

Management Advisory Report

Single Audit of the State of
Tennessee for the Fiscal Year Ended
June 30, 2016

Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2016

A-77-17-00004



April 2017

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 Tennessee Department of Human Services (DHS) is the Tennessee Disability Determination Services' (DDS) parent agency.

Findings

The single audit reported DHS incorrectly allocated expenditures to SSA totaling \$2,883 and did not provide adequate internal controls in three areas.

In addition, the single audit reported DHS (1) charged costs to various Federal agencies, including SSA, based on activity codes not included in the approved cost allocation plan (CAP); (2) charged costs to various Federal agencies, including SSA, using methodologies that were inconsistent with approved allocation methodologies identified in the CAP; and (3) did not allocate costs to various Federal agencies, including SSA, in accordance with the cost allocation plan and Federal requirements.

We recommended corrective action to SSA on these findings in a prior report. SSA had addressed these findings. Therefore, we will not repeat the recommendations in this report.

Finally, the single audit reported DHS did not have adequate procedures and controls over the timing of cash draws for SSA's disability program. The single audit identified multiple Federal programs, including SSA responsible for resolving this finding. However, the Department of Health and Human Services, as the cognizant Federal agency, will resolve the finding on the Government's behalf. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.

Recommendations

We recommend that SSA:

- 1.** Ensure it received credit for the \$2,883 in incorrect expenditure allocations.
- 2.** Verify DHS resolved the internal control deficiencies.

MEMORANDUM

Date: April 20, 2017 **Refer To:**

To: Gary S. Hatcher
Senior Advisor
Audit Liaison Staff

From: Assistant Inspector General for Audit

Subject: Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2016 (A-77-17-00004)

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, 2016.¹ 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.

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.

The single audit reported DHS:

- Incorrectly allocated expenditures to SSA totaling \$2,883.² The corrective action plan indicated DHS corrected the expenditure allocations in December 2016.
- Did not provide adequate internal controls in three areas. The single audit did not provide details on the internal control deficiencies, citing them as confidential pursuant to the *Tennessee Code Annotated*.³ We obtained from DHS additional details on the deficiencies, which we will provide to SSA separately from this memorandum.

¹ State of Tennessee, *Single Audit Report for the Year Ended June 30, 2016* (March 22, 2017).

² See Footnote 1, finding 2016-036.

³ See Footnote 1, finding 2016-013.

We recommend that SSA:

1. Ensure it received credit for the \$2,883 in incorrect expenditure allocations.
2. Verify DHS resolved the internal control deficiencies.

In addition, the single audit reported DHS (1) charged costs to various Federal agencies, including SSA, based on activity codes not included in the approved cost allocation plan (CAP); (2) charged costs to various Federal agencies, including SSA, using methodologies that were inconsistent with approved allocation methodologies identified in the CAP⁴; and (3) did not allocate costs to various Federal agencies, including SSA, in accordance with the cost allocation plan and federal requirements.⁵ We recommended corrective action to SSA on these findings in a prior report.⁶ We confirmed that SSA had addressed these findings. Therefore, we will not repeat the recommendations in this report.

Finally, 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 disburse program income and refunds before requesting additional Federal funds.⁷ The corrective action plan indicated DHS would hold training to reinforce the proper practices for the cash-draw process. The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, the U.S. Department of Health and Human Services, as the cognizant Federal agency, will resolve the finding on the Government's behalf. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.

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 24, 2017.

⁴ See Footnote 1, finding 2016-014.

⁵ See Footnote 1, finding 2016-015.

⁶ SSA, OIG, *Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2015, A-77-16-00006* (August 4, 2016).

⁷ See Footnote 1, finding 2016-017.

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.

Kimberly A. Byrd

for

Rona Lawson

Attachment

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