payments				113,816.00	-
93.623	Basic Center Grant	National Safe Place	90-CY6942-01-00		9,369.00	-
93.630	Developmental Disabilities Basic Support and Advocacy Grants				2,252,435.00	733,858.00
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service				567,685.00	-
93.643	Children's Justice Grants to States				337,580.00	-
93.645	Stephanie Tubbs Jones Child Welfare Services Program			$ 1,792,139.00		
	COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program			697,722.00		
					2,489,861.00	-
93.648	Child Welfare Research Training or Demonstration	University of Nebraska-Lincoln	24-0520-0288-004		36,930.00	-
93.658	Foster Care Title IV-E			$ 50,267,953.00		
	COVID-19 - Foster Care Title IV-E			4,826,235.00		
					55,094,188.00	-
93.659	Adoption Assistance			$ 63,373,685.00		
	COVID-19 - Adoption Assistance			8,738,991.00		
					72,112,676.00	-
93.665	COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19				1,048,908.00	948,908.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
93.667	Social Services Block Grant				30,599,640.00	4,096,128.00
93.669	Child Abuse and Neglect State Grants				553,384.00	-
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services				2,367,498.00	2,272,262.00
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood				3,286,137.00	-
93.687	Maternal Opioid Misuse Model				766,156.00	545,173.00
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)				61,918.00	-
93.761	Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)				58,514.00	8,664.00
93.767	Children's Health Insurance Program			$ 288,376,457.00		
	COVID-19 - Children's Health Insurance Program			15,928,785.00		
					304,305,242.00	-
93.788	Opioid STR			$ 24,596,335.00		
		Iowa State University	022769A	42,467.00		
					24,638,802.00	18,947,256.00
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities				20,024.00	20,024.00
93.870	Maternal, Infant and Early Childhood Home Visiting Grant				9,012,576.00	7,621,176.00
93.876	Antimicrobial Resistance Surveillance in Retail Food Specimens				140,857.00	-
93.884	Grants for Primary Care Training and Enhancement				480,092.00	-
93.889	National Bioterrorism Hospital Preparedness Program				6,157,827.00	5,739,170.00
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations				3,142,294.00	353,950.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement			$ 75,757.00	
		Le Bonheur Community Health and Well-Being	Unknown	(52.00)	
				75,705.00	-
93.913	Grants to States for Operation of State Offices of Rural Health			148,285.00	3,480.00
93.917	HIV Care Formula Grants			$ 18,802,512.00	
	COVID-19 - HIV Care Formula Grants			558,388.00	
				19,360,900.00	13,044,746.00
93.940	HIV Prevention Activities Health Department Based			6,324,548.00	4,128,888.00
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			222,315.00	5,367.00
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			359,396.00	-
93.958	Block Grants for Community Mental Health Services			14,604,242.00	14,475,648.00
93.959	Block Grants for Prevention and Treatment of Substance Abuse			30,966,364.00	30,831,077.00
93.969	PPHF Geriatric Education Centers	Vanderbilt University	VUMC84068	12,294.00	-
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants			1,812,469.00	933,641.00
93.981	Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools			$ 985,273.00	
	COVID-19 - Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools			251,972.00	
				1,237,245.00	211,032.00
93.982	COVID-19 - Mental Health Disaster Assistance and Emergency Mental Health			4,130,118.00	4,079,495.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
93.991	Preventive Health and Health Services Block Grant			2,082,372.00	1,140,165.00
93.994	Maternal and Child Health Services Block Grant to the States			10,097,512.00	2,696,124.00
93.U01	Nat'l Partnership (PETE) 10793 Webster	National Partnership for Environmental Technology Education	10793	34,495.00	-
93.U02	Nat'l Partnership (PETE) 10830 Webster	National Partnership for Environmental Technology Education	10830 DOE Y11	40,792.00	-
Subtotal Department of Health and Human Services				$ 1,281,456,271.00	$ 308,805,185.00
		Corporation for National and Community Service			
94.003	State Commissions			$ 320,977.00	$ 55,230.00
94.006	AmeriCorps			$ 4,884,270.00	
		Clinch-Powell Resource Conservation & Development Council	Unknown	413.00	
				4,884,683.00	3,702,740.00
94.008	Commission Investment Fund			112,944.00	-
94.021	Volunteer Generation Fund			192,524.00	118,745.00
94.U01	Knoxville-Knox County (CAC) Daugherty	Knoxville-Knox County (CAC) Community Action Committee	19ESHTN00200001	5,418.00	-
Subtotal Corporation for National and Community Service				$ 5,516,546.00	$ 3,876,715.00
		Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program			$ 384,346.00	$ -
Subtotal Executive Office of the President				$ 384,346.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Department of Homeland Security				
97.005	State and Local Homeland Security National Training Program			$ 65,639.00	$ -
97.008	Non-Profit Security Program			192,644.00	192,644.00
97.012	Boating Safety Financial Assistance			3,116,439.00	-
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)			88,899.00	-
97.029	Flood Mitigation Assistance			505,190.00	496,507.00
97.032	COVID-19 - Crisis Counseling			743,743.00	-
97.034	Disaster Unemployment Assistance			111,853.00	-
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)			$ 40,451,102.00	
	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash)			1,257,362.00	
	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Noncash)			62,474,934.00	
	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)			235,710,865.00	
				339,894,263.00	37,197,723.00
97.039	Hazard Mitigation Grant			914,760.00	649,967.00
97.041	National Dam Safety Program			70,387.00	-
97.042	Emergency Management Performance Grants			6,584,967.00	3,163,345.00
97.043	State Fire Training Systems Grants			4,977.00	-
97.044	Assistance to Firefighters Grant			468,813.00	-
97.045	Cooperating Technical Partners			80,109.00	60,149.00
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs			436,984,515.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
97.067	Homeland Security Grant Program				2,791,825.00	2,215,775.00
Subtotal Department of Homeland Security					$ 792,619,023.00	$ 43,976,110.00
			State Justice Institute			
99.U01	Court Technical Assistance		SJI-18-E-019		$ 25,253.00	$ -
99.U02	Court Technical Assistance		SJI-20-T-062		4,546.00	-
Subtotal State Justice Institute					$ 29,799.00	$ -
Total Unclustered Programs					$ 10,105,455,946.00	$ 2,143,165,689.00
			Research and Development Cluster			
			Department of Agriculture			
			Agricultural Marketing Service			
10.156	Federal-State Marketing Improvement Program				$ 90,853.00	$ -
10.167	Transportation Services				47,936.00	32,404.00
10.170	Specialty Crop Block Grant Program - Farm Bill			$ 16,028.00		
		The Center for Produce Safety	2021CPS06	48,499.00		
					64,527.00	-
Subtotal Agricultural Marketing Service					$ 203,316.00	$ 32,404.00
			Agricultural Research Service			
10.001	Agricultural Research Basic and Applied Research				$ 2,004,666.00	$ -
Subtotal Agricultural Research Service					$ 2,004,666.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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			$ 203,433.00	$ -
Subtotal Animal and Plant Health Inspection Service				$ 203,433.00	$ -
		Economic Research Service			
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations			$ 975.00	
		Virginia Polytechnic Institute and State University	422740-19D43	39,679.00	
				$ 40,654.00	$ -
Subtotal Economic Research Service				$ 40,654.00	$ -
		Farm Service Agency			
10.999	Long Term Standing Agreements For Storage, Transportation And Lease			$ 82,283.00	$ -
Subtotal Farm Service Agency				$ 82,283.00	$ -
		Foreign Agricultural Service			
10.613	Faculty Exchange Program			$ 13,949.00	$ -
10.777	Norman E. Borlaug International Agricultural Science and Technology Fellowship			39,396.00	-
10.961	Scientific Cooperation and Research			$ 57,436.00	
		Mississippi State University	183905.310272.01	3,317.00	
				60,753.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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			(2.00)	-
Subtotal Foreign Agricultural Service				$ 114,096.00	$ -
		Forest Service			
10.664	Cooperative Forestry Assistance			$ 28,868.00	$ -
10.675	Urban and Community Forestry Program			78,418.00	6,205.00
10.680	Forest Health Protection			212,809.00	-
10.699	Partnership Agreements			370,864.00	-
Subtotal Forest Service				$ 690,959.00	$ 6,205.00
		National Institute of Food and Agriculture			
10.200	Grants for Agricultural Research, Special Research Grants	University of Florida	2015-34386-23708	$ 16,593.00	$ -
10.202	Cooperative Forestry Research	The Pennsylvania State University	6153-UTK-USDA-G043	$ 69,248.00 21,891.00 91,139.00	-
10.205	Payments to 1890 Land-Grant Colleges and Tuskegee University			2,567,881.00	-
10.207	Animal Health and Disease Research			12,169.00	-
10.210	Higher Education – Graduate Fellowships Grant Program	Iowa State University	017377A	35,996.00	-
10.215	Sustainable Agriculture Research and Education	University of Georgia University of Georgia University of Georgia University of Illinois University of Kentucky Research Foundation	2015-38640-23780 2017-38640-26914 SUB00002295 2018-38640-28416 780004607	$ (13.00) 85,337.00 95,161.00 12,491.00 21,189.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Virginia Polytechnic Institute and State University	460272-19D43	286.00		
					214,451.00	95,161.00
10.216	1890 Institution Capacity Building Grants			$ 776,850.00		
		Alabama A&M University	2017-38821-26426	1,376.00		
		Alcorn State University	2019-38821-29056	40,850.00		
		Kentucky State University	210190-206101-3100	33,883.00		
		Virginia Polytechnic Institute and State University	2019-38821-29038	43,039.00		
					895,998.00	5,355.00
10.217	Higher Education - Institution Challenge Grants Program				14,105.00	-
10.219	Biotechnology Risk Assessment Research			$ 162,626.00		
		Virginia Polytechnic Institute and State University	422734-19D43	69,302.00		
					231,928.00	58,672.00
10.220	Higher Education - Multicultural Scholars Grant Program				30,001.00	-
10.303	Integrated Programs			$ 392,681.00		
		The Ohio State University Research Foundation	60057824	6,167.00		
					398,848.00	205.00
10.307	Organic Agriculture Research and Extension Initiative				204,802.00	51,574.00
10.309	Specialty Crop Research Initiative			$ 184,770.00		
		Cornell University	79598-10782	69,392.00		
		Texas A&M University	M1900023	108,600.00		
		University of California	A18-0425S006P0671357	44,482.00		
		Virginia Technical University	2020-51181-32135	8,633.00		
					415,877.00	98,156.00
10.310	Agriculture and Food Research Initiative (AFRI)			$ 5,105,607.00		
		Arizona State University	ASUB00000528	58,153.00		
		Kansas State University	S18002	586.00		
		Mississippi State University	010500.322585.01	16,070.00		
		University of Connecticut	386341	49,781.00		
		University of Maryland	96040-Z5247202	9,380.00		
		University of Puerto Rico	2021-000021	15,481.00		
		University of Wisconsin-Madison	2020-68014-31413	13,201.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Washington State University	126319_G003583	26,731.00		
					5,294,990.00	875,096.00
10.311	Beginning Farmer and Rancher Development Program	Appalachian Sustainable Development	SUB#18-45		13,570.00	-
10.312	Biomass Research and Development Initiative Competitive Grants Program (BRDI)			$ 430,616.00		
		University of California, Riverside	S-000844	(68,116.00)		
					362,500.00	281,757.00
10.320	Sun Grant Program	South Dakota State University	3TF640	$ (5,838.00)		
		South Dakota State University	3TF386	46,765.00		
					40,927.00	(5,838.00)
10.326	Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)			$ 179,371.00		
		Illinois State University	A20-0062-S002	3,241.00		
		Sam Houston State University	2018-70001-28761	39,845.00		
					222,457.00	63,533.00
10.329	Crop Protection and Pest Management Competitive Grants Program				58,610.00	-
10.330	Alfalfa and Forage Research Program				94,790.00	4,632.00
10.336	Veterinary Services Grant Program				(2,976.00)	-
10.500	Cooperative Extension Service	University of Arkansas Division of Agriculture	31014-04	$ 3,381.00		
		University of Kentucky Research	7800004577	28,833.00		
					32,214.00	-
10.519	Equipment Grants Program (EGP)				483,495.00	-
Subtotal National Institute of Food and Agriculture					$ 11,730,365.00	$ 1,528,303.00
			Natural Resources Conservation Service			
10.072	Wetlands Reserve Program	The Nature Conservancy	SUBAWARD NO. 20180705-01		$ 363,765.00	$ 69,158.00
10.902	Soil and Water Conservation				356,837.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
10.903	Soil Survey				45,044.00	-
10.912	Environmental Quality Incentives Program	Auburn University	17-AGR-361255-UTK	$ 1,240.00		
		Pheasants Forever, Inc	WLFW 2018-07	8,614.00		
		Pheasants Forever, Inc	WLFW 2018-09	3,016.00		
		Pheasants Forever, Inc	WLFW2018-06	52,627.00		
		The University of Iowa	S00379-01	11,444.00		
		University of Georgia	SUB00001833	56,326.00		
		University of Georgia	SUB00002025	41,432.00		
		Virginia Polytechnic Institute and State University	423512-19D43	79,279.00		
					253,978.00	16,293.00
Subtotal Natural Resources Conservation Service					$ 1,019,624.00	$ 85,451.00
			Rural Business Cooperative Service			
10.351	Rural Business Development Grant			$ 41,595.00		
		Middle Tennessee Industrial Development Association	None	39,262.00		
		Union County Chamber of Commerce	2574	10,000.00		
					$ 90,857.00	$ -
10.868	Rural Energy for America Program				(1.00)	-
Subtotal Rural Business Cooperative Service					$ 90,856.00	$ -
			Other Programs			
10.RD	USDA 16-JV-11221636-104 Sims		16-JV-11221636-104		$ 61,773.00	$ -
10.RD	USDA FS CLT Treatment via Vacuum-Taylor		20-JV-11111136-041		11,064.00	-
10.RD	Fostering and Strengthening Collaborative, Integrative, Multidiscliplinary and Multi-Institutional Research and Extension Initiatives	1890 Universities Foundation	Unknown		16,042.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
10.RD	West VA Univ Sub16425UT1 Wilson	West Virginia University	16-425-UT-1		55,773.00	-
Subtotal Other Programs					$ 144,652.00	$ -
Subtotal Department of Agriculture					$ 16,324,904.00	$ 1,652,363.00
			Department of Commerce			
			Economic Development Administration			
11.020	Cluster Grants				$ 34,849.00	$ -
Subtotal Economic Development Administration					$ 34,849.00	$ -
			National Institute of Standards and Technology			
11.609	Measurement and Engineering Research and Standards	City of Memphis	36163	$ 19,650.00 42,961.00	$ 62,611.00	$ -
Subtotal National Institute of Standards and Technology					$ 62,611.00	$ -
			National Oceanic and Atmospheric Administration			
11.451	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	Louisiana State University	PO - 0000041309		$ 55,423.00	$ -
11.478	Center for Sponsored Coastal Ocean Research Coastal Ocean Program	Northeastern University	505161-78050		48,521.00	-
Subtotal National Oceanic and Atmospheric Administration					$ 103,944.00	$ -
Subtotal Department of Commerce					$ 201,404.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Department of Defense				
	Defense Advanced Research Projects Agency (DARPA)				
12.910	Research and Technology Development			$ 3,300,571.00	$ 407,591.00
Subtotal Defense Advanced Research Projects Agency (DARPA)				$ 3,300,571.00	$ 407,591.00
	Defense POW/MIA Accounting Agency (DPAA)				
12.740	Past Conflict Accounting	The Henry M. Jackson Foundation for the Advancement of Military Medicine	subaward #5254; HJF Award # 65	$ 69,115.00	$ 69,115.00
Subtotal Defense POW/MIA Accounting Agency (DPAA)				$ 69,115.00	$ 69,115.00
	Defense Threat Reduction Agency (DTRA)				
12.351	Scientific Research - Combating Weapons of Mass Destruction			$ 272,066.00	
		Vanderbilt University	UNIV 59030	61,649.00	
				$ 333,715.00	$ 76,992.00
Subtotal Defense Threat Reduction Agency (DTRA)				$ 333,715.00	$ 76,992.00
	Department of the Air Force				
12.800	Air Force Defense Research Sciences Program			$ 1,348,575.00	
		University of Maryland, College Park	43324-Z8192001	54,249.00	
				$ 1,402,824.00	$ 318,712.00
Subtotal Department of the Air Force				$ 1,402,824.00	$ 318,712.00
	Department of the Army				
12.420	Military Medical Research and Development			$ 2,503,424.00	
		American Burn Association	SUB-W81XWH-16-2-0048	1,162.00	
		Children's Research Institute	30004107-17-1	182,570.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Children's Research Institute	3004107-17-1	148,440.00		
		University of Arkansas Little Rock	253248-20UTK	30,180.00		
		University of Arkansas Little Rock	253279	29,753.00		
		University of Arkansas Little Rock	253283-20UTK	444,436.00		
		University of Colorado	2-5-M7323	12,930.00		
		University of Utah	10050259	58,745.00		
					$ 3,411,640.00	$ 474,559.00
12.431	Basic Scientific Research			$ 1,708,155.00		
		University of Central Florida	65018A50-02	24,124.00		
		University of Massachusetts	S51310000047443	23,214.00		
					1,755,493.00	59,983.00
Subtotal Department of the Army					$ 5,167,133.00	$ 534,542.00
		Department of the Navy				
12.300	Basic and Applied Scientific Research			$ 3,448,813.00		
		Oregon State University	N0356H-A	926,940.00		
		Southwestern Ohio Council for Higher Education	RQ19-TN-20-7-AFRL2	42,547.00		
					$ 4,418,300.00	$ 1,425,439.00
Subtotal Department of the Navy					$ 4,418,300.00	$ 1,425,439.00
		National Security Agency (NSA)				
12.901	Mathematical Sciences Grants				$ 5,112.00	$ -
12.902	Information Security Grants				253,865.00	21,058.00
Subtotal National Security Agency (NSA)					$ 258,977.00	$ 21,058.00
		Office of the Secretary of Defense				
12.630	Basic, Applied, and Advanced Research in Science and Engineering			$ 217,373.00		
		Battelle Memorial Institute	PO US001-0000504972 CO24 MOD21	195,774.00		
		Norfolk State University	F1040077	(8.00)		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
		Texas A&M University	S21-0125-UTK	11,715.00	
				$ 424,854.00	$ -
Subtotal Office of the Secretary of Defense				$ 424,854.00	$ -
		Uniformed Services University of the Health Sciences (USUHS)			
12.750	Uniformed Services University Medical Research	The Geneva Foundation	11052-N19-B01	$ 281,438.00	
		The Geneva Foundation	11052-N21-10	27,399.00	
				$ 308,837.00	$ 90,558.00
Subtotal Uniformed Services University of the Health Sciences (USUHS)				$ 308,837.00	$ 90,558.00
		Other Programs			
12.RD	US-ODNI-IARPA 2021-21030200004Fefferman		2021-21030200004	$ 13,661.00	$ -
12.RD	TSNRP Grant HU0001-17-1-TS05		20-3885-HJF	80,410.00	7,568.00
12.RD	Fort Campbell Wetland Planning Survey		CAMP-IGSA-17-03	103,875.00	-
12.RD	Fort Campbell Bat Roost Survey		CAMP-IGSA-20-02	127,438.00	-
12.RD	Fort Campbell Municipal Stormwater Implementation		CAMP-IGSA-20-03	32,059.00	-
12.RD	Air Force FA701421F0100 Cody		FA701421F0100	35,080.00	-
12.RD	Air Force FA701421F0105 Cody		FA701421F0105	38,605.00	-
12.RD	AF FA910115D0002 Kraft		FA910115D0002	57,650.00	-
12.RD	AF AEDC/FMF FA9101-19-F-0012 Vakili		FA9101-19-F-0012	2,343.00	-
12.RD	AF-FA9101-19-F-0013-Moeller		FA9101-19-F-0013	(2,460.00)	-
12.RD	AF AEDC FA9101-19-F-0015 Glasby		FA9101-19-F-0015	639,629.00	-
12.RD	AF-FA9101-19-F-0110-Moeller		FA9101-19-F-0110	65,561.00	-
12.RD	AF-FA9101-20-F-0005 Moeller		FA9101-20-F-0005	31,319.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
12.RD	AF FA9101-20-F-0043 Gragston		FA9101-20-F-0043	121,856.00	-
12.RD	AF FA9101-21-F-0021 Kreth		FA9101-21-F-0021	3,068.00	-
12.RD	Partitioning Signal and Noise		FA9453-18-C-0064	50,876.00	-
12.RD	DOD SOCOM H92222-17-C-0006 Steadman		H92222-17-C-0006	146.00	-
12.RD	DTRA-HDTRA117C0044-Hall		HDTRA117C0044	84,196.00	-
12.RD	IPA Assignment - Waldron		IPA B Waldron	4,666.00	-
12.RD	IPA Assignment - Jacobs		IPA E Jacobs	21,481.00	-
12.RD	Navy N40192-19-2-8005 Leppanen		N40192-19-2-8005	11,183.00	-
12.RD	DOD NRO000-21-C-0144 Reising 21-22		NRO000-21-C-0144	1,546.00	-
12.RD	Sandia Natl Lab PO2099073 Yu		PO # 2099073	4,868.00	-
12.RD	Sandia Natl Lab PO2099073 Andrew Yu		PO 2099073	16,600.00	-
12.RD	USACE W912DW-17-P-0043 Loeffler		W912DW-17-P-0043	50,961.00	-
12.RD	USACE W912HQ20C0046 Li		W912HQ20C0046	132,586.00	-
12.RD	DOD - Install Species Bat- Wilkerson		W912HZ-17-2-0020	33,711.00	-
12.RD	Collaborative CS Corp 10-08-20 Schmitz	Collaborative Composite Solutions Corporation	Unknown	644,976.00	-
12.RD	Adaptive and Reconfigurable Sensor Elements and Networks for Monitoring Critical Infrastructure and Maneuver Corridors	Mississippi State University	SUBAWARD 060803.361377.02	267,277.00	-
12.RD	Research Services		PO 7000293007 CHANGE ORDER 10	21,629.00	-
12.RD	NCSU-2019-1746-01 Stefanski	North Carolina State University	2019-1746-01	7,377.00	-
12.RD	Purdue Univ Computing Contact Sarles	Purdue University	13000832-011	177,781.00	-
12.RD	Riverside ResDRC.1265.000.17-00077 Abedi	Riverside Research Institute	DRC.1265.00077.17	34,807.00	-

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
12.RD	Southern Methodist Univ-GA00185 Hatcher	Southern Methodist University	GA00185-7510	41,613.00	-
12.RD	Texas State Univ 21009-83485-2 Engel	Texas State University	21009-83485-2	23,925.00	-
12.RD	Penn State Univ VLRCOE Task 6.2 Desmidt	The Pennsylvania State University	5583-UT-ACC-0003	176,205.00	-
12.RD	UCLA 0205 G XA214 Sarles	University of California, Los Angeles	0205 G XA214	165,011.00	-
12.RD	Univ of Dayton Res RSC18026 Compton	University of Dayton Research Institute	RCS18026	3,013.00	-
12.RD	Univ of Dayton Res RSC20008 TerMaath 412	University of Dayton Research Institute	RCS20008	993,767.00	-
12.RD	Univ of Dayton Res RSC17067 Coder	University of Dayton Research Institute	RSC17067	907,653.00	-
12.RD	Univ of Dayton Res RSC19027 Coder	University of Dayton Research Institute	RSC19027	834,191.00	-
12.RD	Univ of Dayton Res RSC20029 (51%) Glasby	University of Dayton Research Institute	RSC20029	982,968.00	-
12.RD	University of Kansas FY2019-098 Jantz	University of Kansas	FY2019-098	49,897.00	-
12.RD	Univ of Southern CA 136796711 Mandrus	University of Southern California	136796711	47,115.00	-
12.RD	ISTEP T&E IT Manager Training	University of Southern California	89865992	95,852.00	-
12.RD	Update of UFC 3-220-01N Soil Mechanics (DM7.1)	Virginia Polytechnic Institute and State University	SUBAWARD 418357-19C95 MOD 02	25,996.00	-
Subtotal Other Programs				$ 7,263,967.00	$ 7,568.00
Subtotal Department of Defense				$ 22,948,293.00	$ 2,951,575.00
Department of Housing and Urban Development					
Office of Lead Hazard Control and Healthy Homes					
14.906	Healthy Homes Technical Studies Grants	Columbia University	2(GG010683-01)	$ 10,533.00	$ -
Subtotal Office of Lead Hazard Control and Healthy Homes				$ 10,533.00	$ -
Subtotal Department of Housing and Urban Development				$ 10,533.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
			Department of the Interior			
			National Park Service			
15.945	Cooperative Research and Training Programs – Resources of the National Park System				$ 419,885.00	$ -
Subtotal National Park Service					$ 419,885.00	$ -
			U.S. Fish and Wildlife Service			
15.608	Fish and Wildlife Management Assistance	State of Louisiana, Department of Wildlife and Fisheries	PO 2000310113	$ 45,805.00		
		State of Louisiana, Department of Wildlife and Fisheries	PO 2000459201	43,274.00		
					$ 89,079.00	$ -
15.611	Wildlife Restoration and Basic Hunter Education	State of Arkansas, Arkansas Game and Fish Commission	Unknown	$ 37,492.00		
		State of Florida, Florida Fish & Wildlife Conservation Commission	18032	18,145.00		
		State of Georgia	Unknown	80,440.00		
		State of Kansas, Department of Wildlife, Parks and Tourism	Unknown	43,351.00		
		State of Louisiana, Department of Wildlife and Fisheries	PO 2000550300	35,629.00		
		State of North Carolina, Wildlife Resources Commission	WM-0322	78,017.00		
		State of South Carolina, South Carolina Department of Natural Resources	Unknown	54,223.00		
		State of Texas, Texas Parks and Wildlife Department	463245	(1.00)		
					347,296.00	-
15.615	Cooperative Endangered Species Conservation Fund	Virginia Department of Game and Inland Fisheries	EP2932791	$ 5,936.00		
		Virginia Department of Game and Inland Fisheries	ORDER NO. EP3181532-V2-	5,718.00		
					11,654.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
15.634	State Wildlife Grants			$ 10,053.00		
		Southeastern Association of Fish and Wildlife Agencies	2017-2020-UT	7,976.00		
		University of Florida	SUB00001748	(2.00)		
					18,027.00	-
15.657	Endangered Species Recovery Implementation			$ 145,863.00		
		Kentucky Waterways Alliance	F12AC01555&F16AC01101	4,044.00		
					149,907.00	-
15.663	NFWF-USFWS Conservation Partnership	National Fish and Wildlife Foundation	1903.19.064263		14,400.00	-
15.664	Fish and Wildlife Coordination and Assistance				(4,128.00)	-
15.678	Cooperative Ecosystem Studies Units				52,650.00	-
15.684	White-nose Syndrome National Response Implementation				2,860.00	-
Subtotal U.S. Fish and Wildlife Service					$ 681,745.00	$ -
			U.S. Geological Survey			
15.805	Assistance to State Water Resources Research Institutes				$ 102,677.00	$ 26,313.00
15.807	Earthquake Hazards Program Assistance				152,745.00	-
15.808	U.S. Geological Survey Research and Data Collection			$ 1,103,439.00		
		University of California, Riverside	S-001226	47,805.00		
					1,151,244.00	-
15.812	Cooperative Research Units				97,886.00	-
15.820	National and Regional Climate Adaptation Science Centers	North Carolina State University	2017-1878-07		22,126.00	-
Subtotal U.S. Geological Survey					$ 1,526,678.00	$ 26,313.00
			Other Programs			
15.RD	Duskytail Darter Genetic Study	Kentucky Waterways Alliance	F15AC00372		$ 32,693.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
15.RD	NC State Univ 2020-2689-02 Armsworth	North Carolina State University	2020-2689-02	39,897.00	-
15.RD	No Carolina St Univ 2021-0784-01(52)Giam	North Carolina State University	2021-0784-01	37,015.00	-
15.RD	Advanced Wake Loss Modeling for Large Wind Farms with Variable Wind Speed and Direction	University of Delaware	SUBAWARD 55792	10,654.00	-
Subtotal Other Programs				$ 120,259.00	$ -
Subtotal Department of the Interior				$ 2,748,567.00	$ 26,313.00
Department of Justice					
Office of Justice Programs					
16.123	Community-Based Violence Prevention Program			$ 287,844.00	$ -
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants			$ 481,442.00	
		Arizona State University	ASUB00000227	7,805.00	
		Arizona State University	ASUB00000527	28,074.00	
		Lincoln Memorial University	2018010101	2,885.00	
		Southwest Research Institute	M99020RR	(35.00)	
				520,171.00	-
16.562	Criminal Justice Research and Development Graduate Research Fellowships			27,801.00	-
16.738	Edward Byrne Memorial Justice Assistance Grant Program	City of Memphis, Memphis Police Department	2018-DG-BX-0004	$ 41,880.00	
		City of Memphis, Memphis Police Department	37317	16,668.00	
				58,548.00	-
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	NAMI Tennessee	Crisis Intervention Team in TN	31,875.00	-
16.812	Second Chance Act Reentry Initiative	Shelby County Office of Reentry	P037202	22,761.00	-
16.825	Smart Prosecution Initiative	Shelby County District Attorney General's Office	2018-YX-BX-0004	30,909.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
16.831	Children of Incarcerated Parents	Ambassadors for Christ	Unknown	$ 292.00		
		Rutherford County	0007-MTSU	56,631.00		
					56,923.00	-
16.833	National Sexual Assault Kit Initiative	City of Memphis, Memphis Police Department	2018-AK-BX-0028		72,090.00	-
Subtotal Office of Justice Programs					$ 1,108,922.00	$ -
			Other Programs			
16.RD	West VA Univ Sub 09-097PPP-UT Steadman	West Virginia University	09-097PPP-UT		$ 9,583.00	$ -
16.RD	West VA Univ Sub 09-097YYY-UT Steadman	West Virginia University	09-097YYY-UT		124,208.00	-
Subtotal Other Programs					$ 133,791.00	$ -
Subtotal Department of Justice					$ 1,242,713.00	$ -
			Department of State			
			Bureau of Educational and Cultural Affairs			
19.009	Academic Exchange Programs - Undergraduate Programs	World Learning	CBSA18-UTAG01		$ 4,923.00	$ -
Subtotal Bureau of Educational and Cultural Affairs					$ 4,923.00	$ -
			Bureau of International Security and Nonproliferation			
19.033	Global Threat Reduction				$ 48,534.00	$ -
Subtotal Bureau of International Security and Nonproliferation					$ 48,534.00	$ -
			Office of the Under Secretary for Public Diplomacy and Public Affairs			
19.040	Public Diplomacy Programs	Partner of the Americas	100K-DOS253-UTK09FCA		$ 836.00	$ -
Subtotal Office of the Under Secretary for Public Diplomacy and Public Affairs					$ 836.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
		Other Programs			
19.RD	Assessing the Water Quality of the Shatt Al-Arab River in Basra Governorate and Developing Potential Mitigation Measures Through Student Driven Research	International Research and Exchanges Board	FY21-HEP20-TTU-01	$ 5,253.00	$ -
Subtotal Other Programs				$ 5,253.00	$ -
Subtotal Department of State				$ 59,546.00	$ -
		Department of Transportation			
		Federal Aviation Administration			
20.109	Air Transportation Centers of Excellence			$ 310,075.00	$ -
Subtotal Federal Aviation Administration				$ 310,075.00	$ -
		Federal Motor Carrier Safety Administration			
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements			$ 38,757.00	$ -
Subtotal Federal Motor Carrier Safety Administration				$ 38,757.00	$ -
		Office of the Secretary			
20.701	University Transportation Centers Program	Florida Atlantic University	UR-K69	$ 89,834.00	
		Florida Atlantic University	FMRI2020	67,545.00	
		Georgia Institute of Technology	AWD-001419-G2	27,176.00	
		The University of North Carolina at Chapel Hill	5106576	361,625.00	
		The University of Texas at Arlington	2017GC1609	8,655.00	
		University of Florida	SUB UFDSP00011677 AMEND 11	52,917.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
		Washington State University	135461 G004205	18,659.00	
				$ 626,411.00	$ -
Subtotal Office of the Secretary				$ 626,411.00	$ -
		Other Programs			
20.RD	ITSPCB		6913G621P800022	$ 17,573.00	$ -
20.RD	Natl Acad Science SUB0001478 Brakewood	The National Academies of Sciences	SUB0001478/J-07SH-19	6,306.00	-
20.RD	Reference-free Longitudinal Rail Stress and Neutral Temperature Measurment Utilizing Multidirectional Elastic Waves	Virginia Polytechnic Institute and State University	SUBAWARD 451538-19C95 MOD 01	1,691.00	-
Subtotal Other Programs				$ 25,570.00	$ -
Subtotal Department of Transportation				$ 1,000,813.00	$ -
		Department of the Treasury			
		Other Programs			
21.RD	IPA Assignment-Jain		TFSAOFR17IPA0003	$ 48,917.00	$ -
Subtotal Other Programs				$ 48,917.00	$ -
Subtotal Department of the Treasury				$ 48,917.00	$ -
		Appalachian Regional Commission			
		Other Programs			
23.002	Appalachian Area Development			$ 43,802.00	
		Upper Cumberland Development District	AGREEMENT UNDER PRIME PW-19315-IM-B-18	50,008.00	
		West Virginia University	20-009-UT	7,243.00	
				$ 101,053.00	$ -

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects			10,579.00	-
Subtotal Other Programs				$ 111,632.00	$ -
Subtotal Appalachian Regional Commission				$ 111,632.00	$ -
National Aeronautics and Space Administration					
Other Programs					
43.001	Science			$ 1,063,199.00	
		Arizona State University	01-082 AMEND # 36	30,517.00	
		Arizona State University	10-254 MOD 22	21,286.00	
		Brown University	00001184	56,161.00	
		Johns Hopkins University	124810	1,140.00	
		Planetary Science Institute	1639-UTK	17,035.00	
		Planetary Science Institute	1665-UTK	42,527.00	
		SETI Institute	SC3132	15,840.00	
		Smithsonian Astrophysical Observatory	AR0-21002C	12,249.00	
		Smithsonian Astrophysical Observatory	AR8-19001A	6,018.00	
		Smithsonian Astrophysical Observatory	G06-17017X	930.00	
		Smithsonian Astrophysical Observatory	G08-19011F	6,469.00	
		The University of North Carolina at Chapel Hill	SUBAWARD 5111899 AMEND 2	99,545.00	
		Universities Space Research Association	02282-01	58,671.00	
		Vanderbilt University	SUB# 3801-019687	22,545.00	
				$ 1,454,132.00	$ 254,852.00
43.002	Aeronautics			1,570,002.00	1,325,441.00
43.008	Office of Stem Engagement (OSTEM)	Vanderbilt University	3795-019687	$ 11,570.00	
		Vanderbilt University	3800-019687	8,883.00	
		Vanderbilt University	3855-019687	54,202.00	
		Vanderbilt University	SUBAWARD UNIV59412 AMEND 6	22,441.00	
		Vanderbilt University	UNIV59415-3798-019687	5,966.00	
		Vanderbilt University	UNIV59434-FORMERLY 3808-019687	4,537.00	
		Vanderbilt University	UNIV61846	44,085.00	
		Vanderbilt University	UNIV61847	9,104.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
		Vanderbilt University	UNIV61861	2,496.00	
				163,284.00	-
43.009	Safety, Security and Mission Services			76,867.00	-
43.012	Space Technology			120,462.00	-
Subtotal Other Programs				$ 3,384,747.00	$ 1,580,293.00
		Other Programs			
43.RD	Auburn 21-NCAME-208896-UTSI Ang	Auburn University	21-NCAME-208896-UTSI	$ 11,944.00	$ -
43.RD	Collaborative CS Corp Injection Vaidya	Collaborative Composite Solutions Corporation	Unknown	18,729.00	-
43.RD	Johns Hopkins (JHUAPL)164325 Thomson	Johns Hopkins University	164325	15,444.00	-
43.RD	Univ of Arizona PO 30948 Phase E Emery	University of Arizona	PO# 30948	(979.00)	-
43.RD	Univ of New Hampshire 11-107-10 Townsend	University of New Hampshire	11-107	110,597.00	-
43.RD	Univ of Washington UWSC11485 Mikucki	University of Washington	UWSC11485 BPO#43724	36,224.00	-
Subtotal Other Programs				$ 191,959.00	$ -
Subtotal National Aeronautics and Space Administration				$ 3,576,706.00	$ 1,580,293.00
		National Endowment for the Humanities			
		Other Programs			
45.161	Promotion of the Humanities Research			$ (3,279.00)	$ -
45.RD	NEH AIA "Mitrou" Van de Moortel		Unknown	4,685.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
45.RD	AIA NEH Grant Simek	Archaeological Institute of America	Unknown		6,522.00		-
Subtotal Other Programs					$ 7,928.00	$	-
Subtotal National Endowment for the Humanities					$ 7,928.00	$	-
National Science Foundation							
Other Programs							
47.041	Engineering			$ 6,259,282.00			
		California Polytechnic State University Foundation	2021-6-51305	15,054.00			
		Missouri University of Science and Technology	00064867-01	48,851.00			
		Rowan University	50972-2	8,818.00			
		Tuskegee University	342242021176190	9,326.00			
		University of Washington	UWSC7874 (PO763076)	(3,804.00)			
		Vanderbilt University	UNIV61170	95,489.00			
					$ 6,433,016.00	$	1,047,504.00
47.049	Mathematical and Physical Sciences			$ 6,249,030.00			
		Cornell University	79433-20690	40,770.00			
		The Ohio State University Research Foundation	60046595	212,519.00			
		University of Cincinnati	013086-002	16,428.00			
		University of Delaware	47797	24,249.00			
		University of Nebraska-Lincoln	Unknown	86.00			
		Vanderbilt University	HST-GO-15864.002-A	6,094.00			
					6,549,176.00		208,904.00
47.050	Geosciences			$ 1,221,586.00			
		Appalachian State University	A20-0031-S001-A01	15,355.00			
		Bowling Green State University	10010192-UNT07	46,073.00			
		Savannah State University	1802124	33,005.00			
		State University of New York	R1041551	8,433.00			
		University of Illinois	072212-14705	30,497.00			
		University of Southern California	118062982	12,556.00			
					1,367,505.00		82,275.00
47.070	Computer and Information Science and Engineering			$ 7,253,864.00			
		Carnegie Mellon University	1122183-333033	4,713.00			
		Colorado State University	SUBAWARD G-63101-01	18,029.00			

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Florida Polytechnic University	SUBAWARD GR-2000007-TNTECH	148,935.00		
		The Ohio State University	60076766	18,068.00		
		University of Illinois	083842-16054	1,792,493.00		
		University of Illinois	097156-17633	40,068.00		
		University of Michigan	3004628719	131,506.00		
		University of New Mexico	063045-87H2	(152.00)		
		Vanderbilt University	UNIV61697	16,886.00		
		Virginia Polytechnic Institute and State University	SUBAWARD 480322-19C95	28,525.00		
		Wayne State University	WSU18078-A1	58,308.00		
					9,511,243.00	828,960.00
47.074	Biological Sciences			$ 5,057,155.00		
		Oregon State University	S1894A-A	48,881.00		
		Rutgers, The State University of New Jersey	1293	120,354.00		
		Tufts University	NSF026 PO#EP0107440	8,325.00		
		University of Florida	SUB00002486	1,804.00		
		University of Georgia	SUB00001303	38,411.00		
		Wake Forest University	18-001	91,348.00		
		Washington State University	123664-G003629	(2,369.00)		
					5,363,909.00	211,125.00
47.075	Social, Behavioral, and Economic Sciences			$ 486,209.00		
		Indiana State University	18-027-1	2,578.00		
		The Pennsylvania State University	5634-UT-NSF-0274	3,171.00		
		The University of Texas at Dallas	1907919	8,852.00		
					500,810.00	20,493.00
47.076	Education and Human Resources			$ 8,681,284.00		
		Auburn University	17-VP-200591-UTK	4,500.00		
		California State University San Marcos Corporation	SUBAWARD 92240/85026 - TTU AMEND 4	82,342.00		
		Fisk University	2035	3,055.00		
		Harford Community College	2020-002	3,364.00		
		Indian River State College	1600558	76,683.00		
		Indiana University-Purdue University Indianapolis	8091/1936096	14,154.00		
		Lorain County Community College	1801010	6,992.00		
		North Carolina State University	2020-2161-02	9,890.00		
		Northern Arizona University	1003773-01	31,614.00		
		Prairie View A&M University	S180501-M1800172	26,011.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Purdue University	SUBAWARD 10001119-004 AMEND 1	20,098.00		
		Radford University	F21023	12.00		
		Somerset Community College	SUBAWARD UNDER PRIME DUE-1902437	55,626.00		
		The Rector and Visitors of the University of Virginia	2000507	98,003.00		
		Trustees of Grinnell College	2064154-02	4,900.00		
		Tuskegee University	HRD-1820981	4,390.00		
		University of Illinois	SUB 097040-17608	26,192.00		
		University of Illinois Urbana-Champaign	097040-17615	157,563.00		
		University of North Carolina, Charlotte	20200254-01-MTN	21,384.00		
		University of the District of Columbia	1912205	40,795.00		
		Whatcom Community College	SUB UNDER PRIME DGE-1548315	10,562.00		
					9,379,414.00	998,668.00
47.078	Polar Programs				278,660.00	67,409.00
47.079	Office of International Science and Engineering			$ 9,448.00		
		University of Georgia	SUB00002310	4,307.00		
		University of South Dakota	SUB UP1700296-TTU1 AMEND 03	2,872.00		
					16,627.00	-
47.RD	Syracuse Uniiv 28250-04301-S34 Palomino	Syracuse University	28250-04301-S34		1,221.00	-
47.RD	Univ of MN A008256501 McFarlane Year 1	University of Minnesota, Twin Cities	A008256501		28,155.00	-
Subtotal Other Programs					$ 39,429,736.00	$ 3,465,338.00
Subtotal National Science Foundation					$ 39,429,736.00	$ 3,465,338.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
			Smithsonian Institution		
			Other Programs		
60.RD	Smithsonian Science in Classroom	Smithsonian Institution	20-PO-620-0000436090	$ 130,721.00	$ -
Subtotal Other Programs				$ 130,721.00	$ -
Subtotal Smithsonian Institution				$ 130,721.00	$ -
			Tennessee Valley Authority		
			Other Programs		
62.RD	1/20PO # 6038342 Keck		PO 6038342	$ 2,897.00	$ -
62.RD	Economic Impact Study of Military Bases		PO 06050736	86,125.00	-
62.RD	Ocoee Trust Fund		Purchase Orders	259,879.00	-
62.RD	TVA 6608424 GIS Inventory Ph 2 Mix 21		PO 6608424	6,628.00	-
62.RD	TVA 6716797 Power Signals Reising		PO 6716797	53,240.00	-
62.RD	TVA Impact of TVA Stream Sites - Poudyal		PO 6623632	15,000.00	-
62.RD	TVA Native Plant Community-Harper		PO 6240502	9,782.00	-
62.RD	TVA P.O. 6273560 Colllett		99998950 PO6273560	44,923.00	-
62.RD	TVA P.O. 6661001 Collett		99998950 PO6661001	63,499.00	-
62.RD	TVA PO 4424160(Yr 2 19-20) Nagle		PO#4424160 99998950	2,442.00	-
62.RD	TVA PO#3110516 (99998950) Murray		PO #3110516 99998950	(103.00)	-
62.RD	TVA PO#6345935(99998950)(1yr 52) Kessler		PO#6345935(99998950)	62,237.00	-
62.RD	TVA Summer Tri-Colored Bats 2020-Willcox		6182497	12,836.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
62.RD	TVA Tree Improvement FY 17-Schlarbaum		2646637/3357438	22,590.00	-
Subtotal Other Programs				$ 641,975.00	$ -
Subtotal Tennessee Valley Authority				$ 641,975.00	$ -
		Department of Veterans Affairs			
		VA Health Administration Center			
64.054	Research and Development			$ 586,278.00	$ -
Subtotal VA Health Administration Center				$ 586,278.00	$ -
		Other Programs			
64.RD	Intest Mucosal Protect by Epid Growth F		9500068375	$ 24,827.00	$ -
64.RD	US Dept of Veterans Dated8.14.20Langston		Unknown	22,836.00	-
Subtotal Other Programs				$ 47,663.00	$ -
Subtotal Department of Veterans Affairs				$ 633,941.00	$ -
		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	$ 58.00	$ -
66.461	Regional Wetland Program Development Grants			61,178.00	-
66.468	Capitalization Grants for Drinking Water State Revolving Funds	University of Wisconsin-Madison	0000000429	15,363.00	-
66.509	Science To Achieve Results (STAR) Research Program	Emory University Johns Hopkins University	T602415 2003148196	$ 2,510.00 (86.00)	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Kansas State University	S18012.01	(515.00)		
		Meharry Medical College	170207PJ027-03	40,911.00		
		University of Massachusetts Amherst	21-015881 A 00	30,362.00		
					73,182.00	-
66.814	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	Kansas State University	SA17197.01		85,938.00	-
66.RD	Alaska -DEC Task 10 Dolislager	State of Alaska, Department of Environmental Conservation	WORK ORDER 10		10,041.00	-
Subtotal Other Programs					$ 245,760.00	$ -
Subtotal Environmental Protection Agency					$ 245,760.00	$ -
Nuclear Regulatory Commission						
Other Programs						
77.008	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program				$ 9,428.00	$ -
Subtotal Other Programs					$ 9,428.00	$ -
Subtotal Nuclear Regulatory Commission					$ 9,428.00	$ -
Department of Energy						
Other Programs						
81.049	Office of Science Financial Assistance Program			$ 8,513,035.00		
		Case Western Reserve University	RES512388	74,775.00		
		Case Western Reserve University	RES5813718	483,096.00		
		Collaborative Composite Solutions Corporation	Unknown	26,653.00		
		Duke University	323-0298	122,998.00		
		Louisiana State University	44159 2016-2018	37,579.00		
		The University of North Carolina at Chapel Hill	5107500	(1,091.00)		
		University of California Santa Cruz	A16-0594-S001 P0724249	23,903.00		
		University of California, Davis	A18-0253-S001	246,015.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		University of Chicago	FP069705	1,315.00		
		University of Notre Dame	203132UTK	(8,337.00)		
		University of South Carolina	19-3797PO#2000043179	1,261.00		
		University of Washington	UWSC10816 BPO#35555	9,314.00		
					$ 9,530,516.00	$ 656,273.00
81.057	University Coal Research	University of Illinois	072224-14710		(1,134.00)	-
81.086	Conservation Research and Development			$ 1,088,140.00		
		Chattanooga Area Regional Transportation Authority	DE-EE0009212 SUB	2,732.00		
		Institute for Advanced Composites Manufacturing Innovation	PA16-0349-5.1-01	4,997,955.00		
		Institute for Advanced Composites Manufacturing Innovation	PA16-0349-6.1-IIP	1,235,328.00		
		North Carolina State University	2014-0654-72	234,380.00		
		North Carolina State University	2014-0654-83	73,616.00		
		North Carolina State University	2014-0654-85	27,114.00		
		The University of Alabama	A19-0455-5001	112,813.00		
					7,772,078.00	5,319,905.00
81.087	Renewable Energy Research and Development			$ 1,547,395.00		
		Texas A&M University	#M1900170	2,559.00		
		Texas A&M University	M2001873	35,611.00		
					1,585,565.00	671,424.00
81.089	Fossil Energy Research and Development				614,185.00	296,585.00
81.112	Stewardship Science Grant Program			$ 280,728.00		
		Texas A&M University	M2100674	1,263.00		
		The George Washington University	18-S18	(1,917.00)		
		University of Illinois at Chicago	17996	64,336.00		
					344,410.00	-
81.113	Defense Nuclear Nonproliferation Research	North Carolina State University	2014-0501-10F1	$ 3,000.00		
		University of California	00009335	809,616.00		
		University of Michigan	PO 3005795617	118,961.00		
					931,577.00	-
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance				605,863.00	282,567.00
81.121	Nuclear Energy Research, Development and			$ 2,108,422.00		
		The Pennsylvania State University	5722-UT-DOE-8717	36,869.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		The Pennsylvania State University	6088-UTK-USDOE-8717	41,690.00		
		UCLA Institute for Carbon Management	SUB 0121 G XA099	38,267.00		
		University of Cincinnati	013271-002	46,848.00		
		University of Illinois	SUB 097183-17666	63,726.00		
		University of Michigan	SUBK00012631	45,729.00		
		University of New Mexico	327074-87H2	60,130.00		
					2,441,681.00	446,925.00
81.122	Electricity Research, Development and Analysis	University of Illinois	DE-OE0000780		5,176.00	-
81.123	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program			$ 489,329.00		
		North Carolina Agricultural and Technical State University	DE-NA0003867	162,211.00		
					651,540.00	-
81.124	Predictive Science Academic Alliance Program	University of Colorado	1559909	$ 57,496.00		
		University of New Mexico	66033-87H2	169,153.00		
					226,649.00	-
81.135	Advanced Research Projects Agency - Energy			$ 915,012.00		
		Research Foundation for the State University of New York	84119/2/1152663	237,976.00		
		Research Foundation for the State University of New York	90589/2/1166708	14,834.00		
					1,167,822.00	123,014.00
81.RD	Argonne Natl Lab 0F-60055 Jin		0F-60055		4,933.00	-
81.RD	Argonne Natl Lab 1F-60426 Taufer		1F-60426		12,563.00	-
81.RD	Battelle Energy Alliance 214297 Brown		214297		37,903.00	-
81.RD	Battelle Energy Alliance 237499 Pastore		237499		125,363.00	-
81.RD	Brookhaven National Lab 312946 Batista		312946		(310.00)	-
81.RD	CNS LLC 4300164931 Kuney		40001649031		6,078.00	-
81.RD	ORNL 4000173240 Data Sim Sartipi 19-20		4000173240		7,297.00	-
81.RD	Los Alamos Natl Lab 425211 Wirth		425211		82,270.00	-

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
81.RD	CNS, LLC 4300153751 Cathey		4300153751	(19,020.00)	-
81.RD	CNS, LLC 4300154555 Noon		4300154555	(6,510.00)	-
81.RD	CNS, LLC 4300155076 Noon		4300155076	(66,869.00)	-
81.RD	CNS LLC 4300157596 Mihalczo		4300157596	365.00	-
81.RD	CNS UT NA Y12-7Z0411A1 Hall		4300158265	(21,090.00)	-
81.RD	CNS, LLC 4300158893 Yu		4300158893	162,426.00	-
81.RD	CNS LLC 4300159593 Rack		4300159593	14,393.00	-
81.RD	CNS LLC 4300159635 Sawhney		4300159635	78,532.00	-
81.RD	CNS LLC 4300159857 Jin		4300159857	71,861.00	-
81.RD	CNS, LLC 4300159875 Day		4300159875	120,253.00	-
81.RD	CNS LLC 4300159919 Cathey		4300159919	38,060.00	-
81.RD	CNS LLC 4300159936 Kuney		4300159936	3,105.00	-
81.RD	CNS LLC 4300159997 Schmitz		4300159997	45,759.00	-
81.RD	CNS LLC 4300160044 Cragwall		4300160044	11,869.00	-
81.RD	CNS LLC 4300160375 Sawhney		4300160375	67,929.00	-
81.RD	CNS LLC 4300160578 Kallstrom		4300160578	31,226.00	-
81.RD	CNS LLC MATI Li 4300160593		4300160593	125,269.00	-
81.RD	CNS LLC 4300161118 Jin		4300161118	17,484.00	-
81.RD	CNS LLC 4300161270 Sickafus		4300161270	84,842.00	-
81.RD	CNS LLC 4300161381 Neutron Radiography		4300161381	83,028.00	-
81.RD	CNS LLC 4300161548 Rack		4300161548	99,513.00	-
81.RD	CNS LLC 4300162060 McFarlane		4300162060	78,134.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
81.RD	CNS LLC 4300162093 Allard		4300162093	67,857.00	-
81.RD	CNS LLC 4300162257 Day		4300162257	28,506.00	-
81.RD	CNS LLC 4300162698 Hall		4300162698	50,842.00	-
81.RD	CNS LLC 4300162886 Cook		4300162886	11,207.00	-
81.RD	CNS LLC 4300163177 Nuc Analytic CNS Hall		4300163177	95,629.00	-
81.RD	CNS LLC 4300164790 Allard		4300164790	70,388.00	-
81.RD	CNS LLC 4300164949 Cathey		4300164949	93,116.00	-
81.RD	CNS LLC 4300165160 Rack		4300165160	123,142.00	-
81.RD	CNS LLC 4300165440 Wiegand		4300165440	63,024.00	-
81.RD	CNS LLC 4300165938 Cathey		4300165938	22,668.00	-
81.RD	CNS, LLC 4300166304 hayward		4300166304	237,564.00	-
81.RD	CNS LLC 4300166406 Schmitz		4300166406	30,880.00	-
81.RD	CNS, LLC 4300166441 Day		4300166441	160,135.00	-
81.RD	CNS LLC 4300166497 Allard		4300166497	67,816.00	-
81.RD	CNS LLC 4300166637 Watson		4300166637	56,309.00	-
81.RD	CNS LLC 4300166672 Berg		4300166672	46,540.00	-
81.RD	CNS LLC 4300166689 Day		4300166689	20,180.00	-
81.RD	CNS LLC 4300166713 Jin		4300166713	105,275.00	-
81.RD	CNS LLC 4300166753 McFarlane		4300166753	15,239.00	-
81.RD	CNS, LLC 4300166923 Li		4300166923	179,754.00	-
81.RD	CNS LLC 4300167060 Li		4300167060	273,428.00	-
81.RD	CNS LLC 4300167162 Rack		4300167162	50,609.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
81.RD	CNS LLC 4300167265 Allard		4300167265	36,702.00	-
81.RD	CNS LLC 4300167294 Allard		4300167294	36,574.00	-
81.RD	CNS LLC Additive Manuf 4300167389-Jin		4300167389	41,990.00	-
81.RD	CNS LLC 4300167445 Allard		4300167445	38,905.00	-
81.RD	CNS LLC 4300168494 Starks		4300168494	24,007.00	-
81.RD	Los Alamos Natl Lab 549134 Batista		549134	(26,790.00)	-
81.RD	Los Alamos Natl Lab 578735 Taufer		578735	57,752.00	-
81.RD	Los Alamos Natl Lab 584197 Hauck		584197	119,596.00	-
81.RD	Los Alamos Natl Lab 625354 Batista		625254	35,858.00	-
81.RD	FERMI Research Alliance 656578 Spanier		656578	38,129.00	-
81.RD	Lawrence Berkeley NatLab7229788(51)Hazen		7229788	282,466.00	-
81.RD	Lawrence Berk Nat Lab 7547454 Hayward		7547454	27,345.00	-
81.RD	UT-Battelle		B0199BTL	23,824,870.00	-
81.RD	LLNL B628830 Taufer		B628830	17,644.00	-
81.RD	LLNL B633039 Hall		B633039	31,599.00	-
81.RD	LLNL BB633155 Dongarra		B633155	64,096.00	-
81.RD	LLNL B635004 Fu		B635004	91,387.00	-
81.RD	LLNL B636411 Schmitz		B636411	173,934.00	-
81.RD	LLNL B637164 MPI Research Skjellum 19-20		B637164	13,277.00	-
81.RD	LLNL B639298 Taufer		B639298	44,156.00	-
81.RD	LLNL B639759 SLATE Dongarra		B639759	224,732.00	-
81.RD	LLNL B642655 52% Taufer		B642655	51,913.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
81.RD	LLNL B642884 MPI Applicat Skjellum 20-21		B642884	37,500.00	-
81.RD	LLNL B643088 Dongarra		B643088	113,526.00	-
81.RD	Argonne Natl Lab IF-60259 (52%) Sun		IF-60259	9,378.00	-
81.RD	Honeywell FMT LLC N000033326 52% Starks		N000033326	139,409.00	-
81.RD	Honeywell FM&T LLC N000334158 Kilbey		N000334158	61,112.00	-
81.RD	Honeywell FM&T LLC N000334991 Compton		N000334991	61,728.00	-
81.RD	Honeywell FM&T N000351415 Dadmun		N000351415	33,007.00	-
81.RD	Honeywell FM&T N000357723 Dadmun		N0003577253	15,100.00	-
81.RD	Honeywell FM&T LLC N000378503 Dadmun		N000378503	10,321.00	-
81.RD	Honeywell FM&T LLC N000386702 Kilbey		N000386702	34,478.00	-
81.RD	Honeywell FM&T N000391365 Dadmun		N000391365	94,148.00	-
81.RD	Honeywell FM&T LLC N000392412 Advincula		N000392412	8,885.00	-
81.RD	Honeywell FM&T LLC N000393259 Compton		N000393259	45,226.00	-
81.RD	Sandia National Lab PO 1947696 Dongarra		PO 1947696	(12.00)	-
81.RD	Sandia National Lab PO 2022783 Liu		PO 2022783	10,499.00	-
81.RD	Sandia National Lab PO2149053(51)Dongarr		PO 2149053	284,400.00	-
81.RD	Sandia Labs PO2156123 Skjellum 20-21		PO 2156123	97,082.00	-
81.RD	Sandia National Lab PO 2179955 Taufer		PO 2179955	69,339.00	-
81.RD	Sandia PO2214846 ATSE Spack Skjellum 21		PO 2214846	5,797.00	-
81.RD	Sandia Labs 2117189 Skjellum 19-20		PO2117189	11,546.00	-
81.RD	UCOR SC-16-024688, Rev.0 - Dolislager		SC-16-024688,REV 8	9,236.00	-
81.RD	Ames Laboratory SC-19-47 Jagode		SC-19-497	165,895.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
81.RD	UCOR MR-20-077044 Murray		SC-20-049740	(515.00)	-
81.RD	UCOR SC-20-054005 Dolislager		SC-20-054005	35,588.00	-
81.RD	UCOR SC-20-057897 Hayward		SC-20-057897	39,395.00	-
81.RD	Ames Laboratory SC-20-530 3.2.11 Rios		SC-20-530	513,554.00	-
81.RD	Ames Laboratory SC-20-531 (52%) Rios		SC-20-531	240,950.00	-
81.RD	Alliance Sustainable XAT-9-92055-01 Liu		XAT-9-92055-01	90,063.00	-
81.RD	Alliance Sustainable XEU-6-62566 Greene		XEC-6-62566-01	7,699.00	-
81.RD	UF6 Enrichment Levels		9F-60171-M0001	(44,766.00)	-
81.RD	Battelle Energy Alliance 239731 Coble	Battelle Energy Alliance	239731	11,490.00	-
81.RD	Battelle Energy Alliance 243811 Zhang	Battelle Energy Alliance	243811	30,087.00	-
81.RD	EPRI Grid Resiliency/Arch Approaches Li	Electric Power Research Institute	10011576	34,642.00	-
81.RD	EPRI 10012870 Zhu	Electric Power Research Institute	10012870	48,953.00	-
81.RD	Cybersecurity in 5G Technology		237193	24,478.00	-
81.RD	Natl Renewable E Sub-2021-10575 Li (52%)		SUB-2021-10575	4,403.00	-
81.RD	Univ of Michigan SUBK00008627 Wirth	University of Michigan	SUBK00008627	216,390.00	-
81.RD	Nuclear Hybrid Energy Systems: Desalination Case Study		SUBCONTRACT 4000153274 MOD 4	29,090.00	-
81.RD	Development and Improvement of High-Resolution Flood2D-GPU Modeling for Titan HPC Environment		SUBCONTRACT 4000164401 MOD 5	76,734.00	-
81.RD	Attack Prevention and In-situ Detection of Advanced Attacks or Controller Area Networks		SUBCONTRACT 4000169233 MOD 4	14,323.00	-
81.RD	Investigating Early Transition Metal Dopant Effects in Cobalt Free Lithium Ion Batteries		SUBCONTRACT 4000174326 MOD 3	46,044.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
81.RD	Simulation of HF Inverter Circuits for High-Power Wireless Charging		SUBCONTRACT 4000174874 MOD 04		37,906.00	-
81.RD	Research of Machine-Learning Based Cybersecurity Tools		SUBCONTRACT 4000179242		5,369.00	-
81.RD	Pack Aluminide Coatings on Steel Coupons		SUBCONTRACT 4000185237 MOD 1		25,986.00	-
81.RD	Microbial Enzyme Decomposition16-19		DE-AC05-00OR22725		5,886.00	-
Subtotal Department of Energy					$ 57,104,183.00	$ 7,796,693.00
			Department of Education			
			Institute of Education Sciences			
84.305	Education Research, Development and Dissemination			$ 666,402.00		
		Educational Testing Services	UoM-ED-305A SOW 01/R305A190242	27,383.00		
		Georgia State University	SP00010952-03	(511.00)		
		Georgia State University	SP00013440-03	46,942.00		
		University of Delaware	51192	94,043.00		
					$ 834,259.00	$ 127,113.00
84.324	Research in Special Education				663,080.00	325,959.00
Subtotal Institute of Education Sciences					$ 1,497,339.00	$ 453,072.00
			Office of Career, Technical, and Adult Education			
84.051	Career and Technical Education -- National Programs				$ 76,341.00	$ -
Subtotal Office of Career, Technical, and Adult Education					$ 76,341.00	$ -
			Office of Elementary and Secondary Education			
84.215	Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods	Delta Health Alliance	Indianola Promise Neighborhood Program		$ 388,396.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
84.287	Twenty-First Century Community Learning Centers	Commonwealth of Virginia, Department of Game and Inland Fisheries	00780-DOE86788-S287C190047 CREP	91,231.00	-
84.365	English Language Acquisition State Grants			225,006.00	42,447.00
Subtotal Office of Elementary and Secondary Education				$ 704,633.00	$ 42,447.00
		Office of Postsecondary Education			
84.031	Higher Education Institutional Aid			$ 498,676.00	$ -
84.200	Graduate Assistance in Areas of National Need			113,794.00	-
Subtotal Office of Postsecondary Education				$ 612,470.00	$ -
		Office of Special Education and Rehabilitative Services			
84.129	Rehabilitation Long-Term Training			$ 152,832.00	$ -
84.263	Innovative Rehabilitation Training			429,054.00	-
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Salus University	UTK 88403 17-18	(2,115.00)	-
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	The University of Oregon	20210128-03-ETN	29,372.00	-
Subtotal Office of Special Education and Rehabilitative Services				$ 609,143.00	$ -
		Other Programs			
84.RD	Sabatini AIR subaward	Association for Institutional Research	430401424	$ 20,756.00	$ -
Subtotal Other Programs				$ 20,756.00	$ -
Subtotal Department of Education				$ 3,520,682.00	$ 495,519.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Department of Health and Human Services				
	Administration for Children and Families				
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants			$ 31,261.00	$ -
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Ambassadors for Christ	Unknown	$ 88,278.00	
		Ambassadors for Christ	41091	26,572.00	
				114,850.00	-
93.670	Child Abuse and Neglect Discretionary Activities	Community Alliance for the Homeless	90CA1792	(1,627.00)	-
93.999	Test for Suppression Effects of Advanced Energy	Association of Food and Drug Officials	FD218 AND FD215	$ (3,106.00)	
		University of Notre Dame	208115UTK	608.00	
				(2,498.00)	-
Subtotal Administration for Children and Families				$ 141,986.00	$ -
	Administration for Community Living (ACL)				
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	University of Oregon	239750A	$ 19,475.00	$ -
Subtotal Administration for Community Living (ACL)				$ 19,475.00	$ -
	Agency for Healthcare Research and Quality				
93.226	Research on Healthcare Costs, Quality and Outcomes			$ 111,418.00	$ -
Subtotal Agency for Healthcare Research and Quality				$ 111,418.00	$ -
	Centers for Disease Control and Prevention				
93.080	Blood Disorder Program: Prevention, Surveillance, and Research			$ 104,052.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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	5115930	(1,279.00)	
		The University of North Carolina at Chapel Hill	5119717	13,775.00	
		The University of North Carolina at Chapel Hill	5120288	57,667.00	
		The University of North Carolina at Chapel Hill	512218	8,887.00	
		The University of North Carolina at Chapel Hill	CA-226969-04	4,482.00	
				$ 187,584.00	$ 56,739.00
93.084	Prevention of Disease, Disability, and Death by Infectious Diseases	North Carolina State University	2020-2294-01	136,792.00	-
93.268	Immunization Cooperative Agreements			135,016.00	-
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	Association of University Centers on Disabilities	46-21-8814	35,510.00	-
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups			9,667.00	-
Subtotal Centers for Disease Control and Prevention				$ 504,569.00	$ 56,739.00
		Centers for Medicare and Medicaid Services			
93.529	Pre-existing Condition Insurance Program (PCIP)			$ 80,617.00	$ -
93.778	Medical Assistance Program	University Health System, Inc.	Unknown	13,589.00	-
Subtotal Centers for Medicare and Medicaid Services				$ 94,206.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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			$ 547,687.00	
		National Association of State Departments of Agriculture Research	U01FD005934	(3.00)	
				$ 547,684.00	$ 359,233.00
Subtotal Food and Drug Administration				$ 547,684.00	$ 359,233.00
		Health Resources and Services Administration			
93.110	Maternal and Child Health Federal Consolidated	Hemophilia of Georgia, Inc.	5 H30 MC24046-02	$ 6,842.00	
		The University of North Carolina at Chapel Hill	1 H7 EMC375640100	60,553.00	
				$ 67,395.00	$ -
93.155	Rural Health Research Centers			316,843.00	32,178.00
93.178	Nursing Workforce Diversity			221,276.00	-
93.191	Graduate Psychology Education			353,160.00	6,339.00
93.211	Telehealth Programs	University of Mississippi Medical Center	SP13977-SB9	54,961.00	-
93.247	Advanced Nursing Education Workforce Grant Program			803,878.00	-
93.359	Nurse Education, Practice Quality and Retention Grants			75,879.00	30,000.00
93.501	Grants for School-Based Health Center Capital Expenditures			95,700.00	-
93.732	Mental and Behavioral Health Education and Training Grants			665,066.00	-
93.877	Autism Collaboration, Accountability, Research, Education, and Support	Association of University Centers on Disabilities	MC-39440-01	16,725.00	-
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement			83,517.00	16,873.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds				714,794.00		-
Subtotal Health Resources and Services Administration					$ 3,469,194.00	$	85,390.00
			National Institutes of Health				
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research			$ 77,041.00			
		RTI International	1-340-0216446-65333L	13,654.00			
		University of Michigan	SUBK00014311	8,982.00			
					$ 99,677.00	$	-
93.113	Environmental Health			$ 492,752.00			
		Bowling Green State University	1000973-UNT07	23,818.00			
		University of California, Davis	A20-1849-S001	123,687.00			
					640,257.00		-
93.121	Oral Diseases and Disorders Research			$ 234,309.00			
		International Agency for Research on Cancer	DE25712-04	188,719.00			
		Oregon Health and Science University	1015455-ETSU	11,025.00			
		University of California	1350 G TB091	35,204.00			
					469,257.00		-
93.142	NIEHS Hazardous Waste Worker Health and Safety	University of Minnesota	2U45ES006184-29	$ 259,471.00			
		University of Minnesota	Unknown	17,167.00			
					276,638.00		-
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education	The University of Alabama at Birmingham	000523056-SC001		139,461.00		-
93.172	Human Genome Research	European Molecular Biology Laboratory	TENN-3125-01	$ 27,675.00			
		New York University	F1228-04	16,766.00			
					44,441.00		-
93.173	Research Related to Deafness and Communication Disorders				1,585,138.00		184,224.00
93.213	Research and Training in Complementary and Integrative Health			$ 457,854.00			
		Louisiana State University	AI 138136 01	(1,851.00)			

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Louisiana State University, Pennington Biomedical Research Center	R01AT010279-1894-UTK	106,844.00		
		Texas Tech University	SUBCONTR 21F176-01	60,147.00		
					622,994.00	31,774.00
93.233	National Center on Sleep Disorders Research				(4,997.00)	-
93.242	Mental Health Research Grants			$ 1,665,068.00		
		Memorial Sloan-Kettering Institute for Cancer Research	BD525235A	31,901.00		
		Memorial Sloan-Kettering Institute for Cancer Research	BD525235B	23,075.00		
		University of Washington	UWSC10697	926,177.00		
					2,646,221.00	52,077.00
93.273	Alcohol Research Programs			$ 1,314,314.00		
		Jackson Laboratory	212721	5,860.00		
		University of Kansas Center for Research	1R01AA02027255-01A1	14,839.00		
		University of Rhode Island	0007349/083120	30,155.00		
		University of Wisconsin-Milwaukee	193405410	64,723.00		
		University of Wisconsin-Milwaukee	203405426	226,105.00		
		Washington State University	133552-G004179	36,249.00		
					1,692,245.00	127,823.00
93.279	Drug Abuse and Addiction Research Programs			$ 3,846,670.00		
		Duke University	A032787	7,645.00		
		University of California, San Diego	122779013	(20,112.00)		
		University of California, San Diego	122779013(S9002412)	377,458.00		
		University of California, San Diego	127276513	110,524.00		
		University of Kentucky Research	3200001244-20-290	86,661.00		
		University of Virginia	GB10546.158753	6,295.00		
		University of Virginia	GB10546.PO#2126905	6,574.00		
					4,421,715.00	1,005,231.00
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health			$ 1,270,027.00		
		University of California, San Francisco	10555sc	9,003.00		
					1,279,030.00	531,480.00
93.307	Minority Health and Health Disparities Research			$ 279.00		
		Moffitt Cancer Center	11-19002-99-01-G1	1,127.00		
		University of Pittsburgh	CNVA0056157-130212-1	65,243.00		
		University of Pittsburgh	MD-11678-05	7,541.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		University of Utah	10044779-03	121,887.00		
					196,077.00	-
93.310	Trans-NIH Research Support	Duke University Medical Center	A032483	$ 2,762.00		
		Harvard University	229384	46,924.00		
		University of Washington	OD-023271-04	358,798.00		
					408,484.00	-
93.361	Nursing Research				1,476,254.00	343,782.00
93.393	Cancer Cause and Prevention Research			$ 531,882.00		
		Baptist Cancer Center	1001	154,805.00		
		Emory University	A24297	19,672.00		
		Emory University	A247298	39,564.00		
		Emory University	A359292	27,837.00		
		Emory University	A52007	6,738.00		
		Medical University of South Carolina	A00-3206-S003	10,119.00		
		Medical University of South Carolina	A21-0023-S001	10,119.00		
		University of Connecticut Health Center	UCHC7-105937291-A1	87,060.00		
		University of Utah	10044693-01	50,025.00		
		University of Utah	10045740-02	65,839.00		
		University of Virginia	GB10481 PO#2218570	216,767.00		
		Vanderbilt University	1R01CA240093-01	15,569.00		
		Vanderbilt University	UNIV61671	53,417.00		
		Washington University in St. Louis	WU-18-83-MOD-2	4,412.00		
		Washington University in St. Louis	WU-18-83-MOD-3	89,176.00		
					1,383,001.00	134,561.00
93.394	Cancer Detection and Diagnosis Research			$ 97,903.00		
		Beckman Research Institute of the City of Hope	52422.2001475.669302	132,131.00		
		Fred Hutchinson Cancer Research Center	0001025403	24,921.00		
		The University of North Carolina at Chapel Hill	5115169	20,681.00		
					275,636.00	-
93.395	Cancer Treatment Research			$ 2,308,648.00		
		Southwest Oncology Group	1013080_SWOG_UTENN	24,840.00		
		Southwest Oncology Group	U10CA037429	900.00		
		St. Jude Children's Research Hospital	110068210-7942644	31,507.00		
		St. Jude Children's Research Hospital	112633019-7970256	46,875.00		
		St. Jude Children's Research Hospital	PBTC-51	9,241.00		
		The University of North Carolina at Chapel Hill	5111245	71,272.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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	5117097	214,565.00		
		Tufts Medical Center	5015650-SERV	(2,120.00)		
		University of Michigan	SUBK00008228	63,077.00		
					2,768,805.00	420,637.00
93.396	Cancer Biology Research			$ 404,450.00		
		Mississippi State University	CA-260147-01	13,883.00		
		The University of North Carolina at Chapel Hill	5108968	15,230.00		
		University of Minnesota, Twin Cities	P0044798801	33,364.00		
					466,927.00	7,434.00
93.397	Cancer Centers Support Grants				707,826.00	-
93.837	Cardiovascular Diseases Research			$ 7,823,893.00		
		Temple University of the Commonwealth System of Higher Education	260339-UTK	35,808.00		
		The University of Alabama at Birmingham	HL-120338	6,268.00		
		University of California, San Diego	127959899	6,635.00		
		University of California, San Francisco	9322SC	22,883.00		
		University of Virginia	GB10481.PO#2218570	56,513.00		
		Vanderbilt University	HL-132338-05	35,546.00		
		Vanderbilt University	VUMC 62247	142,530.00		
					8,130,076.00	319,223.00
93.838	Lung Diseases Research			$ 707,361.00		
		Cincinnati Children's Hospital Medical Center	312331	72,395.00		
		La Jolla Institute for Allergy and Immunology	26607-09-153-404	6,234.00		
		Meharry Medical College	200827PJ145	159,541.00		
	COVID-19 - Lung Diseases Research	Meharry Medical College	200827PJ145	38,942.00		
					984,473.00	355,919.00
93.839	Blood Diseases and Resources Research			$ 930,490.00		
		St. Jude Children's Research Hospital	112246050-7944868	124,326.00		
					1,054,816.00	665,811.00
93.846	Arthritis, Musculoskeletal and Skin Diseases Research			$ 1,874,660.00		
		University of Vermont	AR-065826-03	24,193.00		

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Wayne State University	HHSN275201300006C	523.00		
					1,899,376.00	33,885.00
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research			$ 7,484,332.00		
		Case Western Reserve University	RES514450	141,870.00		
		Icahn School of Medicine at Mount Sinai	DK-118222-02	28,609.00		
		Jackson Laboratory	210260-0519-03	(5,765.00)		
		Johns Hopkins University	2004091297	15,701.00		
		Louisiana State University	DK1238183-2020-70-UT	11,856.00		
		Rutgers, The State University of New Jersey	0278	101,179.00		
		Rutgers, The State University of New Jersey	AG-0059304	17,926.00		
		Texas A&M University	DK-113344-03	22,214.00		
		The University of Alabama at Birmingham	000518524-002	39,177.00		
		The University of Alabama at Birmingham	000518524-SC001	99,189.00		
		The University of Alabama at Birmingham	AT-011310-01	74,444.00		
		The University of Texas at Austin	UTA19-000909	19,911.00		
		University of California, Irvine	2020-1396	17,309.00		
		University of Miami	SPC-000964	23,786.00		
		University of Miami	SPC-001421	11,170.00		
		University of Nebraska Medical Center	24-1219-002-005	22,313.00		
		University of Pennsylvania	579258	56,259.00		
		University of Pennsylvania	579917	9,277.00		
		University of South Carolina	16-2994	19,348.00		
					8,210,105.00	1,018,715.00
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders			$ 4,210,667.00		
		Cincinnati Children's Hospital Medical	137754	868.00		
		Emory University	A289301	305,048.00		
		The Feinstein Institutes for Medical Research	500818-UTK	22,166.00		
					4,538,749.00	405,937.00
93.855	Allergy and Infectious Diseases Research			$ 10,129,139.00		
		Colorado State University	G-45858-1	74,019.00		
		La Jolla Institute for Allergy and Immunology	21448-04-153-404	15,635.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Louisiana State University	PO-0000071752	12,386.00		
		Miriam Hospital	7147108RLD	88,603.00		
		St. Jude Children's Research Hospital	111663080-7923068	44,786.00		
		St. Jude Children's Research Hospital	111663090-7982727	13,513.00		
		St. Jude Children's Research Hospital	112821010-7955678	32,797.00		
		St. Jude Children's Research Hospital	151443010	22,365.00		
		St. Jude Children's Research Hospital	151446010	73,258.00		
		The University of Iowa	S00943-01	391,775.00		
		The University of North Carolina at Chapel Hill	5118692	10,735.00		
		Tulane University	TUL-HSC-557438-19/20	28,241.00		
		University of California, San Diego	97922508(S9001916)	18,200.00		
		University of California, San Diego	AI-069536-15	28,650.00		
		University of California, San Francisco	10494SC	4,289.00		
		University of Louisville	ULRF 15-0382-01	149,377.00		
		University of Maryland	AI-150574-02	15,217.00		
		University of Oklahoma	2015-13	36,781.00		
		Vanderbilt University	Unknown	6,917.00		
		West Virginia University Research Corporation	20-071-ETSU	12,500.00		
					11,209,183.00	2,286,521.00
93.859	Biomedical Research and Research Training			$ 5,473,511.00		
		California Institute of Technology	S400678	47,601.00		
		Jackson Laboratory	210071-0720-03	19,805.00		
		Jackson Laboratory	210071-0721-03	20,430.00		
		Jackson Laboratory	GM 07683-12	5,886.00		
		Memorial Sloan-Kettering Institute for Cancer Research	BD521943B	78,260.00		
		Oregon Health & Science University	1014217_TN	45,830.00		
		University of Nebraska Medical Center	34-5301-2081	60,069.00		
		University of Notre Dame	202870UTK	34,971.00		
		Yale University	GR105886CON-80001759	22,229.00		
					5,808,592.00	113,783.00
93.865	Child Health and Human Development Extramural			$ 1,017,304.00		
		Illinois State University	A17-0146-S001	10,047.00		
		Michigan State University	RC111050B	67,438.00		
		Northwestern University	60047828 TENN	21,407.00		
		Tulane University	HSC-558614-3021	57,646.00		
		University of Notre Dame	203700UM	151,501.00		
		Vanderbilt University Medical Center	VUMC 53269	(6,488.00)		
		Vanderbilt University Medical Center	VUMC64370	3,826.00		
		Vanderbilt University Medical Center	W81XWH-15-1-0259-02	(102.00)		
		Virginia Commonwealth University	FP00008136 SA001	13,220.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Virginia Commonwealth University	FP00008924 SA001	22,134.00		
					1,357,933.00	60,767.00
93.866	Aging Research			$ 5,161,262.00		
		Hennepin Healthcare Research Institute	15156-22-01FFS	(229.00)		
		Jackson Laboratory	210262-0421-02	18,122.00		
		Northwestern University	60057410 UTHSC	17,416.00		
		The Ohio State University Research Foundation	SPC1000005106/GR1214	51,639.00		
		University of Massachusetts Lowell	S5111000004943	7,153.00		
		University of Southern California	AG-054424-03	82,250.00		
		University of Southern California	RSGI-17-234-01	38,669.00		
		Wake Forest University	159-100710-552702	60,612.00		
		Wake Forest University	AG-058571-04	4,358.00		
					5,441,252.00	785,369.00
93.867	Vision Research			$ 3,298,949.00		
		New York University	EY-026869-01	8,614.00		
		Texas A&M University Health Science	M2000375	62,957.00		
					3,370,520.00	294,665.00
93.879	Medical Library Assistance			$ 48,345.00		
		University of Maryland	1600679	29,044.00		
		University of Maryland	3000925 REQUEST 3701	222,253.00		
	COVID-19 - Medical Library Assistance	University of Maryland	1600679	8,522.00		
					308,164.00	-
93.989	International Research and Research Training	Florida International University	800007920/000066		23,476.00	-
Subtotal National Institutes of Health					$ 73,931,802.00	$ 9,179,618.00
		Substance Abuse and Mental Health Services Administration				
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Buffalo Valley, Incorporated	H79T1080553	$ 75,017.00		
		Mending Hearts, Incorporated	1H79TI082707-01	47,825.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients	
		Power of Putnam, Inc.	SUB UNDER FOA NO. SP-20-002	11,604.00			
					$ 134,446.00	$	-
Subtotal Substance Abuse and Mental Health Services Administration					$ 134,446.00	$	-
			Other Programs				
93.RD	NIH Dated 6/9/2021 (52%) Hutson		Unknown		$ 17,563.00	$	-
93.RD	VOC Monitoring in Karnes	Northeastern University	VOC Monitoring in Karnes		2,287.00		-
Subtotal Other Programs					$ 19,850.00	$	-
Subtotal Department of Health and Human Services					$ 78,974,630.00	$	9,680,980.00
			Executive Office of the President				
			Other Programs				
95.007	Research and Data Analysis	University of Baltimore	8		$ 171,067.00	$	65,405.00
Subtotal Other Programs					$ 171,067.00	$	65,405.00
Subtotal Executive Office of the President					$ 171,067.00	$	65,405.00
			Department of Homeland Security				
			Countering Weapons of Mass Destruction				
97.077	Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection				$ 1,265,633.00	$	135,491.00
Subtotal Countering Weapons of Mass Destruction					$ 1,265,633.00	$	135,491.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
		Federal Emergency Management Agency			
97.005	State and Local Homeland Security National Training Program			$ 470,280.00	
		Norwich University Applied Research Institutes	2018-010	137,394.00	
		The Center for Rural Development	EMW-2017-CA-0052-S01	(167.00)	
		The Center for Rural Development	EMW-2018-CA-0075-S01	4,493.00	
		The Center for Rural Development	FY16-00097-SOI-UT	(2.00)	
		University of Texas at San Antonio	1000001516	92,925.00	
				$ 704,923.00	$ -
Subtotal Federal Emergency Management Agency				$ 704,923.00	$ -
		Science and Technology			
97.061	Centers for Homeland Security	University of Illinois	077083-17345	$ 147,799.00	$ 60,000.00
97.062	Scientific Leadership Awards			8,880.00	-
Subtotal Science and Technology				$ 156,679.00	$ 60,000.00
Subtotal Department of Homeland Security				$ 2,127,235.00	$ 195,491.00
		Agency for International Development			
		Other Programs			
98.001	USAID Foreign Assistance for Programs Overseas			$ 87,989.00	
		Kansas State University	Unknown	93,764.00	
		Michigan State University	TO RC102095BHEARD	(9,280.00)	
				$ 172,473.00	$ 69,743.00
98.004	Non-Governmental Organization Strengthening (NGO)	Partner of the Americas	SG-2019-3	84,974.00	24,745.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
98.RD	Gene Profile Sorghum/Biofue	National Academy of Sciences	ESP-A-00-05-00001-00	(1,741.00)	-
Subtotal Other Programs				$ 255,706.00	$ 94,488.00
Subtotal Agency for International Development				$ 255,706.00	$ 94,488.00
Total Research and Development Cluster				$ 231,527,020.00	$ 28,004,458.00
Student Financial Assistance Cluster					
Department of Education					
84.007	Federal Supplemental Educational Opportunity Grants			$ 13,388,771.00	$ -
84.033	Federal Work-Study Program			4,636,234.00	-
84.038	Federal Perkins Loan Program_Federal Capital Contributions			9,412,688.00	-
84.063	Federal Pell Grant Program			335,717,043.00	-
84.268	Federal Direct Student Loans			645,805,599.00	-
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)			432,453.00	-
84.408	Postsecondary Education Scholarships for Veteran's Dependents			8,955.00	-
Subtotal Department of Education				$ 1,009,401,743.00	$ -
Department of Health and Human Services					
93.264	Nurse Faculty Loan Program (NFLP)			$ 1,147,808.00	$ -
93.342	Health Professions Student Loans, Including Primary Care Loan/Loans for Disadvantaged Students			631,530.00	-
93.364	Nursing Student Loans			34,997.00	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds				636,212.00	-
Subtotal Department of Health and Human Services					$ 2,450,547.00	$ -
Total Student Financial Assistance Cluster					$ 1,011,852,290.00	$ -
	SNAP Cluster					
	Department of Agriculture					
10.551	Supplemental Nutrition Assistance Program				$ 1,383,413,506.00	$ -
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				99,569,930.00	3,194,873.00
Subtotal Department of Agriculture					$ 1,482,983,436.00	$ 3,194,873.00
Total SNAP Cluster					$ 1,482,983,436.00	$ 3,194,873.00
	Child Nutrition Cluster					
	Department of Agriculture					
10.553	School Breakfast Program			$ 115,863,666.00		
	COVID-19 - School Breakfast Program			6,315,674.00		
					$ 122,179,340.00	$ 122,179,340.00
10.555	National School Lunch Program			$ 262,830,128.00		
	National School Lunch Program (Noncash)			30,641,664.00		
	COVID-19 - National School Lunch Program			40,492,732.00		
					333,964,524.00	333,964,524.00
10.556	Special Milk Program for Children			$ 3,062.00		
	COVID-19 - Special Milk Program for Children			759.00		
					3,821.00	3,821.00
10.559	Summer Food Service Program for Children			$ 22,759,808.00		
	COVID-19 - Summer Food Service Program for Children			4,899,784.00		
					27,659,592.00	27,496,574.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	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				320,713.00	320,779.00
Subtotal Department of Agriculture					$ 484,127,990.00	$ 483,965,038.00
Total Child Nutrition Cluster					$ 484,127,990.00	$ 483,965,038.00
			Food Distribution Cluster			
			Department of Agriculture			
10.565	Commodity Supplemental Food Program			$ 790,121.00		
	Commodity Supplemental Food Program (Noncash)			2,851,630.00		
					$ 3,641,751.00	$ 770,126.00
10.568	Emergency Food Assistance Program (Administrative Costs)			$ 2,069,467.00		
	COVID-19 - Emergency Food Assistance Program (Administrative Costs)			1,870,694.00		
					3,940,161.00	3,853,954.00
10.569	Emergency Food Assistance Program (Food Commodities) (Noncash)			$ 21,101,435.00		
	COVID-19 - Emergency Food Assistance Program (Food Commodities) (Noncash)			8,092,549.00		
					29,193,984.00	29,193,984.00
Subtotal Department of Agriculture					$ 36,775,896.00	$ 33,818,064.00
Total Food Distribution Cluster					$ 36,775,896.00	$ 33,818,064.00
			Forest Service Schools and Roads Cluster			
			Department of Agriculture			
10.665	Schools and Roads - Grants to States				$ 870,519.00	$ 870,519.00
Subtotal Department of Agriculture					$ 870,519.00	$ 870,519.00
Total Forest Service Schools and Roads Cluster					$ 870,519.00	$ 870,519.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
Community Facilities Loans and Grants Cluster						
Department of Agriculture						
10.766	Community Facilities Loans and Grants				$ 20,486.00	$ -
Subtotal Department of Agriculture					$ 20,486.00	$ -
Total Community Facilities Loans and Grants Cluster					$ 20,486.00	$ -
Economic Development Cluster						
Department of Commerce						
11.307	Economic Adjustment Assistance			$ 2,968,444.00		
	COVID-19 - Economic Adjustment Assistance			166,300.00		
					$ 3,134,744.00	$ -
Subtotal Department of Commerce					$ 3,134,744.00	$ -
Total Economic Development Cluster					$ 3,134,744.00	$ -
Section 8 Project-Based Cluster						
Department of Housing and Urban Development						
14.195	Section 8 Housing Assistance Payments Program			$ 221,034,885.00		
	COVID-19 - Section 8 Housing Assistance Payments Program			305,504.00		
					$ 221,340,389.00	$ -
Subtotal Department of Housing and Urban Development					$ 221,340,389.00	$ -
Total Section 8 Project-Based Cluster					$ 221,340,389.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
CDBG - Entitlement Grants Cluster							
Department of Housing and Urban Development							
14.218	Community Development Block Grants/Entitlement Grants	Knox County	CDBG 2020-2021	$ 9,995.00			
	COVID-19 - Community Development Block Grants/Entitlement Grants	City of Memphis, Division of Housing and Community Development	38095	267,730.00			
					$ 277,725.00	$	-
Subtotal Department of Housing and Urban Development					$ 277,725.00	$	-
Total CDBG - Entitlement Grants Cluster					$ 277,725.00	$	-
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)				$ 789,423.00	$	234,972.00
14.272	National Disaster Resilience Competition				12,011,576.00		4,185,528.00
Subtotal Department of Housing and Urban Development					$ 12,800,999.00	$	4,420,500.00
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster					$ 12,800,999.00	$	4,420,500.00
HOPE VI Cluster							
Department of Housing and Urban Development							
14.889	Choice Neighborhoods Implementation Grants	Memphis Housing Authority	South City Neighborhood Transformation Plan		$ 11,784.00	$	-
Subtotal Department of Housing and Urban Development					$ 11,784.00	$	-
Total HOPE VI Cluster					$ 11,784.00	$	-

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Housing Voucher Cluster				
	Department of Housing and Urban Development				
14.871	Section 8 Housing Choice Vouchers			$ 42,424,601.00	
		Abilene Housing Authority	TN903	5,584.00	
		Alaska Housing Finance Corporation	TN903	2,635.00	
		Albany Housing Authority	TN903	1,587.00	
		Chicago Housing Authority	TN903	8,949.00	
		Cincinnati Metro Housing Authority	TN903	3,168.00	
		City of Evansville Housing Authority	TN903	1,553.00	
		City of Richmond	TN903	1,480.00	
		Crossville Housing Authority	TN903	30,267.00	
		Housing Authority of San Diego County	TN903	1,893.00	
		Housing Authority of Snohomish County	TN903	1,922.00	
		Housing Authority of St. Louis County	TN903	1,345.00	
		Jackson Housing Authority	TN903	10,563.00	
		Johnstown Housing Authority	TN903	4,747.00	
		Knoxville Community Development Corporation	TN903	6,373.00	
		Kokomo Housing Authority	TN903	1,163.00	
		Metropolitan Development and Housing Authority	TN903	562,363.00	
		Miami-Dade County Public Housing Authority	TN903	6,042.00	
		Northampton Housing Authority	TN903	3,231.00	
		Northwest Minnesota Housing and Development	TN903	2,953.00	
		Pulaski County Public Housing Authority	TN903	820.00	
		Virginia Housing Development Authority	TN903	11,389.00	
		Westbrook Housing Authority	TN903	4,223.00	
	COVID-19 - Section 8 Housing choice Vouchers			4,376,866.00	
	COVID-19 - Section 8 Housing Choice Vouchers (EHV)			6,993.00	
					$ 47,482,710.00 $ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
14.879	Mainstream Vouchers			$ 507,193.00		
	COVID-19 - Mainstream Vouchers			9,331.00		
					516,524.00	-
Subtotal Department of Housing and Urban Development					$ 47,999,234.00	$ -
Total Housing Voucher Cluster					$ 47,999,234.00	$ -
	Fish and Wildlife Cluster					
	Department of the Interior					
15.605	Sport Fish Restoration				$ 7,323,049.00	$ 7,323,049.00
15.611	Wildlife Restoration and Basic Hunter Education				21,545,408.00	20,847,119.00
15.626	Enhanced Hunter Education and Safety				62,266.00	62,266.00
Subtotal Department of the Interior					$ 28,930,723.00	$ 28,232,434.00
Total Fish and Wildlife Cluster					$ 28,930,723.00	$ 28,232,434.00
	Employment Service Cluster					
	Department of Labor					
17.207	Employment Service/Wagner-Peyser Funded Activities				$ 11,321,036.00	$ -
17.801	Jobs for Veterans State Grants				3,640,194.00	-
Subtotal Department of Labor					$ 14,961,230.00	$ -
Total Employment Service Cluster					$ 14,961,230.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	WIOA Cluster					
	Department of Labor					
17.258	WIOA Adult Program				$ 16,742,507.00	$ 10,893,544.00
17.259	WIOA Youth Activities			$ 13,593,963.00		
		Alliance for Business and Training	12032	91,630.00		
					13,685,593.00	10,153,365.00
17.278	WIOA Dislocated Worker Formula Grants			$ 19,369,063.00		
		Upper Cumberland Human Resource Agency	WORKFORCE INVESTMENT ACT	69,153.00		
					19,438,216.00	13,329,685.00
Subtotal Department of Labor					$ 49,866,316.00	$ 34,376,594.00
Total WIOA Cluster					$ 49,866,316.00	$ 34,376,594.00
	Highway Planning and Construction Cluster					
	Department of Transportation					
20.205	Highway Planning and Construction			$ 950,523,229.00		
	COVID-19 - Highway Planning and Construction			9,643,433.00		
					$ 960,166,662.00	$ 90,907,946.00
20.219	Recreational Trails Program				1,629,741.00	-
Subtotal Department of Transportation					$ 961,796,403.00	$ 90,907,946.00
Total Highway Planning and Construction Cluster					$ 961,796,403.00	$ 90,907,946.00
	FMCSA - Cluster					
	Department of Transportation					
20.218	Motor Carrier Safety Assistance				$ 6,569,176.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements			723,385.00	-
Subtotal Department of Transportation				$ 7,292,561.00	$ -
Total FMCSA - Cluster				$ 7,292,561.00	$ -
Federal Transit Cluster					
Department of Transportation					
20.500	Federal Transit Capital Investment Grants			$ 117,995.00	$ 117,995.00
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs			1,463,047.00	1,463,047.00
Subtotal Department of Transportation				$ 1,581,042.00	$ 1,581,042.00
Total Federal Transit Cluster				$ 1,581,042.00	$ 1,581,042.00
Transit Services Programs Cluster					
Department of Transportation					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities			$ 4,036,882.00	$ 3,983,456.00
20.516	Job Access and Reverse Commute Program			(203,493.00)	(203,493.00)
20.521	New Freedom Program			409,817.00	333,600.00
Subtotal Department of Transportation				$ 4,243,206.00	$ 4,113,563.00
Total Transit Services Programs Cluster				$ 4,243,206.00	$ 4,113,563.00

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Highway Safety Cluster				
	Department of Transportation				
20.600	State and Community Highway Safety			$ 6,356,275.00	$ 3,563,285.00
20.616	National Priority Safety Programs			3,794,240.00	604,015.00
Subtotal Department of Transportation				$ 10,150,515.00	$ 4,167,300.00
Total Highway Safety Cluster				$ 10,150,515.00	$ 4,167,300.00
	Clean Water State Revolving Fund Cluster				
	Environmental Protection Agency				
66.458	Capitalization Grants for Clean Water State Revolving Funds			$ 18,549,338.00	$ -
Subtotal Environmental Protection Agency				$ 18,549,338.00	$ -
Total Clean Water State Revolving Fund Cluster				$ 18,549,338.00	$ -
	Drinking Water State Revolving Fund Cluster				
	Environmental Protection Agency				
66.468	Capitalization Grants for Drinking Water State Revolving Funds			$ 7,669,289.00	$ -
Subtotal Environmental Protection Agency				$ 7,669,289.00	$ -
Total Drinking Water State Revolving Fund Cluster				$ 7,669,289.00	$ -

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues	Expenditures/Issues Passed Through To Subrecipients
	Special Education Cluster (IDEA)				
	Department of Education				
84.027	Special Education Grants to States			$ 250,317,666.00	$ 240,068,812.00
84.173	Special Education Preschool Grants			5,471,062.00	5,458,823.00
Subtotal Department of Education				$ 255,788,728.00	$ 245,527,635.00
Total Special Education Cluster (IDEA)				$ 255,788,728.00	$ 245,527,635.00
	TRIO Cluster				
	Department of Education				
84.042	TRIO Student Support Services			$ 3,152,225.00	$ -
84.044	TRIO Talent Search			884,195.00	-
84.047	TRIO Upward Bound			5,310,630.00	-
84.066	TRIO Educational Opportunity Centers			1,426,797.00	-
84.217	TRIO McNair Post-Baccalaureate Achievement			437,154.00	-
Subtotal Department of Education				$ 11,211,001.00	$ -
Total TRIO Cluster				$ 11,211,001.00	$ -
	Aging Cluster				
	Department of Health and Human Services				
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers			$ 6,793,940.00	

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number		Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
	COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers			2,250,537.00			
						$ 9,044,477.00	$ 9,044,441.00
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services			$ 14,606,294.00			
	COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services			7,217,055.00			
						21,823,349.00	20,601,096.00
93.053	Nutrition Services Incentive Program					1,617,030.00	1,617,030.00
Subtotal Department of Health and Human Services						$ 32,484,856.00	$ 31,262,567.00
Total Aging Cluster						$ 32,484,856.00	$ 31,262,567.00
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)			$ 7,205,445.00			
	COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			2,633,536.00			
						9,838,981.00	$ 768,088.00
Subtotal Department of Health and Human Services						$ 9,838,981.00	$ 768,088.00
Total Health Center Program Cluster						$ 9,838,981.00	$ 768,088.00
CCDF Cluster							
Department of Health and Human Services							
93.575	Child Care and Development Block Grant			$ 242,785,655.00			
		Community Foundation of Middle Tennessee	64008	569.00			

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
		Community Foundation of Middle Tennessee	65809	7,000.00		
		Signal Centers, Inc	CC&R FY2020	305,279.00		
		Signal Centers, Inc	CCR&R FY2021	697,749.00		
	COVID-19 - Child Care and Development Block Grant			259,756,003.00		
					503,552,255.00	88,947,519.00
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund				70,584,101.00	-
Subtotal Department of Health and Human Services					$ 574,136,356.00	$ 88,947,519.00
Total CCDF Cluster					$ 574,136,356.00	$ 88,947,519.00
Head Start Cluster						
Department of Health and Human Services						
93.600	Head Start			$ 3,684,747.00		
		Porter-Leath Children's Center	Porter-Leath	431,990.00		
					$ 4,116,737.00	$ 800,561.00
Subtotal Department of Health and Human Services					$ 4,116,737.00	$ 800,561.00
Total Head Start Cluster					$ 4,116,737.00	$ 800,561.00
Medicaid Cluster						
Department of Health and Human Services						
93.775	State Medicaid Fraud Control Units				$ 5,899,346.00	$ -
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare				10,040,707.00	-
93.778	Medical Assistance Program			$ 7,761,314,347.00		
		Jackson-Madison County General Hospital	A02-1063-038	202,403.00		
		St. Francis Hospital	A02-1063-038	144,229.00		
		University Health Services	GMEP	35,547,808.00		

State of Tennesse
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

AL#	Program Name	Passed Through From	Other Identifying Number	Total Expenditures/Issues		Expenditures/Issues Passed Through To Subrecipients
	COVID-19 - Medical Assistance Program			678,200,662.00	8,475,409,449.00	41,842,278.00
Subtotal Department of Health and Human Services					$ 8,491,349,502.00	$ 41,842,278.00
Total Medicaid Cluster					$ 8,491,349,502.00	$ 41,842,278.00
Disability Insurance/SSI Cluster						
Social Security Administration						
96.001	Social Security Disability Insurance				$ 50,385,464.00	$ -
Subtotal Social Security Administration					$ 50,385,464.00	$ -
Total Disability Insurance/SSI Cluster					$ 50,385,464.00	$ -
Grand Total					$ 24,173,530,706.00	$ 3,269,966,668.00

NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2021 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 *Annual Comprehensive 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, 2021. 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, Assistance Listing number (AL number). The first two digits of the AL 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 an AL 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 AL 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. All expenditures are rounded to the nearest dollar.

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 (AL 17.225). The state and federal portions of the total (rounded) expenditures reported in the Schedule for this program were $388,514,710 and $2,857,895,650, 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 (AL 84.038)
- Nurse Faculty Loan Program (NFLP) (AL 93.264)
- Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (AL 93.342)
- Nursing Student Loans (AL 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 (rounded) at year-end:

AL #	Program Name	Balance Outstanding
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$ 9,412,688
93.264	Nurse Faculty Loan Program (NFLP)	1,147,808
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	631,530
93.364	Nursing Student Loans	$ 34,997
Total Loan Balance:		$ 11,227,023

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 (AL 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 fiscal year 2021 noncash federal financial assistance is shown in the table below.

AL #	Program Name	Assistance Description	Dollar Value
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	Food Commodities	$ 8,528,536
10.555	National School Lunch Program	Food Commodities	30,641,664
10.565	Commodity Supplemental Food Program	Food Commodities	2,851,630
10.569	Emergency Food Assistance Program (Food Commodities)	Food Commodities	21,101,435
10.569	COVID-19 - Emergency Food Assistance Program (Food Commodities)	Food Commodities	8,092,549
39.003	Donation of Federal Surplus Personal Property	Surplus Property	465,149

93.268	Immunization Cooperative Agreements	Immunizations	89,319,407
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Medical Supplies	$ 1,257,362
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Materials and Labor	62,474,934
Total Noncash Assistance			$ 224,732,666

NOTE 7. COVID-19 ASSISTANCE

In response to the COVID-19 pandemic several legislative acts were passed that provided additional funding to existing federal programs and created new federal programs to assist in the recovery from the pandemic. The acts listed below are considered the source of COVID-19 federal assistance for the purposes of this schedule:

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

All programs funded via one of these COVID-19 relief bills are reported in the schedule with the pre-fix COVID-19 before the program name and these amounts are reported on a separate line from amounts derived from other funding sources.

The total (rounded) expenditure of COVID-19 assistance as of 6/30/2021 is $7,911,332,380.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education	11-DOE-01	84.010, 84.389, 84.027, 84.173, 84.391, 84.392, 84.394, 84.397, 84.367, 84.395, and 84.410	Title I Part A Cluster, Special Education Cluster (IDEA), State Fiscal Stabilization Fund Cluster, Improving Teacher Quality State Grants, ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top, Incentive Grants, ARRA-Education Jobs Fund	S010A080042, S010A090042, S010A100042, S389A090042, H027A070052, H027A080052, H027A090052, H027A100052, H173A080095, H173A090095, H173A100095, H391A090052A, H392A090095A, S394A090043, S397A090043, S367A080040, S367A090040, S367A100040, S395A100032, and S410A100043	The department and local educational agencies did not always maintain proper information systems security	X			
Department of Education	12-DOE-01	84.010, 84.389, 84.027, 84.173, 84.391, 84.392, 84.394, 84.397, 84.367, 84.395, and 84.410	Title I, Part A Cluster Special Education Cluster (IDEA) State Fiscal Stabilization Fund Cluster Improving Teacher Quality State Grants State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act Education Jobs Fund	S010A090042, S010A100042, S010A110042, S389A090042, H027A070052, H027A090052, H027A100052, H027A110052, H173A090095, H173A100095, H173A110095, H391A090052A, H392A090095A, S394A090043, S397A090043, S367A090040, S367A100040, S367A110040, S395A100032, and S410A100043	As noted in the prior audit, the department and local educational agencies did not always maintain proper information systems security controls, increasing the risk of fraudulent activity	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education	2013-002	84.010, 84.389, 84.027, 84.173, 84.367, 84.377, 84.388, 84.395, and 84.410	Title I, Part A Cluster Special Education Cluster (IDEA) Improving Teacher Quality State Grants School Improvement Grants Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act Education Jobs Fund	S010A090042, S010A100042, S010A110042, S010A120042, S389A090042, H027A070052, H027A080052, H027A090052, H027A100052, H027A110052, H027A120052, H173A100095, H173A110095, H173A120095, S367A100040, S367A110040, S367A120040, S377A090043, S377A100043, S388A090043, S395A100032, and S410A100043	As noted in the prior two audits, the department continues to not always maintain proper information systems security controls, increasing the risk of fraudulent activity	X			
Department of Education	2016-007	84.048 and 84.287	Career and Technical Education Twenty-First Century Community Learning Centers	V048A150042, S287C130043, and S287C150043	Program expenditures were obligated outside the period of performance	X			
Department of Education	2016-009	10.553, 10.555, 10.556, 84.048, 84.287, and 84.377	Child Nutrition Cluster Career and Technical Education – Basic Grants to States Twenty-First Century Community Learning Centers School Improvement Grants	V048A120042, V048A130042, V048A140042, V048A150042, S287C130043, S287C140043, S287C150043, S377A110043, S377A120043, S377A130043, S377A140043, and S377A150043	The Department of Education did not provide adequate internal controls in eight specific areas	X			
Department of Education	2017-002	10.553, 10.555, and 10.556	Child Nutrition Cluster	2014(CN&IN)109945, 2015IN109945, 201616(15)N109945, and 201717N109945	The Department of Education did not provide adequate internal controls in one area that was noted in the prior audit	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education	2017-004	84.287 and 84.377	Twenty-First Community Learning Centers School Improvement Grants	S287C120043, S287C130043, S287C140043, S287C140043, S287C150043, S287C150043, S287C160043, S287C160043, S377A100043, S377A120043, S377A130043, S377A130043, S377A140043, S377A140043, S377A150043, S377A150043, and S377A160043	The Department of Education did not ensure that the internal controls related to the vendor-hosted ePlan application were appropriately designed and operating effectively	X			
Department of Education	2018-005	84.010, 84.027, 84.173, 84.048, and 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Career and Technical Education – Basic Grants to States Supporting Effective Instruction State Grants	S010A150042, S010A170042, H027A150052, H027A170052, H173A150095, H173A170095, V048A150042, V048A170042, S367A150040, and S367A170040	Department of Education management did not have a key internal control in place to prevent or detect when local educational agencies spend grant funds before or after the allowable period of performance, increasing the risk of reporting expenditures to the wrong grant award	X			
Department of Education	2018-007	84.010, 84.027, 84.173, 84.048, and 84.367	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA) Career and Technical Education – Basic Grants to States Supporting Effective Instruction State Grants	S010A150042, S010A160042, S010A170042, H027A150052, H027A160052, H027A170052, H173A160095, H173A170095, V048A150042, V048A160042, V048A170042, S367A160040, and S367A170040	The department did not have an effective key internal control for reimbursing and monitoring subrecipients for costs charged to four federal education programs; as a result, management reimbursed subrecipients for costs that were unallowable or not adequately supported, resulting in $453,546 in federal questioned costs		1		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education	2018-008	10.553, 10.555, 10.556, 84.010, 84.027, 84.048, and 84.173	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster Career and Technical Education – Basic Grants to States	201616(15)N109945, 201717N109945, 201818(17)N109945, 201616(15)N109945, 201717N109945, 201818(17)N109945, 201717N109945, S010A120042, S010A130042, S010A140042, S010A150042, S010A160042, S010A170042, H027A100052, H027A130167, H027A150052, H027A150052, H027A160052, H027A170052, V048A130042, V048A140042, V048A150042, V048A160042, V048A170042, H173A150095, H173A160095, and H173A170095	The Department of Education did not provide adequate internal controls in five areas, including four that were noted in previous audits, increasing the risk of errors, data loss, and the inability to continue operations	X			
Department of Education	2019-007	10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster Career and Technical Education – Basic Grants to States Supporting Effective Instruction State Grants	201818(17)N109945, 201919N109945, S010A160042, S010A170042, S010A180042, H027A160052, H027A170052, H027A180052, H173A160095, H173A170095, H173A180095, V048A160042, V048A170042, V048A180042, S367A160040, S367A170040, and S367A180040	The Department of Education did not provide adequate internal controls in three areas, all of which were noted in previous audits, increasing the risk of errors, data loss, and the inability to continue operations	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education	2019-008	10.553, 10.555, 10.556, 84.010, 84.027, 84.173, 84.048, and 84.367	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster Career and Technical Education – Basic Grants to States Supporting Effective Instruction State Grants	201818(17)N109945, 201919N109945, S010A160042, S010A170042, S010A180042, H027A160052, H027A170052, H027A180052, H173A160095, H173A170095, H173A180095, V048A160042, V048A170042, V048A180042, S367A160040, S367A170040, and S367A180040	As noted in the prior audit, department management did not have an effective key internal control for reimbursing and monitoring subrecipients for costs charged to five federal programs; as a result, management reimbursed subrecipients for costs that were unallowable or not adequately supported, resulting in $177,100 in federal questioned costs		2		
Department of Education	2019-010	84.048	Career and Technical Education – Basic Grants to States	V048A160042, V048A170042, and V048A180042	The Department of Education management did not have an internal control to ensure the department met the state administrative funding requirement for the Career and Technical Education program	X			
Department of Education	2020-001	10.553, 10.555, 10.556, 84.010, 84.027, 84.048, 84.173, and 84.367	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster Supporting Effective Instruction State Grants Career and Technical Education – Basic Grants to States	201818(17)N109945, 201919N109945, 202020N109945, 202020N850345, S010A170042, S010A180042, S010A190042, H027A050052, H027A160052, H027A170052, H027A180052, H027A190052, H173A170095, H173A180095, H173A190095, S367A170040, S367A180040, S367A190040, V048A170042, V048A180042, and V048A190042	The Department of Education did not provide adequate internal controls in one specific area		7		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education	2020-002	10.553, 10.555, 10.556, 84.010, 84.027, 84.173, and 84.367	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster Supporting Effective Instruction State Grants	201818(17)N109945, 201919N109945, 202020N109945, 202020N850345, S367A190040, H027A170052, H027A190052, and S010A190042	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		3		
Department of Education	2020-003	84.010	Title I Grants to Local Educational Agencies	S010A190042	Department staff incorrectly charged payroll expenditures to the Title I program, resulting in $49,343 of questioned costs	X			
Department of Education	2020-004	84.010, 84.027, 84.173, and 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Supporting Effective Instruction State Grants	S010A190042, H027A170052, H027A190052, and S367A190040	Department management did not monitor a high-risk local educational agency during the audit period as required		4		
Department of Education	2020-005	84.027 and 84.173	Special Education Cluster	H027A170052, H173A170095, H027A180052, and H173A180095	Department of Education management did not have an internal control over maintenance of effort requirements	X			
Department of Education	2020-006	84.027 and 84.173	Special Education Cluster	H027A170052; H173A190095; H027A190052	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		5		
Department of Finance and Administration	2019-002	N/A	N/A	N/A	The Department of Finance and Administration did not provide adequate internal controls in one area that affected state operations		6		
Department of Finance and Administration	2019-012	16.575	Crime Victim Assistance	2015-VA-GW-0018 and 2016-VA-GX-0053	Management of the Office of Criminal Justice Programs has not established proper controls over report preparation and report review processes and has reported inaccurate and incomplete information to the federal grantor	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Finance and Administration	2019-015	93.778	Medicaid Cluster	05-1805TN5MAP and 05-1905TN5MAP	The Division of TennCare did not have an effective key internal control for determining eligibility; as a result, management paid capitation and administrative payments and claims for members who were not eligible, resulting in $14,424 in federal and state questioned costs		28		
Department of Finance and Administration	2020-007	16.575	Crime Victim Assistance	2016-VA-GX-0053 and 2017-VA-GX-0051	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	X			
Department of Finance and Administration	2020-008	93.778	Medicaid Cluster	1905TN5MAP and 2005TN5MAP	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		9		
Department of Finance and Administration	2020-009	93.767	Children's Health Insurance Program (CHIP)	1805TN5021 and 1905TN5021	Management should promptly address TennCare's CoverKids eligibility process deficiencies		10		
Department of Human Services	2017-017	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	2012IN109945, 2012IN20245, 2013IN109945, 2013IN20245, 2014IN109945, 2014IN20245, 2015IN105045, 2015IN109945, 2015IN20245, 201616IN105045, 201616IN20245, 201616N109945, 201717IN20245, 201717N105045, and 201717N109945	As noted in the prior three audits, the Department of Human Services has not provided proper oversight of the Child and Adult Care Food Program and the Summer Food Service Program for Children, resulting in repeated control and compliance deficiencies and substantial federal questioned costs				11
Department of Human Services	2017-018	10.558	Child and Adult Care Food Program	201616IN105045, 201616IN20245, 201616N109945, 201717N109945, 201717IN20245, and 201717N105045	For the third year, the Department of Human Services has not established proper internal controls to ensure subrecipient agencies correctly calculated meal reimbursement claims, resulting in known federal questioned costs of $211,277				12

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2017-020	10.558	Child and Adult Care Food Program	2012IN109945, 2012IN20245, 2013IN109945, 2013IN20245, 2014IN109945, 2014IN20245, 2015IN105045, 2015IN109945, 2015IN20245, 201616IN105045, 201616IN20245, 201616N109945, 201717IN20245, 201717N105045, and 201717N109945	For the fifth year, the Department of Human Services did not ensure that subrecipients claimed meals only for eligible participants; accurately determined participant eligibility; and maintained complete and accurate eligibility applications and addendums as required by federal regulations, resulting in $8,771 in federal questioned costs				13
Department of Human Services	2017-025	10.559	Child Nutrition Cluster	2012IN109945, 2014IN109945, 2015IN109945, 201616N109945, and 201717N109945	For the fourth 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				14
Department of Human Services	2017-026	10.559	Child Nutrition Cluster	201616N109945 and 201717N109945	As noted in the prior audit, 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 $51,278 of questioned costs				15
Department of Human Services	2017-027	10.559	Child Nutrition Cluster	201717N109945	As noted in the prior audit, the Department of Human Services did not ensure that subrecipients accurately claimed meals served to children, resulting in $650,625 of questioned costs				16
Department of Human Services	2017-029	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	8044 H126A160063 and 8044 H126A170063	For the third year, fiscal staff for the Department of Human Services did not comply with financial reporting requirements for the Vocational Rehabilitation Grants to States program, and fiscal staff did not comply with maintenance of effort requirements				17
Department of Human Services	2017-034	93.575 and 93.596	Child Care and Development Fund Cluster	G1401TNCCDF, G1501TNCCDF, G1601TNCCDF, and G1701TNCCDF	As noted in prior audits, the Department of Human Services again did not establish adequate controls over reporting and earmarking; submitted inaccurate, unsupported ACF-696 Federal Financial Reports; and did not comply with earmarking requirements				18

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2017-037	93.575 and 93.596	Child Care and Development Fund Cluster	G1401TNCCDF, G1402TNTANF, G1501TNCCDF, G1502TNTANF, G1601TNCCDF, G1602TNTANF, and G1701TNCCDF	As noted in the two prior audits, the department did not ensure that child care providers maintained adequate documentation of child care services and that one contractor's expenditures were reasonable, resulting in $46,648 of questioned costs				19
Department of Human Services	2017-038	93.575 and 93.596	Child Care and Development Fund Cluster	G1401TNCCDF, G1402TNTANF, G1501TNCCDF, G1502TNTANF G1601TNCCDF, G1602TNTANF, and G1701TNCCDF	As noted in the prior audit, the Department of Human Services overpaid child care providers and did not consistently perform case reviews of eligibility determinations and redeterminations, resulting in known federal questioned costs of $2,901				20
Department of Human Services	2017-039	93.575 and 93.596	Child Care and Development Fund Cluster	G1401TNCCDF, G1402TNTANF, G1501TNCCDF, G1502TNTANF G1601TNCCDF, G1602TNTANF, and G1701TNCCDF	As noted in the prior audit, the Department of Human Services program staff did not comply with health and safety requirements for child care providers				21
Department of Human Services	2018-015	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	165TN331N1099, 165TN331N2020, 165TN340N1050, 175TN331N1099, 175TN331N2020, 175TN340N1050, 185TN331N1099, 185TN331N2020, 185TN340N1050, and 185TN332L4003	The Department of Human Services' oversight activities continue to lack sufficient followup actions to address repeated sponsors' noncompliance and fraud risk factors, allowing sponsors to repeatedly violate federal requirements and resulting in $384,554 of improper payments	X			
Department of Human Services	2018-016	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	165TN331N1099, 165TN331N2020, 165TN340N1050, 175TN331N1099, 175TN331N2020, and 175TN340N1050	The Department of Human Services has inadequate internal controls over subrecipient monitoring and did not perform monitoring reviews in accordance with program requirements	X			
Department of Human Services	2018-018	10.558	Child and Adult Care Food Program	175TN331N1099, 175TN331N2020, 175TN340N1050, 185TN331N1099, 185TN331N2020, and 185TN340N1050	For the fourth 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 $1,005,423 of questioned costs		24		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2018-019	10.558	Child and Adult Care Food Program	175TN331N1099, 175TN331N2020, 175TN340N1050, 185TN331N1099, 185TN331N2020, and 185TN340N1050	For the sixth year, the Department of Human Services did not ensure that 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 $13,203 in federal questioned costs		25		
Department of Human Services	2018-021	10.559	Child Nutrition Cluster	175TN331N1099, 185TN331N1099, and 185TN332L4003	As noted in the prior four 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 $507,975 of questioned costs		26		
Department of Human Services	2018-022	10.559	Child Nutrition Cluster	185TN331N1099 and 185TN332L4003	For the fifth 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 $7,152 of federal questioned costs		27		
Department of Human Services	2018-023	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A170063	The Department of Human Services did not expend the required 15% of the 2017 Vocational Rehabilitation grant award for pre-employment transition services	X			
Department of Human Services	2018-024	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A170063 and H126A180063	For the fourth year, fiscal staff for the Department of Human Services did not comply with financial reporting requirements for the Vocational Rehabilitation Grants to States program and did not ensure compliance with maintenance of effort requirements	X			
Department of Human Services	2018-026	93.575 and 93.596	Child Care and Development Fund Cluster	1501TNCCDF, 1701TNCCDF, and 1801TNCCDF	As noted in the two prior audits, the Department of Human Services did not ensure that child care providers maintained adequate documentation of child care services and did not ensure a contractor's expenditures were reasonable, resulting in $1,727 of federal questioned costs	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2018-028	93.575 and 93.596	Child Care and Development Fund Cluster	1501TNCCDF, 1601TNCCDF, 1701TNCCDF, and 1801TNCCDF	As noted in prior audits, the Department of Human Services again submitted inaccurate ACF-696 Federal Financial Reports; did not establish adequate internal controls over earmarking; and did not comply with earmarking requirements	X			
Department of Human Services	2018-029	93.575 and 93.596	Child Care and Development Fund Cluster	1501TNCCDF, 1701TNCCDF, and 1801TNCCDF	As noted in the prior two audits, the Department of Human Services overpaid child care providers and did not consistently perform case reviews of eligibility determinations and redeterminations, resulting in known federal questioned costs of $972	X			
Department of Human Services	2018-030	93.575 and 93.596	Child Care and Development Fund Cluster	1501TNCCDF, 1701TNCCDF, and 1801TNCCDF	As noted in the prior two audits, Department of Human Services program staff did not comply with health and safety requirements for child care providers		31		
Department of Human Services	2019-017	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	175TN331N1099, 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050	As noted in the prior five audits, the Department of Human Services' oversight activities for the Child and Adult Care Food Program and Summer Food Service Program for Children continue to lack sufficient follow-up actions to address repeated sponsors' noncompliance and fraud risk factors, resulting in payments to sponsors that repeatedly violate federal requirements	X			
Department of Human Services	2019-018	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050	As noted in the prior audit, the Department of Human Services has inadequate internal controls over subrecipient monitoring of the Child and Adult Care Food Program and Summer Food Service Program for Children and did not perform monitoring reviews in accordance with program requirements	X			
Department of Human Services	2019-019	10.558	Child and Adult Care Food Program	185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050	For the fifth year, the Department of Human Services did not ensure that the Child and Adult Care Food Program subrecipients maintained accurate and complete supporting documentation for meal reimbursement claims and that subrecipients received reimbursements in accordance with federal guidelines, resulting in $65,407 of questioned costs		34		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2019-020	10.558	Child and Adult Care Food Program	185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, and 195TN340N1050	For the seventh year, the Department of Human Services did not ensure that Child and Adult Care Food Program subrecipients claimed meals only for eligible participants; did not accurately determine participant eligibility; and did not maintain complete and accurate eligibility documentation as required by federal regulations, resulting in $6,584 in federal questioned costs		35		
Department of Human Services	2019-021	10.559	Child Nutrition Cluster	175TN331N1099, 185TN331N1099, and 195TN331N1099	As noted in the prior five audits, the Department of Human Services did not ensure that Summer Food Service Program for Children sponsors maintained complete and accurate supporting documentation for meal reimbursement claims and/or that sponsors claimed meals and received reimbursements in accordance with federal guidelines, resulting in $304,730 of questioned costs		36		
Department of Human Services	2019-022	10.559	Child Nutrition Cluster	195TN331N1099	For the sixth consecutive year, the Department of Human Services did not ensure that Summer Food Service Program for Children subrecipients served and documented meals according to established federal regulations, resulting in $13,927 of federal questioned costs		37		
Department of Human Services	2019-023	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A180063 and H126A190063	For the second year in a row, the Department of Human Services did not expend the required 15% of the 2018 Vocational Rehabilitation grant award for pre-employment transition services	X			
Department of Human Services	2019-024	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A180063 and H126A190063	For the fifth year, fiscal staff for the Department of Human Services did not comply with financial reporting requirements for the Vocational Rehabilitation Grants to States program and did not ensure compliance with maintenance of effort requirements	X			
Department of Human Services	2019-025	93.575 and 93.596	Child Care and Development Fund Cluster	1201TNCCDF, 1601TNCCDF, 1701TNCCDF, 1801TNCCDF, and 1901TNCCDF	As noted in the three prior audits, the Department of Human Services did not ensure that child care providers maintained adequate documentation of child care services or that a contractor's expenditures were reasonable, and fiscal services staff did not ensure that providers were reimbursed accurately, resulting in $4,085 of federal questioned costs	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2019-027	93.575 and 93.596	Child Care and Development Fund Cluster	1601TNCCDF	For the fourth year in a row, the Department of Human Services did not establish adequate internal controls over Child Care and Development Fund earmarking and did not comply with one earmarking requirement	X			
Department of Human Services	2019-028	93.575 and 93.596	Child Care and Development Fund Cluster	1201TNCCDF, 1601TNCCDF, 1701TNCCDF, 1801TNCCDF, and 1901TNCCDF	As noted in the prior three audits, the Department of Human Services did not consistently perform case reviews of eligibility determinations and redeterminations, resulting in improper payments to child care providers	X			
Department of Human Services	2019-029	93.575 and 93.596	Child Care and Development Fund Cluster	1201TNCCDF, 1601TNCCDF, 1701TNCCDF, 1801TNCCDF, and 1901TNCCDF	As noted in the three prior audits, Department of Human Services program staff did not comply with health and safety requirements for child care providers, and the Department of Human Services and the Department of Education had an inadequate review process		42		
Department of Human Services	2020-010	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503	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	X			
Department of Human Services	2020-011	10.558 and 10.559	Child and Adult Care Food Program Child Nutrition Cluster	195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503	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	X			
Department of Human Services	2020-012	10.558	Child and Adult Care Food Program	195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503	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		45		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2020-013	10.558	Child and Adult Care Food Program	195TN331N1099, 195TN331N2020, 195TN340N1050, 205TN331N1099, 205TN331N2020, 205TN340N1050, and 205TN331N8503	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		46		
Department of Human Services	2020-014	10.559	Child Nutrition Cluster	195TN331N1099, 205TN331N1099, and 205TN331N8503	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		47		
Department of Human Services	2020-015	10.559	Child Nutrition Cluster	205TN331N1099 and 205TN331N8503	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		48		
Department of Human Services	2020-016	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A190063	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	X			
Department of Human Services	2020-017	93.575, and 93.596	Child Care and Development Fund Cluster	1801TNCCDF, 1901TNCCDF, 2001TNCCDF, and 2001TNCCC3	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	X			
Department of Human Services	2020-018	93.575, and 93.596	Child Care and Development Fund Cluster	G1701TNCCDF	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	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services	2020-019	93.575, and 93.596	Child Care and Development Fund Cluster	1801TNCCDF, 1901TNCCDF, 2001TNCCDF, and 2001TNCCC3	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	X			
Department of Human Services	2020-020	93.575, and 93.596	Child Care and Development Fund Cluster	1801TNCCDF, 1901TNCCDF, and 2001TNCCDF	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		49		
Department of Labor and Workforce Development	2015-049	17.207, 17.225, 17.258, 17.259, 17.278, 17.801, 17.804, and 84.002	Employment Service Cluster Unemployment Insurance Workforce Investment Act Cluster Adult Education – Basic Grants to States	ES-23025-12-55-A-47, ES-24646-13-55-A-47, ES-26046-14-55-A-47, DI-22464-11-75-A-47, UI-21127-11-55-A-47, UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-25232-14-55-A-47, EUC, Fed EB, UCFE, and UCX, TUC-State Expenditures, FAC Benefits & UI Admin, UI-26421-14-60-A-47, UI-21127-11-55-A-47, UI-22341-12-55-A-47, UI-22341-12-55-A-47, UI-22341-12-55-A-47, UI-26562-15-55-A-47, UI-27133-15-55-A-47, UI-25232-14-55-A-47, ES-24646-13-55-A-47, AA-24120-13-55-A-47, AA-22963-12-55-A-47, AA-24120-13-55-A-47, AA-25381-14-55-A-47, DI-22464-11-75-A-47, AA-24120-13-55-A-47, AA-25381-14-55-A-47, AA-22963-12-55-A-47, AA-24120-13-55-A-47, AA-25381-14-55-A-47, AA-26807-15-55-A-47, AA-	The Department of Labor and Workforce Development did not provide adequate internal controls in one specific area			50	

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Labor and Workforce Development	2015-049 (Continued)			AA-24120-13-55-A-47, AA-21423-11-55-A-47, AA-22963-12-55-A-47, AA-24120-13-55-A-47, AA-25381-14-55-A-47, AA-25381-14-55-A-47, DV-19651-10-55-5-47, DV-19651-10-55-5-47, DV-19651-10-55-5-47, DV-19651-10-55-5-47, DV-26574-15-55-5-47, DV-19651-10-55-5-47, DV-19651-10-55-5-47, DV-19651-10-55-5-47, V002A120043, V002A130043, and V002A140043					
Department of Labor and Workforce Development	2016-063	17.225 and 84.002	Unemployment Insurance Adult Education – Basic Grants to States	UI-21127-11-55-A-47, UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-25232-14-55-A-47, UI-26421-14-60-A-47, UI-26562-15-55-A-47, UI-27133-15-55-A-47, UI-28004-16-55-A-47, UI-28159-16-60-A-47, EUC, Fed EB, UCFE, and UCX, FAC Benefits & UI Admin, TUC-State Expenditures, V002A120043, V002A130043, V002A140043, and V002A150043	The Department of Labor and Workforce Development did not provide adequate internal controls in two specific areas			51	
Department of Labor and Workforce Development	2017-049	17.225	Unemployment Insurance	UI-21127-11-55-A-47, UI-25232-14-55-A-47, UI-26421-14-60-A-47, UI-26562-15-55-A-47, UI-27885-16-55-A-47, UI-27930-15-55-A-47, UI-28004-16-55-A-47, UI-28159-16-60-A-47, UI-29869-17-55-A-47, UI-29924-17-55-A-47, UI-30246-17-60-A-47, FAC BENEFITS & UI Admin, EUC, Fed EB, UCFE, UCX, TUC-State Expenditures	Due to continued difficulties with the Geographic Solutions Unemployment System, the Department of Labor and Workforce Development submitted uncorroborated, inaccurate, and late reports		23		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Labor and Workforce Development	2017-056	17.225 and 84.002	Unemployment Insurance Adult Education – Basic Grants to States	UI-21127-11-55-A-47, UI-25232-14-55-A-47, UI-26421-14-60-A-47, UI-26562-15-55-A-47, UI-27930-15-55-A-47, UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-28159-16-60-A-47, UI-29924-17-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures, V002A140043, V002A150043, and V002A160043	As noted in the prior two audits, the Department of Labor and Workforce Development did not provide adequate internal controls in one specific area			52	
Department of Labor and Workforce Development	2018-035	17.225	Unemployment Insurance	UI-26421-14-60-A-47, UI-26375-14-60-A-47, UI-27885-16-55-A47, UI-27930-15-55-A-47, UI-31319-18-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-28004-16-55-A-47, UI-28159-16-60-A-47, UI-29924-17-55-A-47, UI-31622-18-60-A-47, UI31370-18-55-A-47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures	Due to continued difficulties with the Geographic Solutions Unemployment System, the Department of Labor and Workforce Development submitted uncorroborated and inaccurate reports for the third consecutive year			22	

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Labor and Workforce Development	2018-041	17.225, 17.258, 17.259, and 17.278	Unemployment Insurance Workforce Innovation and Opportunity Act	UI-26421-14-60-A-47, UI-26375-14-60-A-47, UI-27885-16-55-A47, UI-27930-15-55-A-47, UI-31319-18-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-28004-16-55-A-47, UI-28159-16-60-A-47, UI-29924-17-55-A-47, UI-31622-18-60-A-47, UI31370-18-55-A-47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures, AA-25381-14-55-A-47, AA-26807-15-55-A-47, AA-28344-16-55-A-47, and AA-30740-17-55-A-47	The Department of Labor and Workforce Development did not provide adequate internal controls in two specific areas			44	
Department of Labor and Workforce Development	2019-031	17.225	Unemployment Insurance	UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-31319-18-55-A-47, UI-31370-18-55-A-47, UI-31622-18-60-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures	Due to continued difficulties with the Geographic Solutions Unemployment System, the Department of Labor and Workforce Development submitted federal reports with inaccurate and uncorroborated information for the fourth consecutive year			8	
Department of Labor and Workforce Development	2019-034	17.225	Unemployment Insurance	UI-27885-16-55-A-47, UI-28004-16-55-A-47, UI-29869-17-55-A-47, UI-30246-17-60-A-47, UI-31319-18-55-A-47, UI-31370-18-55-A-47, UI-31622-18-60-A-47, UI-32627-19-55-A-47, UI-32730-19-55-A47, FAC Benefits & UI Admin, EUC, Fed EB, UCFE, and UCX, and TUC-State Expenditures	As noted in the prior four audits, the Department of Labor and Workforce Development did not provide adequate internal controls in one specific area			43	

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Labor and Workforce Development	2020-021	17.225	Unemployment Insurance	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	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		41		
Department of Labor and Workforce Development	2020-022	17.225 and 97.034	Unemployment Insurance Disaster Unemployment Assistance	FEMA-4476-DR-TN, FEMA-4541-DR-TN, LWFPUCCOVIDFY20, LWPUACOVIDFFY20	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		40		
Department of Labor and Workforce Development	2020-023	17.801	Employment Service Cluster	DV-32916-19-55-5-47, DV-34235-20-55-5-47	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		29		

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Labor and Workforce Development	2020-024	17.207, 17.225, and 17.801	Unemployment Insurance Employment Service Center	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, and DV-34235-20-55-5-47	As noted in the prior five audits, the Department of Labor and Workforce Development did not provide adequate internal controls in one specific area			39	
Department of Military	2019-036	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	PA-04-TN-1909, PA-04-TN-4320, PA-04-TN-4171, PA-04-TN-4005, PA-04-TN-1979, PA-04-TN-4293, PA-04-TN-4189, PA-04-TN-1974, and PA-04-TN-4211	The Department of Military did not review all subrecipient audit reports	X			
Tennessee Housing Development Agency	2017-057	93.568	Low-Income Home Energy Assistance	G-1301TNLIEA, G-1401TNLIEA, G-1501TNLIEA, G-1601TNLIEA, and G-1701TNLIEA	The Tennessee Housing Development Agency's central office administrative expenses for the Low-Income Home Energy Assistance Program were not obligated within the proper timeframe				38
Department of Transportation	2018-042	20.205	Highway Planning and Construction Cluster	Various	The Construction Division management did not ensure staff complied with established policies and procedures designed to ensure contractors submit certified payrolls timely, to ensure all relevant documentation is maintained, and to withhold contractors' payments until payrolls are submitted	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Transportation	2019-037	20.106	Airport Improvement Program	Various	The Department of Transportation's Aeronautics Division management did not submit or submitted incomplete information on financial reports to the Federal Aviation Administration	X			
Department of Transportation	2019-038	20.106	Airport Improvement Program	Various	The department's monitoring procedures were not sufficient to ensure its subrecipients complied with airport revenue spending requirements	X			
Department of Transportation	2019-039	20.106	Airport Improvement Program	Various	The Aeronautics Division's management did not establish proper internal controls to ensure compliance with Davis-Bacon Act provisions	X			
Department of Transportation	2019-040	20.106	Airport Improvement Program	Various	As noted in the prior audit, the Department of Transportation did not provide adequate internal controls in three specific areas	X			
Department of Transportation	2020-025	20.106	Airport Improvement Program	Various	For the second consecutive year, Aeronautics Division management did not ensure compliance with prevailing wage rate requirements in the Davis-Bacon Act	X			
Department of Transportation	2020-026	20.106	Airport Improvement Program	Various	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	X			
Department of Education Department of Human Services	2017-064	10.553, 10.555, 10.556, 10.559, and 10.558	Child Nutrition Cluster Child and Adult Food Care Program	2014(CN&IN)109945, 2015IN109945, 201616(15)N109945, 201616N109945, and 201717N109945	The Department of Education and the Department of Human Services did not ensure that the internal controls related to the vendor-owned Tennessee: Meals, Accounting, and Claiming application and the Tennessee Information Payment System application, respectively, were appropriately designed and operating effectively	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Education Department of Human Services	2018-046	10.553, 10.555, 10.556, 10.559, 10.558, 84.010, 84.027, 84.173, 84.048, and 84.367	Child Nutrition Cluster Child and Adult Food Care Program Title I Grants to Local Educational Agencies Special Education Cluster Career and Technical Education – Basic Grants to States Supporting Effective Instruction	201616(15)N109945, 201717N109945, 201818(17)N109945, 201616(15)N109945, 201717N109945, 201818(17)N109945, 201717N109945, 201818(17)N109945, 165TN331N1099, 165TN331N2020, 165TN340N1050, 175TN331N1099, 175TN331N2020, 175TN340N1050, 185TN331N1099, 185TN331N2020, 185TN340N1050, 185TN331N2020, 175TN331N1099, 185TN331N1099, 185TN332L4003S010A120042, S010A130042, S010A140042, S010A150042, S010A160042, S010A170042, H027A100052, H027A130167, H027A140052, H027A150052, H027A160052, H027A170052, V048A130042, V048A140042, V048A150042, V048A160042, V048A170042, H173A150095, H173A160095, H173A170095, S367A130040, S367A140040, S367A150040, S367A160040, and S367A170040	As noted in the prior-year audit, the Department of Education and the Department of Human Services did not ensure the internal controls related to vendor-owned applications used for administering federal programs were appropriately designed and operating effectively	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
Department of Human Services Department of Education	2019-043	10.553, 10.555, 10.556, 10.559, 10.558, 84.010, 84.027, 84.048, 84.173, and 84.367	Child Nutrition Cluster Child and Adult Care Food Program Title I Grants to Local Educational Agencies Special Education Cluster Career and Technical Education – Basic Grants to States Supporting Effective Instruction State Grants	201818(17)N109945, 201919N109945, 175TN331N1099, 185TN331N1099, 185TN331N2020, 185TN340N1050, 195TN331N1099, 195TN331N2020, 195TN340N1050, S010A160042, S010A170042, S010A180042, H027A160052, H027A170052, H027A180052, H173A160095, H173A170095, H173A180095, V048A160042, V048A170042, V048A180042, S367A160040, S367A170040, and S367A180040	As noted in the last two audits, the Department of Education and the Department of Human Services did not ensure that the internal controls related to vendor-owned applications used for administering federal programs were appropriately designed and operating effectively.	X			
COLLEGES, UNIVERSITIES, AND TECHNOLOGY CENTERS									
Northeast State Community College	2020-027	84.063	Student Financial Assistance Cluster	P053P192666	College Staff Did Not Adequately Monitor Attendance for Pell Recipients		33		
Northeast State Community College	2020-028	84.007, 84.033, and 84.063	Student Financial Assistance Cluster	P007A195420, P033A195420, P063P192666	Northeast State Community College did not provide adequate internal controls in one area	X			
Tennessee State University	2017-061	84.007, 84.063, and 84.268	Student Financial Assistance Cluster	N/A	Return of Title IV funds were not in compliance with federal regulations				32
Tennessee State University	2020-029	84.007, 84.063, and 84.268	Student Financial Assistance Cluster	P063P190381(Pell), P007A193927(SEOG), P268K200381(DL)	Tennessee State University did not return Title IV funds in compliance with federal regulations		30		
Tennessee State University	2020-030	84.268	Student Financial Assistance Cluster	P268K200381	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	X			
Tennessee Technological University	2020-031	84.063 and 84.268	Student Financial Aid Cluster	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	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR

STATE AGENCY	FINDING NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM NAME	GRANT/ CONTRACT NUMBER	FINDING	CORRECTIVE ACTION TAKEN SEE FOOTNOTES SECTION FOR DETAILS			FINDING DOES NOT WARRANT FURTHER ACTION
						CORRECTED	PARTIALLY	NONE	
University of Tennessee at Chattanooga	2020-032	84.007, 84.063, and 84.268	Student Financial Assistance Cluster	P007A193936, P063P192249, P26K202249	The University of Tennessee at Chattanooga did not comply with return of funds requirements for federal student financial aid	X			
University of Tennessee at Knoxville	2020-033	84.268	Federal Direct Student Loans	P268K192250	Student Financial Aid Office staff at the University of Tennessee at Knoxville did not prepare federal Direct Loan reconciliations on a timely basis	X			
University of Tennessee at Chattanooga	2020-034	84.425	Education Stabilization Fund	P425E202342	CARES Act information was not included or was inaccurate in a required 30-day report at UT Chattanooga	X			

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
FOOTNOTES SECTION

FOOTNOTE NUMBER(S)	PLANNED CORRECTIVE ACTION AND PARTIAL ACTION TAKEN
1	As noted below in finding 2019-008, significant progress was made year over year, as demonstrated by the 60% reduction in questioned costs (based upon comparing the results of sampled items tested in each respective audit). Reviewing and revising the fiscal monitoring instrument to improve standardization across more grants has helped address specific issues related to allowability and support. Improved monitoring will validate only approved activities and purchases are reimbursed. Supporting documentation will be reviewed during either on-site or test work reviews. Anticipated completion date is December 31, 2021.
2	The results of test work performed during the 6/30/2019 audit has shown year over year improvement, due to the improved processes implemented since the 2018 finding. Efforts continue to make our internal control and monitoring practices more robust; however, progress has been slowed by the COVID-19 pandemic. In FY20, the department revised its fiscal monitoring instrument and adopted a regular sample size methodology to determine the number of inventory items for review. In the spirit of continuous improvement, the department is working to expand this practice to select sample sizes for review of financial transactions. Plans for on-site follow up and additional technical support have been delayed due to the COVID-19 pandemic. Anticipated completion date is December 31, 2021.
3	While the total unallowable/unsupported cost is higher than previous years, it is worth noting one LEA was an outlier. The other LEAs account for less than $3,000 of the total. In the spirit continuous improvement, efforts will continue to make our internal control and monitoring practices more robust, as in the past. Process Plan is being developed to review reimbursement requests from each district throughout the year for allowability and adequate support. Expected to be rolled out to LEAs the week of July 26 and review to begin in September 2021. Additionally, documentation for approximately 95% of the $1.171M in questioned costs has been received and being reviewed for allowability and adequate supporting documentation. Anticipated completion date is December 31, 2021 and ongoing.
4	Finding 2020-004 was primarily driven by offices and schools in the high-risk LEA being closed due to the COVID-19 pandemic. As recommended, we now perform desktop monitoring if on-site monitoring is not an option. FY21 Monitoring underway and monitoring to be completed by Sept. 30, 2021
5	A key control was in place to assess if an expenditure occurred within the grant's period of performance, but was not adequate to prevent costs from being incurred outside the period of performance. The fiscal monitoring plan/instrument has been updated to help ensure risk times immediately before and immediately after grant periods of performance are reviewed. A monitoring tool is in development that will include all monitoring information in ePlan. This will allow review by both Local Fiscal Management and Federal Programs and Oversight to take action to address issues noted during LEA reviews. This monitoring tool is expected to be in place by 10/31/21. Additionally, Grants Staff members will be been trained to perform random desktop reviews to further strengthen controls related to period of performance compliance. Expected timeframe for training is 10/31/21 with the desktop reviews beginning shortly after.
6	Certain conditions exist related to contractors and some State employees that prevent the automated process from completing successfully. Policy revisions implemented in January 2020 provide needed latitude for certain unique situations. System patches applied in February 2020 improved the performance of the automated process. Staff continue to check daily and manually process those found to be unsuccessful. A project was recently approved to address certain known gaps related to contractors, anticipated completion in August 2021, and we will continue to address gaps as they are identified.
7	Information under this finding is considered confidential under T.C.A. 10-7-504(i). Efforts continue to strengthen internal controls in the specific area noted. Additional processes are planned to be functioning prior to 6/30/22.
8	The application that contains the Unemployment Insurance claims data uses live or "up-to-date" data. This means that the data is constantly changing or updating. As such, there is a timing difference from when data is archived and when report data is generated. The department has implemented other changes that affected earlier versions of this finding. This one issue with the ETA 227 lines 202,204, and 210 is the remaining issue. The department is going to take steps to minimize the number of days from when the data is archived and when the report data is generated. This will affect lines 202, 204, and 210 on the ETA 227.
9	The audit period covered the eligibility system conversion to TEDS and subsequent system fixes as well as pre-conversion manual processes. System updates and fixes throughout 2020 and supervisors review of case worker files to identify problem areas. New training curriculum for case workers planned for August 2021.
10	The audit period covered the eligibility system conversion to TEDS and subsequent system fixes as well as pre-conversion manual processes. Errors were corrected & supervisors review of case worker files to identify problem areas. New training curriculum for case workers planned for August 2021.
11	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
12	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
FOOTNOTES SECTION

FOOTNOTE NUMBER(S)	PLANNED CORRECTIVE ACTION AND PARTIAL ACTION TAKEN
13	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
14	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
15	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
16	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
17	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
18	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
19	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
20	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
21	The federal agency is no longer following up with the auditee. The 2017 grant award related to this finding ended September 30, 2017. It has been more than 3 years since the final expenditure report. According to 2CFR200.345, the federal awarding agency must make any cost disallowance determination and notify the non-Federal entity within the record retention period. According 2CFR200.334, the records are to be retained for three years from the date of the final expenditure report.
22	The application that contains the Unemployment Insurance claims data uses live or "up-to-date" data. This means that the data is constantly changing or updating. As such, there is a timing difference from when data is archived and when report data is generated. The department has implemented other changes that affected earlier versions of this finding. This one issue with the ETA 227 lines 202,204, and 210 is the remaining issue. The department is going to take steps to minimize the number of days from when the data is archived and when the report data is generated. This will affect lines 202, 204, and 210 on the ETA 227.
23	The application that contains the Unemployment Insurance claims data uses live or "up-to-date" data. This means that the data is constantly changing or updating. As such, there is a timing difference from when data is archived and when report data is generated. The department has implemented other changes that affected earlier versions of this finding. This one issue with the ETA 227 lines 202,204, and 210 is the remaining issue. The department is going to take steps to minimize the number of days from when the data is archived and when the report data is generated. This will affect lines 202, 204, and 210 on the ETA 227.
24	The Department offers ongoing supplemental training material online and CACFP subrecipients can request individualized training and technical assistance to address areas of need. The Department has implemented additional local level trainings to focus on CACFP program compliance.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
FOOTNOTES SECTION

FOOTNOTE NUMBER(S)	PLANNED CORRECTIVE ACTION AND PARTIAL ACTION TAKEN
25	The Department offers ongoing supplemental training material online and CACFP subrecipients can request individualized training and technical assistance to address areas of need. The Department has implemented additional local level trainings to focus on CACFP program compliance.
26	The Department offers ongoing supplemental training material online and SFSP subrecipients can request individualized training and technical assistance to address areas of need.
27	The Department offers ongoing supplemental training material online and SFSP subrecipients can request individualized training and technical assistance to address areas of need.
28	For the issue related to non-citizens with CoverKids pregnancy coverage who were put into a conversion status when TennCare moved to TEDS, the caseworker did not verify citizenship before moving them out of conversion status, which put them into a category they were not eligible for. The federal share of the questioned costs were returned on July14, 2020. TEDS was programmed to automatically determine the correct 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 December 2019 that caused the transmission of EMS eligibility segments to the Medicaid Management Information System (MMIS) with a start date at the beginning of the month rather than the date the emergency began. TennCare provided training and materials to caseworkers on how to process these conversion cases. TennCare planned to process these cases through redetermination by October 2020, which would further mitigate this issue, but the pandemic stopped redeterminations from occurring. TennCare is running additional reports to prevent this issue going forward. However, until redeterminations resume, all of these issues can not be resolved.
29	Corrective action was completed subsequent to June 30, 2021. Staff will be informed on proper eligibility documentation and how to retain it in Jobs4TN. Also, proper exit dates will be discussed with veteran employment staff. Anticipated completion date : September 30, 2021.
30	The 2018 and 2019 Single Audit did not result in any reoccurrence of this issue. However, in fiscal year 2020, Registrar's Office staff did not correctly record the semester break dates in the Banner system. The inclusion of semester break dates in total semester days impacted R2T4 calculations performed during the fiscal year. Although the Registrar's Office is responsible for entering the number of days in the period of enrollment, including break dates, into the Banner system, the Financial Aid Office verified that the Registrar's Office accurately entered the information at the beginning of each semester in fiscal year 2021. Management ensured Financial Aid Office personnel performed all return of Title IV funds calculations for the fall 2020 and spring 2021 semesters. In addition, Management ensured that necessary corrections to student and federal fund accounts were made during fiscal year 2021. Appropriate adjustments were made to student accounts identified by auditors as a result of the fiscal year 2020 audit. Prior to the start of the fall 2021 semester, the Financial Aid Office will verify that the Registrar's Office has correctly entered break dates in the Banner system before performing R2T4 calculations. Afterwards, necessary corrections to student and federal accounts will be made within the required timeframes.
31	The Department provided field management additional training guidance regarding monitoring visits requirements before June 30, 2019. The Department conducted additional staff training on May 29, 2019 for Child Care Certificate Program field staff addressing completion of health and safety checklists for unregulated providers. Beginning April 30, 2019, the Department generates monthly reports for child care providers licensed by other states to monitor for necessary records updates. The Department will continue to communicate policy changes to Child Care Services staff as part of ongoing training after June 30, 2019.
32	The three required conditions are met: i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC; ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; iii) A management decision was not issued.
33	A significant part of our strategy to correct this finding includes faculty training regarding the expectations for accurate attendance reporting, the importance of those expectations and potential impacts of not accurately reporting attendance. Most faculty are not on campus during the summer so conducting that training prior to their return would be ineffective. The college hosts a convocation session prior to the kickoff of the fall semester each year that includes general updates and numerous breakout training sessions. This training will be provided to the faculty during that convocation during the August 12 training event. Northeast State is also implementing the review of attendance reports by division to verify attendance has been entered by faculty as a monitoring control. Logically, this review can not happen until classes begin. The initial target completion date was and remains September 30, 2021.
34	The Department follows USDA guidance surrounding Sponsor training and enforcement of CACFP documentation maintenance. The Department offers ongoing supplemental training material online and CACFP subrecipients can request individualized training and technical assistance to address areas of need. The Department has implemented additional local level trainings to focus on CACFP program compliance.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
FOOTNOTES SECTION

FOOTNOTE NUMBER(S)	PLANNED CORRECTIVE ACTION AND PARTIAL ACTION TAKEN
35	The Department follows USDA guidance surrounding Sponsor training and enforcement of CACFP documentation maintenance. The Department offers ongoing supplemental training material online and CACFP subrecipients can request individualized training and technical assistance to address areas of need. The Department has implemented additional local level trainings to focus on CACFP program compliance.
36	The Department follows USDA guidance surrounding Sponsor training and enforcement of CACFP documentation maintenance. The Department offers ongoing supplemental training material online and SFSP subrecipients can request individualized training and technical assistance to address areas of need.
37	The Department follows USDA guidance surrounding Sponsor training and enforcement of CACFP documentation maintenance. The Department offers ongoing supplemental training material online and SFSP subrecipients can request individualized training and technical assistance to address areas of need.
38	ALL of the following have been met: i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC; ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; iii) A management decision was not issued. The Department of Health and Human Services (HHS) conducted a compliance review in January 2018 and cited the same deficiencies. HHS had 60 days to issue a report and provide guidance. Despite our efforts, THDA has not received the report and awaits guidance as to how HHS wants THDA to handle the reallocation of administrative expenses and the submission of revised SF-425 and LIHEAP Carryover and Reallotment Reports, as grant awards for federal fiscal years 2013, 2014, 2015, and 2016 were closed before the compliance review.
39	One issue has not been corrected. The department's Human Resources Division is providing training to staff on the policy and proper procedures. Training is scheduled to be completed by the end of September 2021.
40	A and B. The issues that caused problems with the claims were resolved by June 30, 2021, but not all of the claims that were impacted have been corrected yet. Overpayments are still being entered into the UI application and established, as of June 30, 2020. Claimants can appeal the overpayment, prior to the overpayment being established. C and D. These issues were corrected in May 2021. E. This issue was corrected by July 2021. F. Written determinations are sent only in situations that require it as defined in policy.
41	A. This issue was corrected by October 14, 2020. B. It was corrected by May 5, 2021, except that system issues have been reoccurring since the department went live with GUS in May 2016. Issues corrected and resolved by June 30, 2021. But, when application issues arise, then the department will address the new issue.
42	<u>Staff Could Not Provide or Did Not Verify All Sections of the Health and Safety Checklist for Non-licensed Providers Due to An Inadequate Review Process</u> There is a need for strengthened records management for Child Care Certificate Program process documentation. <u>Licensing Documentation for Out-of-state Providers Was Not Recorded</u> Child Care Certificate Program did not consistently maintain the licensing TLCS database to reconcile with received licensing documentation from out-of-state providers. <u>Staff Could Not Provide or Did Not Verify All Sections of the Health and Safety Checklist for Non-licensed Providers Due to An Inadequate Review Process</u> Refresher training was provided to all Child Care Certificate Program staff on June 29, 2020. <u>Licensing Documentation for Out-of-state Providers Was Not Recorded</u> The Child Care Certificate Program Director continues to review monthly reports to identify and update licensing information when necessary for out of state providers in TLCS. <u>Staff Could Not Provide or Did Not Verify All Sections of the Health and Safety Checklist for Non-licensed Providers Due to An Inadequate Review Process</u> A technology solution is being developed by the Department for better storage and recall of inspection documents to be implemented by August 31, 2020.
43	One issue has not been corrected. The department's Human Resources Division is providing training to staff on the policy and proper procedures. Training is scheduled to be completed by the end of September 2021.
44	One issue has not been corrected. The department's Human Resources Division is providing training to staff on the policy and proper procedures. Training is scheduled to be completed by the end of September 2021.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
FOOTNOTES SECTION

FOOTNOTE NUMBER(S)	PLANNED CORRECTIVE ACTION AND PARTIAL ACTION TAKEN
45	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.
46	There were 13 of the 33 subrecipients with questioned costs that were below DHS' threshold for recoupment. Please note that subrecipient 27, who represents 62% of the questioned costs, has been terminated and disqualified from CACFP. 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.
47	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 continues to work to improve the successful operation of the program and the overall integrity of the SFSP. 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.
48	The department did 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. 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. 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. The department did 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 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. DHS is continuing to develop supplemental training opportunities for SFSP participants and provides individualized training upon request. 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.
49	<u>Staff Did Not Consistently Document That Licensed Providers Met Health and Safety Requirements</u> 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. <u>Staff Did Not Consistently Document That Licensed Providers Met Health and Safety Requirements</u> Summer 2020 licensing program evaluators received training on the new tool, including consistency of practice for documentation. <u>DHS and DOE staff Did Not Ensure That Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness Plans.</u> 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. Targeted technical assistance was delivered by the Department's contractors supporting remediation of emergency preparedness plan deficiencies for the identified licensed and license-exempt child care providers. Emergency preparedness plans found deficient during the single audit were submitted and reviewed for compliance with CCDBG requirements before June 01, 2021. <u>Staff Did Not Consistently Document That Licensed Providers Met Health and Safety Requirements</u> As part of child care modernization as expected to be implemented by February 28, 2022, the Department is exploring functionality with its new eLicensing system to support staff in meeting this expectation and to improve internal controls. <u>DHS and DOE staff Did Not Ensure That Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness Plans</u> As part of child care modernization as expected to be implemented by February 28, 2022, the Department is exploring functionality with its new eLicensing system to support staff in meeting this expectation and to improve internal controls.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
FOOTNOTES SECTION

FOOTNOTE NUMBER(S)	PLANNED CORRECTIVE ACTION AND PARTIAL ACTION TAKEN
50	One issue has not been corrected. The department's Human Resources Division is providing training to staff on the policy and proper procedures. Training is scheduled to be completed by the end of September 2021.
51	One issue has not been corrected. The department's Human Resources Division is providing training to staff on the policy and proper procedures. Training is scheduled to be completed by the end of September 2021. Training is scheduled to be completed by the end of September 2021.
52	One issue has not been corrected. The department's Human Resources Division is providing training to staff on the policy and proper procedures. Training is scheduled to be completed by the end of September 2021.

STATE OF TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS 2020 AND PRIOR
AS OF JUNE 30, 2021

Basis of Presentation

Any unresolved items listed on the State of Tennessee's 2020 Summary Schedule of Prior Audit Findings and the audit findings from the 2020 Single Audit Report was used to compile the Summary Schedule of Prior Audit Findings, required by the Uniform Guidance §200.511(b).

Report Legend

State Agency:	The title refers to the state agency or institution in which a finding was taken in the Single Audit Report.
Finding Number:	Finding Number is the number assigned the finding in its respective Single Audit Report.
Assistance Listing Number:	Assistance listing number is a assigned to a Federal program, formerly known as the Number Catalog of Federal Domestic Assistance Number (CFDA).
Program Name:	The identification of the program in which the finding is related.
Grant/Contract Number:	The number that is used to identify the particular grant or contract.
Finding:	A synopsis of the actual finding cited in the Single Audit Report for the fiscal year shown.
Corrective Action Taken:	This is to indicate whether steps implemented by management have corrected, partially corrected, or not corrected the finding noted.
Finding Does Not Warrant Further Action:	The uniform guidance §200.511(b)(3) states that a valid reason for considering an audit finding as not warranting further action is that *all* of the following have occurred: i) Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse. ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding. iii) A management decision was not issued.

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-001	The Tennessee State Veterans' Homes Board overstated federal awards expended by $28,629,991.64 on the Schedule of Expenditures of Federal Awards	Tennessee State Veterans' Homes Board	Danielle Brown, Finance Director	Department concurs The total expended for the Veterans Administration's State Home Per Diem Program was overstated on the Schedule of Expenditures of Federal Awards (SEFA). The Finance Director will double check all formulas for errors.	December 8, 2021
2021-002	As noted in the prior-year audit, the Department of Labor and Workforce Development did not properly pay Unemployment Insurance benefits due to ineffective internal controls, and information processing errors	Department of Labor and Workplace Development	Jeff McCord, Commissioner	Department concurs From the start of the pandemic thru the end of the period of performance, June 30th, 2021, the department received 1,232,976 initial claims. That number does not include PEUC or EB claims. In the previous seven years, 2013 through 2019, the department received a combined, seven-year, total of 1,346,376 initial claims. There were no federal programs during that time. Stated concisely, TDLWD received seven years' worth of work from the onset of the pandemic. At the beginning of the pandemic, the department was staffed for a 3.5 percent unemployment rate. Therefore, in TN, adjudicators are the sole merit staff with the training and qualifications to issue determinations on claims. The number of adjudicators fluctuated between 45 and 75 during the performance period. Due to the volume of claims, TDLWD was forced to forgo traditional claims processing methods; otherwise, we would still be processing claims from April 2020 in March of 2022. Instead, the department used the system to process and adjudicate many of the claims and get money to people who desperately needed it. The department applied business rules to the process to ensure the highest level of integrity and accuracy possible. The department was tasked with starting up and creating a new unemployment program to allow benefits to be paid to individuals who had never before been eligible. The department had to work with the UI system Vendor to implement all federal programs, including PUA (pandemic unemployment assistance), PEUC (Pandemic Emergency Unemployment Compensation), and EB (Extended Benefits). With changing guidance from the US Department of Labor, and multiple iterations of the pandemic programs, the department was consistently required to go back and make adjustments on previously completed claims and make changes to the programs. The department's internal controls were successful in identifying the many errors within the system and each time an error was identified, the system vendor was notified. Per the auditors, "Since March 2020, department management reacted to new known deficiencies by reporting over 1,000 incidents (unexpected system behaviors) and requesting over 800 data corrections and worked with the vendor to identify and correct claims processing issues." When these errors within the system are identified, the department notifies the vendor. The vendor then corrects the issues in a staging environment. The department tests within that environment to validate the correction has been made. It then moves to the production environment, and that same process is repeated. This is completed by a handful of people with other duties as the department is not staffed to handle processing the number of claims received and the number of errors that occurred during this time frame. We rely on the system vendor to correct the mistakes when found, but unfortunately, these errors consistently reappear. The department cannot stop processing claims due to system errors, as demonstrated in the number of OPCs entered. The department always notifies the vendor when errors are found to correct issues. These decisions were made knowing that controls were in place to identify and correct potential errors later in the unemployment process through mechanisms such as Appeals, Benefit Accuracy Measurement (BAM), Benefit Quality and Timeliness (BTQ), quality control performed by the TRAC unit and by claims management, back-end crossmatches performed by Benefit Payment Control (BPC), and error reports such as the payment exception report. All claims that were presented to us as potential issues have been reviewed. However, overpayments have not been created for all applicable claims. The creation of overpayments and/or the correction of issues for all applicable claims is scheduled to be completed by January 31, 2023. With the balance of wanting to pay people in need and attempting to minimize errors, the audit verified that the controls the department had in place were effective given the circumstance.	January 31, 2023
2021-003	Department management lacked procedures to ensure the accuracy of the ETA 9050 and ETA 9052 reports resulting in the overstatement of the ETA 9050 reports; and management was unable to provide supporting information for the ETA 9055 reports	Department of Labor and Workplace Development	Jeff McCord, Commissioner	Department concurs As stated during the audit, the data available for the ETA 9050 was correct as of the date the report was pulled and submitted. Below is the explanation as to why the report changed after it was initially submitted. Geographic Solutions, the department's system vendor states, "there was an issue discovered in late May early June 2021 for another client that identified offsets for one week - that in some cases were the first compensable week - that were spread across multiple payment register ids with the same payment stub/week-end date. As you know, there were alot of opportunities for offset payments for those recently separated due to the pandemic that had outstanding overpayments. This confused the existing logic. The fix was to report those payments while eliminating any duplicate payment records for the same week. A refresh for all states was done on 6/15/2021. I do want to note that we went through the logic on this report very carefully and made the adjustments based on the data we were seeing especially early on in the pandemic, to ensure that the first compensable week was reported correctly, especially as states started waiving the waiting week." All reports prior to June 15, 2021, have been resubmitted to USDOL as amended/corrected reports. The report for July 2020 that was re-submitted matches the totals the auditor mentions in the finding. The issue causing the differences has been corrected by Geographic Solutions. The Integrity Director and Program specialist did the best they could during this time, which was the height of the pandemic. As stated during the audit, the data available for the ETA 9055 reports was correct, based on the date the report was pulled and submitted. Below is the explanation as to why the report changed when the audit was done. To correct the issue the ETA 9055 will now be archived in the Geographic Solutions report data warehouse. This is effective February 18, 2022.	February 18, 2022

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-003 (Continued)				Geographic Solutions states: "there are several factors at play here. The ETA 9055 is not run on the data warehouse so it's a real-time report. In other words, for a particular time period, it pulls the report as the data stands now for that particular period. That said the factors that would impact the results over the period are: 1.Timing - obviously the more time passes between running the report initially and then looking at it now is that there is opportunity for change. 2.Data changes - that change is often manifested in changes to the data itself. During the pandemic there has been unprecedented number of data changes although not as numerous in appeals 3.Changes/updates in logic - whether by internal or externally derived questions or issues and we would research and revise as needed if the report required it. For example, for this report in August 2021 there are two OPCs that might impact the numbers: They are linked to the OPC. For these it was discovered that for some older appeals that were dismissed that had an unexpected most recent status that did not indicate they were dismissed (essentially status codes of either 5-Withdrawn; 6-Dismissed; 10-Canceled - some records for this client were showing up as not that status or without a notification of dismissal sent and thus were being picked up again as pending. So, we implemented some defensive coding for those kind of situations in the logic. The report would utilize that coding change post August 2021."	
2021-004	Workforce Services Division management did not have internal controls in place to ensure that American Job Center case managers recorded accurate exit dates and made accurate eligibility determinations	Department of Labor and Workplace Development	Jeff McCord, Commissioner	Department concurs The Department of Labor and Workforce Development will provide training to all American Job Center case managers responsible for eligibility determinations and exiting workforce program participants by September 2022. This training will focus on compliance with requirements described in State Workforce Development Board Policy. The Workforce Services Division will revise the current program monitoring guide and update the current risk assessment by May 2022 to demonstrate how we will mitigate this risk and monitor participant eligibility and program exit moving forward.	September, 2022
2021-005	Workforce Services Division management did not perform required programmatic subrecipient monitoring, did not ensure staff followed policies and procedures for programmatic subrecipient monitoring, and did not review subrecipients' Single Audits	Department of Labor and Workplace Development	Jeff McCord, Commissioner	Department concurs The Department of Labor and Workforce Development will revise the current program monitoring guide and update the current risk assessment by May 2022 to demonstrate how we will mitigate this risk moving forward. This revision will include additional internal controls and programmatic monitoring instruments for subrecipient monitoring. This process will be documented through revised standard operating procedures which clearly define roles, responsibilities, and frequency of programmatic subrecipient monitoring and review of subrecipients' Single Audits by department staff.	May, 2022
2021-007	The Department of Labor and Workforce Development obligated federal Unemployment Insurance grant funds before the beginning of the period of performance	Department of Labor and Workplace Development	Jeff McCord, Commissioner	Department concurs A journal entry will be recorded by March 31, 2022, to correct the items noted by moving allowable costs from the FY21 grant to the appropriate FY20 or FY19 grant. Controls have been implemented to prevent reoccurrence. After a grant closes and during the closeout period, the accounting managers will review charges to ensure they are applied to the appropriate grant. This control activity will also be added to the internal control checklist and require sign off upon competition.	March 31, 2022
2021-008	Fiscal staff within the Division of TennCare did not ensure matching requirements were met for the Medicaid Cluster, resulting in questioned costs of $3,612,265	Department of Finance and Administration	Zane Seals, Chief Financial Officer	Management concurs with the finding. TennCare has a monthly process to analyze transactions to ensure the correct funding percentages are used. The journal in question normally would not have drawn federal funds, however, an error occurred, and the journal did draw federal funds in this instance. Our previous review process excluded journals that don't draw federal funds, and therefore it was missed. We have revised our monthly review process to include all transactions, so this kind of event will not occur again. All federal funds drawn in error were immediately returned to the federal government as soon as they were found, and there was no negative impact to the TennCare budget.	February, 2022
2021-009	As noted in the prior two audits, TennCare management did not promptly address TennCare's Medicaid eligibility process deficiencies, resulting in $19,986 in federal and state questioned costs	Department of Finance and Administration	Kim Hagan, Director of Member Services	Management concurs. During the review period TennCare processed almost 350,000 applications and took action on hundreds of thousands of existing cases. Even though we now have a modern eligibility determination system that can automatically process much of this work, worker intervention is still necessary for many cases. To ensure that TennCare eligibility workers provide the highest quality for our applicants and members, TennCare currently has more controls in place than we ever have before. These include, but are not limited to, the following: 1) Robust case reading process that includes monthly goals and scores, as well as targeted improvement On a monthly basis each manager of TennCare eligibility workers reviews cases determined by each staff member and inputs quality scores into a case reading tool. There are measures in place to ensure that managers are scoring cases uniformly and the items being reviewed are aligned with state and federal audits. Quality goals are incorporated in Individual Performance Plans and staff who consistently miss goals are put on Performance Improvement Plans. Each eligibility worker can review their findings in published reports, and those reports can be viewed at the unit or division level. Monthly conferences are held to discuss case read findings and broad findings can result in policy updates or new training materials. The Member Services Quality team reviews additional cases of workers who do not meet their quality goals in a given month. This is a process that began in December 2020 and has been praised by federal auditors who recently reviewed the TennCare eligibility process. During the last employee review cycle 97% of all cases reviewed within the TennCare Member Services Eligibility Operations Group met quality standards.	Fall 2022

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-009 (Continued)				2) New worker secondary review process Newly hired staff are not permitted to perform final case authorizations without supervisor review for the first three months of employment. If the underlying case action is not correct upon supervisor review, managers will provide targeted coaching to correct the behavior. This secondary review process is also used for seasoned employees whose quality case reading scores are not sufficient. This is a tool used while caseworkers are undergoing Process Improvement Plans. 3) Process Improvement Plans (PIPs) Process Improvement Plans are used to help eligibility caseworker staff meet quality and production goals. They involve a focused support between the employee's manager and a member of the TennCare Human Resources staff. Weekly meetings are held and the number of cases read are more than doubled until the employee has improved to an acceptable level. If performance does not improve, the employee may be dismissed. 4) Reports The TennCare Eligibility Determination System provides a reporting dashboard that allows management more access to eligibility data than ever before. With this data we have created dashboards at multiple levels that display quality reviews and scores down to the individual worker level. We also have daily reports that identify pending cases by worker queue that managers review throughout the day. The system also allows management a real time view into task volume and age, which is used to ensure work is being completed in a timely manner and allows TennCare to identify problems or anomalies quickly. Although human error will never be fully eliminated in such a complicated program, one way we have been working towards that goal is by improving training for Member Services staff. As discussed in the FY2020 audit, we completed an overhaul of training materials in 2021. We have begun training new staff using the revised curriculum and retraining of existing Member Services staff to focuses on business processes and more hands-on system scenarios will begin in February 2022. By mid-year 2022 all staff responsible for processing cases will receive new computer-based training related to the processing of cases, including income determinations. The training will consist of assigned computer-based training, quizzes, and a virtual lab. During the lab, they will work independently to complete several practice scenarios followed by a final practice which serves as the assessment. There will be a facilitator available throughout the lab session to answer any questions. Once an assessment is passed, workers will proceed to the next section. Additionally, all newly-hired staff attend facilitator-led training that includes both policy and systems focused learning. Guided practices and independent practices are included for each unit of training. New employees are also tested with independent practices. Furthermore, all eligibility caseworkers also receive unit-specific training, special trainings when problem areas are identified, and weekly meetings with subject matter experts to discuss refresher policies arising from case reading common errors. TennCare does work with the TEDS contractor to continually monitor and assess the TEDS system performance to ensure it correctly processes determinations and terminations. There are robust escalation channels for eligibility or appeals staff to identify issues and raise those both internally and to our systems vendor for analysis and resolution, including promotion of new code. TennCare continually assesses those escalation pathways to look for ways to improve the system. The global pandemic has impacted system performance in many ways. First, annual renewals which reassess member eligibility have been suspended due to the public health emergency since March 2020. Second, TennCare was required to hold most negative eligibility actions during the public health emergency and many of the systematic changes necessary to effectuate that moratorium was completed through temporary data fixes rather than coding changes. This decision was made in March 2020 when we believed the pandemic would be a short-term concern. These data fixes have been difficult to manage over the last two years but will allow TennCare to unwind the moratorium more quickly once the global pandemic ends. TennCare does have a dedicated audit-focused team within the Member Services Compliance and Policy Group who is assigned to draft the annual risk assessment and monitor controls. We will review our risk assessment and make appropriate updates.	
2021-010	As noted in the prior audit, management of the Division of TennCare should continue to promptly address the division's CoverKids eligibility process deficiencies, which resulted in $11,607 in federal and state questioned costs	Department of Finance and Administration	Kim Hagan, Director of Member Services	Management concurs During the review period TennCare processed almost 350,000 applications and took action on hundreds of thousands of existing cases. Even though we now have a modern eligibility determination system that can automatically process much of this work, worker intervention is still necessary for many cases. To ensure that TennCare eligibility workers provide the highest quality for our applicants and members, TennCare currently has more controls in place than we ever have before. These include, but are not limited to, the following: 1) Robust case reading process that includes monthly goals and scores, as well as targeted improvement On a monthly basis each manager of TennCare eligibility workers reviews cases determined by each staff member and inputs quality scores into a case reading tool. There are measures in place to ensure that managers are scoring cases uniformly and the items being reviewed are aligned with state and federal audits. Quality goals are incorporated in Individual Performance Plans and staff who consistently miss goals are put on Performance Improvement Plans. Each eligibility worker can review their findings in published reports, and those reports can be viewed at the unit or division level. Monthly conferences are held to discuss case read findings and broad findings can result in policy updates or new training materials. The Member Services Quality team reviews additional cases of workers who do not meet their quality goals in a given month. This is a process that began in December 2020 and has been praised by federal auditors who recently reviewed the TennCare eligibility process. During the last employee review cycle 97% of all cases reviewed within the TennCare Member Services Eligibility Operations Group met quality standards.	Fall 2022

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-010 (Continued)				2) New worker secondary review process Newly hired staff are not permitted to perform final case authorizations without supervisor review for the first three months of employment. If the underlying case action is not correct upon supervisor review, managers will provide targeted coaching to correct the behavior. This secondary review process is also used for seasoned employees whose quality case reading scores are not sufficient. This is a tool used while caseworkers are undergoing Process Improvement Plans. 3) Process Improvement Plans (PIPs) Process Improvement Plans are used to help eligibility caseworker staff meet quality and production goals. They involve a focused support between the employee's manager and a member of the TennCare Human Resources staff. Weekly meetings are held and the number of cases read are more than doubled until the employee has improved to an acceptable level. If performance does not improve, the employee may be dismissed. 4) Reports The TennCare Eligibility Determination System provides a reporting dashboard that allows management more access to eligibility data than ever before. With this data we have created dashboards at multiple levels that display quality reviews and scores down to the individual worker level. We also have daily reports that identify pending cases by worker queue that managers review throughout the day. The system also allows management a real time view into task volume and age, which is used to ensure work is being completed in a timely manner and allows TennCare to identify problems or anomalies quickly. Although human error will never be fully eliminated in such a complicated program, one way we have been working towards that goal is by improving training for Member Services staff. As discussed in the FY2020 audit, we completed an overhaul of training materials in 2021. We have begun training new staff using the revised curriculum. Beginning in February 2022 we will start retraining existing Member Services staff with a focus on business processes and more hands-on system scenarios. By mid-year 2022 all staff responsible for processing cases will receive new computer-based training related to the processing of cases, including income determinations. The training will consist of assigned computer-based training, quizzes, and a virtual lab. During the lab, they will work independently to complete several practice scenarios followed by a final practice which serves as the assessment. There will be a facilitator available throughout the lab session to answer any questions. Once an assessment is passed, workers will proceed to the next section. Additionally, all newly-hired staff attend facilitator-led training that includes both policy and systems focused learning. Guided practices and independent practices are included for each unit of training. New employees are also tested with independent practices. Furthermore, all eligibility caseworkers also receive unit-specific training, special trainings when problem areas are identified, and weekly meetings with subject matter experts to discuss refresher policies arising from case reading common errors. TennCare does work with the TEDS contractor to continually monitor and assess the TEDS system performance to ensure it correctly processes determinations and terminations. There are robust escalation channels for eligibility or appeals staff to identify issues and raise those both internally and to our systems vendor for analysis and resolution, including promotion of new code. TennCare continually assesses those escalation pathways to look for ways to improve the system. The global pandemic has impacted system performance in many ways. First, annual renewals which reassess member eligibility have been suspended due to the public health emergency since March 2020. Second, TennCare was required to hold most negative eligibility actions during the public health emergency and many of the systematic changes necessary to effectuate that moratorium was completed through temporary data fixes rather than coding changes. This decision was made in March 2020 when we believed the pandemic would be a short-term concern. These data fixes have been difficult to manage over the last two years but will allow TennCare to unwind the moratorium more quickly once the global pandemic ends. Based on late 2020 updated guidance from the Centers for Medicare and Medicaid Services, TennCare's federal oversight partner, changes were made to the TEDS system in March 2021 to begin reviewing for continued eligibility then potentially terminating a portion of CoverKids members who recently gave birth. This process began in March 2021 and included all cases that had been held open since the COVID-19 public health emergency began. In April 2021 another change to system then negatively impacted the plans to close coverage based on no response to notices mailed to the 12 members in this audit. This systems issue was then corrected in December 2021. TennCare is working with the TEDS contractor to ensure this type of error does not occur in the future. A testing expert has joined the project to assess internal testing processes and to develop a plan to enhance regression testing that will automatically run after every new code release. This will help to confirm that a recent program or code change has not adversely affected existing systems processes. Further, TennCare has recently requested additional state staff to assist with testing within Member Services and has a plan to augment this testing team with contractors. Finally, the auditors have suggested that TennCare reimburse the federal government for the months when these new mothers retained coverage. Our accounting division will return funds as determined and required. TennCare does have a dedicated audit-focused team within the Member Services Compliance and Policy Group who is assigned to draft the annual risk assessment and monitor controls, along with leadership in various units in Member Services. We will review our risk assessment and make appropriate updates.	
2021-011	The Division of TennCare did not implement adequate internal controls in one specific area	Department of Finance and Administration	Hugh Hale, Chief information Officer	Management concurs with this finding. A combination of ineffective communication in addition to human error led to the issues noted in these areas. However, at no point was there evidence of sensitive data used inappropriately or removed from any systems. As part of our corrective action, we will be implementing a new policy to address the one area in addition to new system functionality that will obtain more accurate information and improve processes in the future.	December 31, 2022

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-012	Management's inadequate oversight of reallocation entries resulted in duplicate expenditure billings to the Coronavirus Relief Fund	Department of Finance and Administration	Mike Corricelli, Chief of Accounts Michelle E. Wilson, Deputy Chief of Accounts	Department Concurs The questioned costs totaling $497,106 have been returned to the CRF program in FY 2022, and additional Department of Military eligible costs totaling this same amount will be drawn against the CRF in FY 2022. Through this action the total CRF funds allocated and spent by the Department of Military will remain at $105,221,467. Regarding the recommendation to develop an adequate process to ensure expenditure entries are not billed to the same program more than once, the Department of Military's accounting office, staffed by the Department of Finance and Administration, Division of Accounts, in collaboration with Department of Military (including the Tennessee Emergency Management Agency) staff have begun an enhancement and redesign of the control activities designed to address the risk of duplicate reallocations. 1) The initial phase of this enhancement and redesign process includes the implementation of automated procedural searches of all journal entries to identify potential duplicates. For example, journal entry lines that were posted using the same key chartfields and amount are shown in the results. 2) Additional enhancements include the consistent use of one-to-one posted Edison transaction reversals and reallocations versus summary level reversals and reallocations. This will assist in making automated procedural searches more complete. 3) Efforts are also underway to review and improve the in-place process for the exchange of necessary reallocation data between program office and accounting office staff, 4) as well as to explore cost effective methodologies/approaches to building and maintaining a shared database of the original source transactions underlying processed reallocations.	1) October, 2021 2) April 1, 2022 3) May 1, 2022 4) May 1, 2022
2021-013	The Departments of Finance and Administration and Human Services did not monitor Coronavirus Relief Fund subrecipients	Department of Finance and Administration Department of Human Services	Krysta Krall, CFO/Department Controller Suzanne Carr, Senior Policy Administrator	Department Concurs As the prime recipient, F&A management will continue to communicate responsibilities and expectations to other state agencies to ensure they fulfill their federal award obligations. Specifically, F&A management will develop a process to ensure subrecipients are accurately identified and properly addressed in agency risk assessments and monitoring plans when F&A collaborates with other agencies to execute a federal program. Department concurs The Department concurs that the grant administrators were initially misclassified as vendors, rather than subrecipients. Management did correct the classification but agree that it was changed once the program was underway. The Department has subsequently implemented a process in which subrecipient determinations are made during the contract process ensuring accurate and timely classification. The Department concurs that required subrecipient monitoring did not completely occur during the award period. The Department's Audit Services Division monitored two of the six grant administrators. The Department's Audit Services Division issued the first monitoring report on August 27, 2021, the second monitoring report was issued on February 17, 2022.	On-going On-going
2021-014	As noted in the prior three audits, department management reimbursed subrecipients for costs that were unallowable or not adequately supported, resulting in $103,667 in federal questioned costs	Department of Education	Eve Carney, Chief of Districts and Schools	Department concurs The department's Chief of Districts and Schools will ensure the Division of Local Finance and Division of Federal Programs and Oversight will implement effective controls to address the risks noted in this finding, update the department's risk assessment as necessary, and take the necessary action if deficiencies are identified. As part of the department's continuous improvement process, staff within the Division of Local Finance and Division of Federal Programs and Oversight staff will be assigned to continually monitor risks and assess mitigating controls. Procedures will be reviewed and revised as needed to ensure clear monitoring tools and sampling methodologies guide the agency's monitoring activities and current best practices. In addition, the department's Division of Local Finance and Division of Federal Programs and Oversight will continue to ensure program staff train and provide technical assistance to subrecipients about allowable program expenditures and the requirement to maintain documentation to support reimbursed expenditures.	September 30, 2022
2021-015	Department management did not appropriately calculate grant allocations to local educational agencies	Department of Education	Eve Carney, Chief of Districts and Schools Shannon Gordon, Chief Operating Officer	Department concurs The department's Chief of Districts and Schools will continue to work with the U.S. Department of Education to finalize and obtain approval of a corrective action plan and once approved will promptly address the LEAs Title I, II and Title IV allocations for fiscal years 2018 through 2022 as needed. The department's Division of Local Finance and Division of Federal Programs and Oversight will implement revised controls to address the risks noted in this finding. This work will include updating the department's risk assessment as necessary, professional development and taking the necessary actions if deficiencies are identified. Internal controls will be developed to ensure staff responsible for performing and reviewing federal award calculations are aware of current federal requirements. Moving forward, the department's Office of Finance will serve as a secondary internal check prior to annual allocations being released.	September 30, 2022

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-016	Department management did not calculate and allocate Title IV funds to local educational agencies in accordance with federal regulations	Department of Education	Eve Carney, Chief of Districts and Schools Shannon Gordon, Chief Operating Officer	Department concurs The department's Chief of Districts and Schools will continue to work with the U.S. Department of Education to finalize and obtain approval of a corrective action plan and once approved will promptly address the LEAs Title I, II and Title IV allocations for fiscal years 2018 through 2022 as needed. The department's Division of Local Finance and Division of Federal Programs and Oversight will implement revised controls to address the risks noted in this finding. This work will include updating the department's risk assessment as necessary, professional development and taking the necessary actions if deficiencies are identified. Internal controls will be developed to ensure staff responsible for performing and reviewing federal award calculations are aware of current federal requirements. Moving forward, the department's Office of Finance will serve as a secondary internal check prior to annual allocations being released.	September 30, 2022
2021-017	Fiscal staff for the Department of Education did not comply with Federal Funding Accountability and Transparency Act reporting requirements for the Education Stabilization Fund	Department of Education	Eve Carney, Chief of Districts and Schools	Department concurs The department's Chief of Districts and Schools will ensure that the appropriate staff members understand the FFATA reporting requirements and report applicable subawards in accordance with those reporting requirements. The department will implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and act if deficiencies occur. Additional internal controls will be developed to ensure staff responsible for this work are aware of current requirements. As part of this process, the department's Chief of Districts and Schools and Chief Operating Officer will assign staff to continually monitor risks and assess mitigating controls.	September 30, 2022
2021-018	The Department of Education did not provide adequate internal controls in one specific area	Department of Education	Laura Stewart, Senior Director of Human Resources	Department concurs 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.	September 30, 2022
2021-019	For the eighth year, the Department of Human Services did not ensure Summer Food Service Program for Children subrecipients submitted accurate meal reimbursement claims, resulting in $141,741 of questioned costs	Department of Human Services	Allette Vayda, Director of Operations - Food Programs	Department concurs in part. The state auditors reviewed $9,537,126 of SFSP reimbursement claims and identified an approximate 1.5% error rate. The Department 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 2020 and 2021. 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, the Department is unable to effectively show implemented changes. Additionally, the summers of 2020 and 2021 were heavily impacted by COVID-19, and the nationwide waivers that were implemented to support feeding children during this time. The Department is unable to determine if these waivers were considered in this casework. The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. DHS believes that technology can help to mitigate sponsor claiming errors. **Condition:** *Claims Documentation Based on Inaccurate Meal Counts* The Department concurs that inaccurate meal counts occur in the SFSP program, as it is one of the frequent issues identified in the Department's monitoring process and the primary focus of our new technology solution for SFSP 2022. It is important to note that six of the claims included in the questioned costs are below the state threshold for collection. **Condition:** *Subrecipients Provided Questionable Meal Count Documentation* The Department concurs that questionable meal count documentation can occur in the SFSP program; however, it does not necessarily indicate that meals were not served, or costs need to be questioned. New SFSP technology for use in 2022 will allow sites and sponsors to directly submit daily meal count data to the Department, eliminating the opportunity for duplication of meal count worksheets. **Condition**: *Subrecipients Served and Claimed Meals Above the Approved Site Capacity* The Department does not concur that meals served and claimed above the approved site capacity at self-prep sites must be disallowed, and therefore there should be no questioned costs associated with this condition. All of the sites identified in this condition are considered to be self-prep. USDA memo SFSP 16-2015 Site Caps in the Summer Food Service Program: Revised states that, "Program regulations do not require State agencies to disallow meals served to children at self-preparation sites in excess of site caps." The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	On-going **Condition** Claims Documentation Based on Inaccurate Meal Counts: On-going **Condition** Subrecipients Provided Questionable Meal Count Documentation: On-going **Condition** Subrecipients Served and Claimed Meals Above the Approved Site Capacity: N/A

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-020	The Department of Human Services did not ensure that Summer Food Service Program for Children and Child and Adult Care Food Program subrecipients served and documented meals according to established federal regulations, resulting in $216,227 of federal questioned costs	Department of Human Services	Allette Vayda, Director of Operations - Food Programs	Department concurs in part. The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department does not concur with the calculation of questioned costs and how they relate to the federal waivers in response to COVID-19. 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. The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. DHS believes that technology can help to mitigate sponsor documentation and claiming errors. **Condition A: (Observation):** *Meal Service Noncompliance (Repeat Condition)* Department concurs in part. The Department agrees that our monitoring process can result in findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department does not concur with the findings in association with the federal waivers in response to COVID-19. The waivers were created by USDA and implemented in the CACFP and SFSP to serve children in non-traditional ways to support child nutrition during the public health emergency. The errors identified in this condition do not necessarily indicate meal service noncompliance, but waiver implementation errors. **Condition B: (Observation):** *Ineligible At-Risk Afterschool Programs* Department concurs in part. The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department does not concur that a site located at a high school is exclusive to competitive sports teams and therefore is ineligible for participation in CACFP. The site has the authorization of the school principal to operate at the school cafeteria. Meals served through the CACFP at-risk afterschool program should be available to all children. The second site identified in this observation closed and is no longer participating in CACFP. **Condition C: (Observation):** *Multiple Subrecipients Served Meals at the Same Feeding Sites (Repeat Condition)* Department concurs in part. The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. when this occurs, the Department takes appropriate action. The Department reviews the provided site location and takes action if overlaps are identified. The Department does not concur that all of these listed incidents show that children were served more than the allowable number of meals per day. Some of these sites were likely serving different children and therefore may be allowable.	On-going Condition A: On-going Condition B: On-going; Condition C: On-going

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-020 (Continued)				**Condition D: (Claim Review):** *Incorrect Number of Meals Claimed for the Day of Our Actual or Attempted Meal Service (Repeat Condition)* Department concurs. The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. The Department believes that technology can help to mitigate sponsor claiming errors. **Condition E: (Claim Review):** *Meal Reimbursement Documentation Was Inaccurate for the Month of Meal Service (Repeat Condition)* Department concurs. The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. When this occurs, the Department takes appropriate action. **Condition F: (Claim Review):** *Subrecipient Did Not Perform Point-of-Service Meal Counts* Department concurs. The Department agrees that our monitoring process can result in findings similar to what is noted in this finding. Compliant meal count forms are provided to all SFSP sponsors in the mandatory SFSP training and specific point of service 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. The Department is in the process of implementing technology that will help support SFSP Sponsors and Sites in accurate claim reporting. This solution will be implemented for use in SFSP 2022. The Department believes that technology can help to mitigate sponsor claiming errors. **Condition G: (Claim Review):** *Subrecipients with a History of Serious Deficiencies Provided Meal Count Documentation Showing Questionable Meal Claim Patterns* Department concurs in part. The Department agrees that our monitoring process can result in disallowance of meal costs and findings similar to what is noted in this finding. when this occurs, the Department takes appropriate action. In this situation the state auditors did not observe a difference between the number of meals claimed and the number of children present. Without evidence of noncompliance the Department cannot question costs. **Condition H:** *Program Management Did Not Follow Control Policies Governing Serious Deficiencies* Department does not concur. The Department does not concur that the SFSP and CACFP Serious Deficiency Processes are incomplete, outdated, or unused. Program management did follow control policies governing serious deficiencies and this audit did not provide any evidence to the contrary. The Serious Deficiency process is reviewed by USDA on an ongoing basis and every CACFP Serious Deficiency notice is sent to USDA for review and feedback. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	Condition D: May 2022 Condition E: On-going. Condition F: May 2022 Condition G: On-going Condition H: N/A
2021-021	The Department of Human Services did not ensure that the Child and Adult Care Food Program subrecipients submitted accurate meal reimbursement claims, resulting in questioned costs totaling $25,067	Department of Human Services	Allette Vayda, Director of Operations - Food Programs	Department concurs in part. The state auditors identified 14 of the 20 subrecipients with questioned costs were below the department threshold and would not be pursued for recovery, 10 of those were questioned costs of less than $10.00. The Department does not concur with the recommendation to terminate subrecipients from the program that have errors that are correctable and result in minimal questioned costs. This area of noncompliance identifies, in total, $25,067 in questioned costs out of $1,988,853 of reviewed funds. This shows a 1% error rate in CACFP claim disbursement. The Department continues to evaluate findings identified in this report and in our own internal monitoring and has created training sessions to mitigate the identified programmatic weaknesses. All CACFP trainings are developed and conducted in conjunction with USDA FNS. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	On-going

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-022	The Department of Human Services did not ensure that Child and Adult Care Food Program subrecipients maintained complete and accurate eligibility documentation, resulting in $4,742 in federal questioned costs	Department of Human Services	Allette Vayda, Director of Operations - Food Programs	Department concurs in part. The state auditors identified $4,742 of questioned costs represents a 0.2% error rate for the reimbursement claims sampled and a statistical 0.00% error rate for the total claims. The Department continues to evaluate findings identified in this finding and in our own internal monitoring and has created training sessions to mitigate programmatic weaknesses including training subrecipients on participant eligibility and documentation. All CACFP trainings are developed and conducted in conjunction with USDA FNS. **Condition:** *Missing or Incomplete Eligibility Documentation* Department concurs in part. The state auditors found error with eligibility applications due to all household member names not being listed. The Department does not concur that this as 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 daycare homes/centers 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 homes/centers. The Department does 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 the Department is continuing to provide training and technical assistance surrounding this area. **Condition:** *Misclassified Children's Meal Status* Department concurs. The Department concurs 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 the Department is continuing to provide training and technical assistance surrounding this area. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	On-going Condition: Missing or Incomplete Eligibility Documentation: On-going Condition: Misclassified Children's Meal Status: On-going
2021-023	The Department of Human Services did not issue timely management decisions for audits of food program subrecipients as required	Department of Human Services	Allette Vayda, Director of Operations - Food Programs	Department concurs The Department's Food Programs' management was unable to find the requested documentation regarding management decisions for two audits. Beginning in 2022, food program management will develop a tracking log of all CACFP and SFSP program participants that have independent single audits that include findings pertaining to food programs. Food program management will follow up on all findings and issue the required management decision within 6 months. This will be evidenced in the tracking log. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	May, 2022
2021-024	Fiscal staff for the Department of Human Services did not comply with Federal Funding Accountability and Transparency Act reporting requirements for the Child Care and Development Fund and the Temporary Assistance for Needy Families programs	Department of Human Services	Krysta Krall, CFO/Department Controller	Department concurs The Department will continue to notify the Department of Finance and Administration, which provides fiscal services to the Department, of CCDF subrecipient subawards through its procurement process and preparation of subrecipient Federal Award Identification Worksheets to support timely and accurate FFATA reporting. The Department was not aware of this requirement. The Department will continue to notify the Department of Finance and Administration, which provides fiscal services, of TANF subrecipient and amended awards through its procurement process and preparation of subrecipient Federal Award Identification Worksheets to support timely and accurate FFATA reporting. Fiscal staff for the Department of Human Services began properly reporting the FFATA for CCDF and TANF when notified of the requirement by state auditors. Neither program nor fiscal was aware of the requirement. The initial reports were filed as of October 2021 and have been filed as required thereafter. Fiscal staff have developed a process to identify subrecipient subawards for both the CCDF and TANF programs to ensure the FFATA is reported accurately and timely going forward. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	October, 2021

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-025	As noted in the five prior audits, the Department of Human Services and the Department of Education did not comply with the federal health and safety requirements for the Child Care and Development Fund program, and did not implement internal controls to ensure that providers complied with the necessary requirements	Department of Human Services	Gwen Laaser, Director of Child Care Services	**Condition A:** *DHS and DOE Did Not Ensure That Child Care Providers Included All Required Areas of Disaster and Emergency Response in Their Emergency Preparedness and Response Plans (Repeat Condition)* Department concurs. The Emergency Preparedness and Response Plans (EPRPs) of forty (40) child care providers did not fully comply with the requirements at 45 CFR § 98.42(a)(1)(vii). The Department directed its quality contractors to deliver targeted technical assistance supporting remediation of identified EPRP deficiencies during the audit. Each deficient EPRP will be reviewed by the Department's Child Care Services program to ensure corrective action is fully demonstrated before June 30, 2022. The Department continues its process of child care modernization that is expected to be implemented in May 2022, including a new eLicensing system to strengthen internal controls and monitoring supporting documentation. The Department will continue to identify opportunities that further enhance training and technical assistance opportunities in the topics of emergency preparedness and response available from its quality contractors and other subject matter experts. **Condition B:** *Supervisory Reviews at Both DHS and DOE Were Not Adequate to Ensure That Inspections Include All Required Areas Related to Health and Safety (Repeat Condition)* Department concurs Documentation of monitoring visits conducted and not subject to the waiver approved by the Administration for Children and Families Office of Child Care at 45 CFR §98.42(b)(2) and effective during the audit period of July 01, 2020, through June 30, 2021, do not itemize each health and safety requirement monitored. The Department is in the process of child care modernization, which is expected to be implemented in May 2022, including a new eLicensing system to strengthen processes for documentation. As part of modernization rollout, the Department will provide refresher training for all staff, frontline, and supervisors, that aligns with introduction of the new technology solutions that support capturing this information. **Condition C:** Inspections Were Not Performed for Non-licensed Child Care Providers As Required (New Condition) Department does not concur The Department conducts health and safety monitoring visits of license-exempt providers once annually per Policy 11.32 Authorized Child Care Professional Home Visits. In response to the COVID-19 health crisis, monitoring requirements at 45 CFR §98.42(b)(2) were waived by the Administration for Children and Families Office of Child Care (OCC) in its approval letter to the Department dated June 08, 2020, with an effective date of March 03, 2020. OCC approved waiver renewal of monitoring requirements at 45 CFR §98.42(b)(2) on April 22, 2021, effective through September 30, 2021. The Department applied discretion as authorized by Executive Order of the Governor and as further approved by OCC in Section 1.8.3 of the CCDF State Plan for 2019-2021. The Department is resuming monitoring visits of license-exempt providers in 2022. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	Condition A: May, 2022 Condition B: May, 2022 Condition C: N/A
		Department of Education	Shannon Gordon, Chief Operating Officer	Department concurs. The department's Chief Operating Officer will work collaboratively with the Department of Human Services and staff within the Department of Education to: •Revise inspection protocols and training to ensure staff and law enforcement stakeholders who perform inspections of childcare providers understand their responsibilities for health and safety requirements as established in the approved State Plan; •Establish the necessary controls, including written policies and procedures for adequate supervisory reviews; •Establish a quality assurance process to evaluate the effectiveness of the Department of Education inspection process, including the actual inspection and supervisory review; •Evaluate school risk assessments to ensure they include all risks and implement effective controls to address noted risks; and •Update the risk assessment as necessary, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and act if deficiencies occur.	September 30, 2022

Tennessee State Government

STATE OF TENNESSEE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2021

FINDING REFERENCE NUMBER	FINDINGS	STATE AGENCY	CONTACT PERSON	CORRECTIVE ACTION PLANNED/ REASONS NOT TO AGREE WITH FINDINGS	COMPLETED/ ANTICIPATED COMPLETION DATE
2021-026	The Department of Human Services did not establish adequate internal controls over Child Care and Development Fund earmarking, and as a result, management did not comply with the earmarking requirement	Department of Human Services	Gwen Laaser, Director of Child Care Services	Department concurs. The Department, along with the Department of Finance and Administration which provides fiscal services to the Department, will continue to meet regularly to evaluate expenses, review budget and spending strategies, assure appropriate allocation of funds, and review earmarking calculation and reporting requirements. The Department of Finance and Administration Controller and the Department's Child Care Program Management review a schedule of federal earmarks quarterly, which was effective in March 2020. This specific earmark, direct spending for mandatory funds, had not been included in our quarterly review with Child Care Program Management. Fiscal reviews a schedule of all applicable child care and development fund earmarks with Child Care Program Management effective September 30, 2021. A correcting entry was recorded, and the 2018 final reports will be submitted to the federal agency by March 31, 2022. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	March 31, 2022
2021-027	The Department of Human Services did not maintain documentation of children's eligibility determinations and did not ensure that subrecipients established adequate controls over the eligibility determination process	Department of Human Services	Gwen Laaser, Director of Child Care Services	**Condition:** *Program Staff Did Not Maintain Documentation for Eligibility Determinations* Department concurs The Department could not produce all supporting eligibility documentation for three (3) children. The Department addressed document retention requirements and use of technology solutions in a refresher training delivered to Child Care Certificate Program (CCCP) staff on August 25, 2021. The Department will include document retention requirements and use of technology solutions in future new employee and refresher CCCP trainings. The Department is in the process of child care modernization that will further address these issues. **Condition:** *Subrecipients Did Not Implement Internal Controls Over Eligibility Determinations* Department does not concur. The Department established temporary/emergency child care services as an immediate response to the COVID-19 health crisis under the broad discretion afforded it by Executive Order of the Governor and approved waivers by the Administration of Children and Families Office of Child Care. The Department implemented internal controls through verification of parent eligibility documentation or other reasonable means such as examining a parent's professional identification confirming status as an Essential Services worker as defined by Attachment A to Executive Order 22 was performed by each subrecipient consistent with the terms and conditions of their respective grant contract. Information regarding the child's age was provided to and maintained by the subrecipients as part of the screening process once a parent's eligibility as an Essential Services worker was verified. Given the emergency nature of services and the desire to support essential workers, while limiting administrative burdens, the Department did not require the contractors to collect additional documentation to verify a child's age. Federal regulations do not specify any required method of verifying a child's age. The Department will continue to evaluate risks, update the Department-wide risk assessment forms, and employ effective procedures to mitigate identified risks.	On-going N/A
2021-028	The Department of Agriculture did not have internal controls over inventory and household eligibility determinations for the Emergency Food Assistance Program	Department of Agriculture	Terry Minton, Commodity Administrator	Department concurs. The department will establish control activities (review process) to ensure and document subrecipient compliance with inventory and eligibility requirements. The monitoring schedule the department had planned to implement in FY21 will be implemented during FY22, with an anticipated completion date of September 30, 2022, to coincide with the end of the federal fiscal year and the grant contract period. Monitoring activity will transition to a desk audit format with virtual visits incorporated as needed to maximize safety protocols and minimize disruption of the monitoring schedule due to public health or other emergency situations. If deficiencies are disclosed, the department will submit a report of findings to the subrecipient and ensure corrective action is taken. The commodity administrator will be responsible for monitoring risks and assessing controls.	September 30, 2022