

Management Advisory Report

Single Audit of the State of
Tennessee for the Fiscal Year Ended
June 30, 2013

Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2013

A-77-14-00013



July 2014

Office of Audit Report Summary

Objective

To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to the Social Security Administration (SSA) for resolution action.

Background

The Tennessee Comptroller of the Treasury conducted the single audit of the State of Tennessee. SSA is responsible for resolving single audit findings related to its Disability programs. The Department of Human Services (DHS) is the Tennessee Disability Determination Services' (DDS) parent agency.

Findings

The single audit reported:

- DHS did not ensure that all newly hired employees and employees who transferred from other agencies completed the department's conflict-of-interest form, *DHS Code of Ethics and Standards of Conduct*, and that the form was maintained in employee files.
- The DDS did not have controls in place to ensure that all consultative examination (CE) providers were included on the DDS' License Checklist and verified with the Department of Health and Human Services Office of Inspector General List of Excluded Individuals and Entities website.

In addition, the single audit reported DHS did not follow departmental and State information system security policies, which resulted in an increased risk of fraudulent activity or loss of data.

Recommendations

We recommend that SSA:

1. Determine whether the DDS has proper procedures in place related to employee conflict-of-interest concerns.
2. Verify that the DDS developed appropriate controls to ensure proper licensure of all CE providers.

Further, we made a recommendation to SSA in a prior report for corrective action on the finding related to information system security policies. We confirmed that SSA had taken appropriate corrective action to address this finding. Therefore, we will not repeat the recommendation.

MEMORANDUM

Date: July 1, 2014 **Refer To:**

To: Gary S. Hatcher
Senior Advisor
Records Management and Audit Liaison Staff

From: Inspector General

Subject: Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2013 (A-77-14-00013)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Tennessee for the Fiscal Year ended June 30, 2013.¹ Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Tennessee Comptroller of the Treasury performed the audit. The results of the desk review conducted by the Department of Health and Human Services (HHS) concluded that the audit met Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Tennessee Comptroller of the Treasury and the reviews performed by HHS. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The Tennessee Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Department of Human Services is the Tennessee DDS' parent agency.

¹ State of Tennessee, *Single Audit Report for the Year Ended June 30, 2013* http://www.comptroller.tn.gov/repository/SA/2013_TN_Single_Audit.pdf (last viewed June 16, 2014).

The single audit reported:

- DHS did not ensure that all newly hired employees and employees who transferred from other agencies completed the department's conflict-of-interest form, *DHS Code of Ethics and Standards of Conduct*, and that the form was maintained in employee files.² The corrective action plan indicated there is no policy, internal or otherwise, that requires DHS to maintain the form and it takes appropriate steps to inform employees of conflict-of-interest concerns.
- The DDS did not have controls in place to ensure that all consultative examination (CE) providers were included on the DDS' License Checklist and verified with the HHS Office of Inspector General (OIG) List of Excluded Individuals and Entities (LEIE) website.³ The corrective action plan indicated the DDS conducts qualification reviews on a periodic basis including State licensure checks and status under LEIE website. However, to improve controls the DDS has created a tracking tool that encompasses the credentialing verification activities and includes a cross check feature to ensure that all providers are subject to the checks.

We recommend that SSA:

1. Determine whether the DDS has proper procedures in place related to employee conflict-of-interest concerns.
2. Verify that the DDS developed appropriate controls to ensure proper licensure of all CE providers.

In addition, the single audit reported DHS did not follow departmental and State information system security policies, which resulted in an increased risk of fraudulent activity or loss of data.⁴ The corrective action plan indicated that steps to address the issues have been taken. Further, we made a recommendation to SSA in a prior report for corrective action on this finding.⁵ We confirmed that SSA had taken appropriate corrective action to address this finding. Therefore, we will not repeat the recommendation.

² Id. at finding 2013-014.

³ Id. at finding 2013-016.

⁴ Id. at finding 2013-012.

⁵ SSA OIG, Management Advisory Report, *Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2011* (A-77-13-00010) May 2013.

Page 3 - Gary S. Hatcher

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions, contact Shannon Agee at (877) 405-7694, extension 18802 or Shannon.Agee@ssa.gov.



Patrick P. O'Carroll, Jr.

Attachment

cc:

Lynn Bernstein

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