



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH

JOHN J. DREYZEHNER, MD, MPH  
COMMISSIONER

BILL HASLAM  
GOVERNOR

December 9, 2016

The Honorable Larry B. Martin, Commissioner  
Department of Finance and Administration  
State Capital  
Nashville, TN 37243

and

The Honorable Justin P. Wilson  
Comptroller of the Treasury  
State Capital  
Nashville, TN 37243

Re: Tennessee Financial Integrity Act

Dear Sirs:

This letter is written to you to address the internal control requirements of the Tennessee Financial Integrity Act as amended in 1998.

The objectives of the internal accounting and administrative controls of the Department of health are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;
- Funds, property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over assets.

The concept of reasonable assurance recognized that the costs of internal control should not exceed the benefits derived from those controls. In the course of any review, estimates and judgments are required to assess the expected benefits and related costs of control policies and procedures. Errors or fraud may occur and not be detected due to inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from

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resource constraints, legislative restrictions, and other factors. Sound internal control is essential to achieving an entity's performance objectives, safeguarding resources, and providing reliable financial reports. But internal controls cannot ensure these goals will always be met.

One material internal control weakness identified concerns in control over inventoried state owned equipment. We are actively working to strengthen the internal control structure of the department's equipment inventory control system. We have developed a policy to manage sensitive non-capital assets valued at less than \$5,000 and the remaining assets.

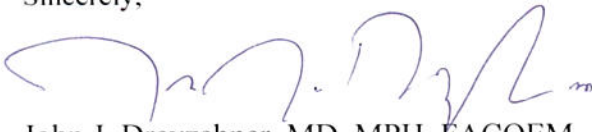
We are currently in the process of implementing a new inventory control system that will provide an accurate determination of a particular equipment item's use, location, and employee responsible for proper management and control of the item. We plan to enter state-owned assets into the new system in stages by Division within the Health Department which will allow us to make appropriate adjustments to ensure the new system is meeting our control needs.

Adherence to the new policy and timely use of new system will enable us to track equipment more efficiently and effectively.

As head of this agency, I acknowledge reasonability for maintaining the internal control system of this department. The department's internal controls in effect for fiscal year ending June 30, 2017, adequately safeguard assets (with exception for the weakness identified in the previous paragraph), and when taken as a whole provide reasonable assurance of the proper recording of financial transactions, compliance with applicable laws and regulations, and the achievement of operational objectives, subject to the limitations described in the previous paragraph.

In addition, staff of this Department has, throughout the year, conveyed to the Department of Finance and Administration any additional significant weaknesses to the operations or weaknesses in the financial controls and they have been identified.

Sincerely,

A handwritten signature in blue ink, appearing to read "John J. Dreyzehner", with a stylized flourish at the end.

John J. Dreyzehner, MD, MPH, FACOEM  
Commissioner