

Management Advisory Report

Single Audit of the State of
Tennessee for the Fiscal Year Ended
June 30, 2015

Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2015

A-77-16-00006



August 2016

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 the following.

- DHS charged costs to various Federal agencies, including SSA, based on activity codes that were not included in the approved cost allocation plan. The auditor determined these charges were reasonable and did not question the costs. Accordingly, we are not making a recommendation on this finding.
- DHS charged costs to various Federal agencies, including SSA, based on allocation methodologies that were not in accordance with the cost allocation plan. As a result, the auditor identified \$173,769 was incorrectly charged to SSA. DHS disagreed with the questioned costs, claiming the expenditures were for allowable program costs.
- DHS charged costs to various Federal agencies, including SSA, based on an error in a cost allocation table formula. As a result, \$2,739 was inaccurately charged to SSA. According to DHS, the error was corrected.
- DDS overstated the hours reported on the Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.

In addition, the single audit reported DHS did not have adequate procedures and controls over the timing of cash draws. The Department of Health and Human Services will resolve this finding on behalf of the Federal Government. Therefore, we are bringing this to your attention, but we are not making a recommendation.

Recommendations

We recommend that SSA:

1. Determine whether the \$173,769 charged to SSA based on unapproved cost allocation plan methodologies was expended for allowable program costs.
2. Verify that SSA was given credit for the \$2,739 incorrectly charged based on the error in the cost allocation table formula.
3. Verify that procedures are in place to ensure the accuracy of the Form SSA-4514.

MEMORANDUM

Date: August 4, 2016 **Refer To:**

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

From: Assistant Inspector General for Audit

Subject: Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2015 (A-77-16-00006)

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, 2015.¹ 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 conducted the audit. The Department of Health and Human Services' desk review 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 Department of Health and Human Services' reviews. 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 and Supplemental Security Income 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 Disability Insurance and Supplemental Security Income 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.

¹ State of Tennessee *Single Audit Report for the Year Ended June 30, 2015* (March 23, 2016).

The single audit reported the following.

- DHS charged costs to various Federal agencies, including SSA, based on activity codes not included in the approved cost allocation plan (CAP). As a result, the auditor determined \$287,164 was incorrectly charged to SSA. The auditor determined these charges were reasonable and did not question the costs.² The corrective action plan indicated DHS will submit an updated CAP to the Department of Health and Human Services.
- DHS charged costs to various Federal agencies, including SSA, based on allocation methodologies that were not in accordance with the CAP. As a result, the auditor determined \$173,769 was incorrectly charged to SSA.³ The corrective action plan indicated DHS did not agree with the auditor identifying these as questioned costs because the expenditures were for allowable program costs.
- DHS charged costs to various Federal agencies, including SSA, based on an error in a cost allocation table formula. As a result, \$2,739 was inaccurately charged to SSA.⁴ The corrective action plan indicated the table error was corrected.
- The DDS overstated the hours reported on the Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.⁵ The corrective action plan indicated the DDS initiated steps to improve the quarterly Form SSA-4514 review process.

We recommend that SSA:

1. Determine whether the \$173,769 charged to SSA based on unapproved CAP methodologies was expended for allowable program costs.
2. Verify that SSA was given credit for the \$2,739 incorrectly charged based on the error in the cost allocation table formula.
3. Verify that procedures are in place to ensure the accuracy of the Form SSA-4514.

² See Footnote 1, finding 2015-019.

³ See Footnote 1, finding 2015-019.

⁴ See Footnote 1, finding 2015-020.

⁵ See Footnote 1, finding 2015-048.

In addition, the single audit reported DHS did not have adequate procedures and controls over the timing of cash draws for SSA's disability program. Specifically, DHS did not ensure

- program income and refunds were expended before requesting additional Federal funds,⁶ and
- cost allocation adjustments were made timely to allow for cash draws in accordance with the Treasury-State Agreement.⁷

The single audit identified multiple Federal programs, including SSA, responsible for resolving these findings. However, HHS will resolve them on the Government's behalf. Therefore, we are bringing these matters to your attention, but we are not making a recommendation.

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.



Rona Lawson

Attachment

cc:
Lynn Bernstein

⁶ See Footnote 1, finding 2015-016.

⁷ See Footnote 1, finding 2015-017.

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