

Management Advisory Report

Single Audit of the State of
Tennessee for the Fiscal Year Ended
June 30, 2012

A-77-14-00008 / May 2014

**Single Audit of the State of Tennessee for the Fiscal Year
Ended June 30, 2012
A-77-14-00008**



May 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 Insurance program. The Department of Human Services (DHS) is the Tennessee Disability Determination Section's (DDS) parent agency.

Findings

The single audit reported SSA was overcharged indirect costs for the quarter ended December 31, 2011.

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

Recommendations

We recommend that SSA ensure it received credit for the \$4,449 in unallowable indirect costs.

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

MEMORANDUM

Date: May 20, 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, 2012 (A-77-14-00008)

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, 2012.¹ 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 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 is the Tennessee DDS' parent agency.

The single audit reported SSA was overcharged indirect costs for the quarter ended December 31, 2011.² The Tennessee Comptroller of the Treasury informed us that the amount overcharged was \$4,449. The overcharge occurred due to errors in the cost allocation tables

¹ State of Tennessee, *Single Audit Report for the Year Ended June 30, 2012*

http://www.comptroller.tn.gov/repository/SA/2012_TN_Single_Audit.pdf (last viewed April 25, 2014).

² Id. at finding 12-DHS-06.

used to calculate indirect costs. The corrective action plan indicates DHS corrected the errors and implemented a process to review the accuracy of future cost allocations.

We recommend that SSA ensure it received credit for the \$4,449 in unallowable indirect costs.

In addition, the single audit reported DHS did not follow State information system security policies, which may result in an increased risk of fraudulent activity or loss of data.³ The corrective action plan indicated that steps to address the issues identified were already underway. We made a recommendation to SSA in a prior report for corrective action on this finding.⁴ We confirmed that SSA had taken appropriate corrective action to address this finding. Therefore, we will not repeat the recommendation in this report.

The single audit also disclosed DHS did not properly review and approve Federal cash drawdowns or ensure that cash management duties were properly segregated before requesting funds.⁵ This finding may impact DDS operations. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

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

³ Id. at finding 12-DHS-02.

⁴ 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.

⁵ Id. at finding 12-DHS-13.

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