
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

APRIL 2012

A-77-12-00007

**MANAGEMENT
ADVISORY REPORT**



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: April 3, 2012

Refer To:

To: Teresa Rojas
Senior Advisor
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2010 (A-77-12-00007)

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, 2010. 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 Section (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 (DHS) is the Tennessee DDS' parent agency.

The single audit reported that DHS did not submit one quarterly *Time Report of Personnel Services for Disability Determination Services* (Form SSA-4514) to SSA timely (Attachment A, Pages 1 through 3). The corrective action plan indicated that, due to DHS' conversion to a new computer system, information needed to complete the form delayed submission of the Form SSA-4514. DHS stated that following the

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computer system conversion, information needed to complete the Form SSA-4514 is available timely (Attachment A, Page 4). We recommend that SSA verify that DHS submits the quarterly Forms SSA-4514 timely.

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.

A handwritten signature in black ink, appearing to read "Pat P. O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachments

cc:
Lynn Bernstein

Finding Number	10-DHS-04
CFDA Number	93.569, 93.710, 93.575, 93.596, 93.713, and 96.001
Program Name	CSBG Cluster CCDF Cluster Disability Insurance/SSI Cluster
Federal Agency	Department of Health and Human Services and Social Security Administration
State Agency	Department of Human Services
Grant/Contract No.	G08B1TNCOSR, G09B1TNCOSR, G10B1TNCOSR, G0901TNCCOSR09S, G0801TNCCDF, G0901TNCCDF, G1001TNCCDF, G0901TNCCD7, 04-08-04TNDI00, 04-09-04TNDI00, and 04-10-04TNDI00
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

The department failed to submit federally required financial reports and did not submit seven federally required reports to federal agencies timely

Finding

The federal government requires financial reports from the Department of Human Services (DHS) as one method to monitor the federal programs. However, DHS failed to submit federal reports or did not submit federal reports timely.

Reports Not Submitted

The Director of Fiscal Services failed to submit federally required financial reports for the Community Services Block Grant (CSBG) funded by United States Department of Health and Human Services (U.S. DHHS) and the CSBG funded by the American Recovery and Reinvestment Act of 2009. The Tennessee Department of Human Services (DHS) was required to submit the SF-269A *Financial Status Report* (Short Form) for these two federal grants by Title 45, Part 96, Section 30(b)(3 and 4), *Code of Federal Regulations*, which states:

(3) *Block grants containing time limits only on expenditure of funds.* After the close of each statutory period for the expenditure of block grant funds, each grantee shall report to the Department:

- (i) Total funds expended by the grantee during the statutory period;
- and
- (ii) The date of the last expenditure.

(4) *Submission of information.* Grantees shall submit the information required by paragraph (b)(1), (2), and (3) of this section on OMB Standard Form 269A,

Financial Status Report (short form). Grantees are to provide the requested information within 90 days of the close of the applicable statutory grant periods.

This financial report was required for the quarter ending September 30, 2009, while the SF-425 *Federal Financial Report* replaced the SF-269A for the remaining three quarters of the state fiscal year. The Director of Fiscal Services did not submit the required SF-269A or the SF-425 reports to U.S. DHHS during the period July 1, 2009, through June 30, 2010, for either of these grants.

DHS contracts with subrecipients to administer CSBG. These subrecipients provide funding directly to entities, such as utility companies, on behalf of individuals who need assistance. These subrecipients also provide services, such as counseling and referrals to other programs, to individuals in order to help address the causes and consequences of poverty. DHS received additional CSBG funding as a result of the American Recovery and Reinvestment Act of 2009, and DHS is required to submit separate reports for the CSBG based on the funding sources. The SF-269A and the SF-425 reports provide the federal government a quarterly summary of financial information about the block grants.

The Director of Fiscal Services was not aware that the reports were required to be submitted to the U.S. DHHS, and as a result, has not complied with Title 45, Part 96, Section 30(b)(3 and 4), *Code of Federal Regulations*, which puts the department at risk of losing federal grant money.

The department did include the risk of not submitting all required federal reports in its risk assessment. However, the identified internal control to mitigate this risk was not applicable to ensuring compliance with federal reporting requirements. Management apparently did not identify the risk that the Director of Fiscal Services would be unfamiliar with federal reporting requirements, and therefore management has not properly assessed all risks or established all mitigating controls.

Reports Submitted Late

A Fiscal Director and an Administrative Secretary with the Department of Human Services (DHS) failed to submit seven federally required reports timely. Six of these reports are regarding the Child Care and Development Fund (CCDF), while one report is regarding Social Security Disability Insurance (SSDI).

DHS receives federal funding under the CCDF grant to allow low-income families better child care services, when the parents are working or attending educational/training programs. Based on our review, the Fiscal Director responsible for the Child Care and Development Fund submitted six financial quarterly ACF-696 *Child Care and Development Fund Financial Reports* between 3 and 16 days late, with an average of 9 days late. The *Instructions for Completion of Form ACF-696, Financial Reporting Form for the Child Care and Development Fund*, states:

This form must be submitted quarterly by January 31, April 30, July 31, and October 31.

These instructions also require the department to submit quarterly reports until all of the federal funds are expended. The amounts are based on information from the last month of the quarter that must go through a departmental closing process before it can be reported. The Fiscal Director said that because the closing process is lengthy, he submitted the reports late.

Also, DHS receives federal funding for the SSDI grant to verify the claimant's medical disability. An Administrative Secretary in the Disability Determination Services section prepares the quarterly time report SSA-4514, *Time Report of Personnel Services for Disability Determination Services*. The Social Security Administration's Program Operations Manual System, Section DI 39506.230, *Time Report of Personnel Services for Disability Determination Services – Form SSA-4514*, states that this report is required to be submitted to the Social Security Administration:

no later than the 30th day after the close of the quarter.

Based on our review, we found that for the quarter ending June 30, 2010, the SSA-4514 was submitted to the Social Security Administration 10 days late. The Administrative Secretary said that he did not receive necessary information from the Edison Support Group to prepare the report timely.

The department did include a risk of not submitting the federally required reports timely in its risk assessment. However, the internal control to mitigate this risk does not include requesting an extension to the reporting deadline or informing the appropriate federal government contact when the federally required reports will be submitted late.

Failure to submit the quarterly reports on time increases the likelihood that the federal grantor would not have complete and accurate information to make financial decisions.

Recommendation

The Commissioner should ensure that the staff submit the federal reports by the required federal deadlines. When it appears unlikely that the department can meet those deadlines, the staff responsible for the reports should promptly request an extension from the federal grantor in writing. The staff should maintain documentation of all approved extensions. Also, staff should request the information needed to prepare the reports timely. Management should also reassess all risks associated with federal reporting and develop appropriate mitigating controls to address the risks.

Management's Comment

We concur. The details for our concurrence are listed below.

Reports Not Submitted

The Department has assumed that our submission of the Community Services Block Grant (CSBG)-IS programmatic reports, which includes the required financial information, has satisfied the quarterly CSBG reporting requirement. Our assumption is based on the fact that for the last twenty-eight (28) years we have never received any notification from our federal government partner that our submission of the CSBG-IS programmatic report did not fully satisfy all the quarterly reporting requirements for the CSBG grants. The department and our CSBG federal partners have agreed that the reporting confusion can be resolved by the department submitting SF-269 to satisfy all future quarter CSBG reporting requirements.

Reports Submitted Late

Because Child Care Development Fund (CCDF) reporting is impacted by final reporting of Temporary Assistance to Needy Families (TANF) expenditures, the submission of the CCDF report has been delayed until final TANF numbers are available. Recognizing the complexities of the TANF program, the federal government has determined the TANF reports are not due until 45 days after close of the quarter. As a result, the final CCDF report has been impacted. Because the CCDF reporting deadline does not coincide with the TANF reporting deadline, the department will submit the CCDF report timely and revise as necessary to reflect the final TANF reporting information.

The submission of the SSA-4514 was delayed during the audit period because of the department's conversion to Edison. During the conversion, the information for the SSA-4514 had to be obtained from an Edison query that only Edison staff could run. As a result, this information was not always received timely. With the full implementation of Edison, this query is run by Department of Human Resources' staff on a regular basis and supplied to us timely.

If the agency/department determines it unlikely that staff can submit federal reports by deadlines, the agency will notify the federal grantor and request an extension of the deadline. Staff will maintain documentation of the request.

Management staff shall periodically reassess all risks associated with federal reporting and develop appropriate controls to address risks.

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.