

Management Advisory Report

Single Audit of the State of
Tennessee for the Fiscal Year Ended
June 30, 2018

Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2018

A-77-19-00005



May 2019

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
A single audit is an organization-wide financial statement and Federal awards' audit of a non-Federal entity that expends \$750,000 or more in Federal funds in 1 year. It is intended to provide assurance to the Government that a non-Federal entity has adequate internal controls in place and is generally in compliance with program requirements. Non-Federal entities typically include States, local governments, Indian tribes, universities, and non-profit organizations.
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.

Finding

The single audit reported the Tennessee DHS did not always allocate costs to various Federal programs using complete or current-period data. As a result, the Tennessee DHS overcharged SSA \$5,480.

Recommendations

We recommend that SSA:

1. Ensure it is reimbursed the \$5,480 overcharged to its disability program.
2. Verify that the Tennessee DHS developed a cost-allocation approach that results in a fair allocation of costs to its disability program.

MEMORANDUM

Date: May 16, 2019 **Refer To:**

To: Trae Sommer
Acting Director
Audit Liaison Staff

From: Assistant Inspector General for Audit

Subject: Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2018 (A-77-19-00005)

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, 2018.¹ The Tennessee Comptroller of the Treasury conducted the audit. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

BACKGROUND

A single audit is an organization-wide financial statement and Federal awards' audit of a non-Federal entity that expends \$750,000 or more in Federal funds in 1 year. It is intended to provide assurance to the Government that a non-Federal entity has adequate internal controls in place and is generally in compliance with program requirements. Non-Federal entities typically include States, local governments, Indian tribes, universities, and non-profit organizations.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. CFDA number 96 identifies SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs. 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. SSA reimburses the DDS 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, 2018 (March 21, 2019).

RESULTS

The single audit reported the Tennessee DHS did not always allocate costs to various Federal programs using complete or current-period data. As a result, the Tennessee DHS overcharged SSA \$5,480.² The corrective action plan indicated the Tennessee DHS will analyze the most cost-beneficial approach to allocating costs and, if necessary, will amend its cost allocation plan.

We recommend that SSA:

1. Ensure it is reimbursed the \$5,480 overcharged to its disability program.
2. Verify that the Tennessee DHS developed a cost-allocation approach that results in a fair allocation of costs to its disability program.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that Federal awarding agencies issue a management decision on findings within 6 months of acceptance of the audit report by the Federal Audit Clearinghouse. The Federal Audit Clearinghouse accepted the single audit of the State of Tennessee on March 28, 2019.

Please send copies of the final Audit Clearance Document to OIG.Audit.Kansas.City@ssa.gov.



Rona Lawson

Attachment

² See Footnote 1, Finding 2018-013.

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