

*Management Advisory Report*

Single Audit of the State of  
Tennessee for the Fiscal Year Ended  
June 30, 2017

# Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2017

## A-77-18-00006



May 2018

**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 Tennessee DHS:

- Allocated costs to various Federal programs, including SSA, based on prior quarter percentages. As a result, DHS inaccurately charged SSA \$123,318.
- Charged unallowable costs to Federal programs, including \$87,165 to SSA, during the cost allocation process.
- Charged costs to various Federal agencies, including \$38,221 to SSA, using methodologies that were inconsistent with allocation methodologies identified in the Cost Allocation Plan.
- Did not maintain adequate documentation to support personnel costs it charged to Federal grants.

## Recommendations

We recommend that SSA:

1. Work with DHS to determine whether the \$123,318 charged to SSA based on prior quarter percentages is allowable or a refund to the SSA disability program is warranted.
2. Verify DHS credited the SSA disability program for the \$87,165 in unallowable costs and the \$38,221 in incorrectly allocated costs.
3. Ensure DHS implemented appropriate policies and procedures to support personnel costs charged to the SSA disability program.

MEMORANDUM

**Date:** May 17, 2018 **Refer To:**

**To:** Trae Sommer  
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, 2017 (A-77-18-00006)

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, 2017.<sup>1</sup> 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 the Tennessee DHS:

- Allocated costs to various Federal programs, including SSA, based on prior-quarter percentages. However, DHS did not update the cost allocation when current-quarter percentages became available. As a result, DHS inaccurately charged SSA \$123,318.<sup>2</sup> DHS did not believe the use of prior-quarter percentages resulted in unallowable costs; however, it agreed to periodically evaluate the cost allocation and make adjustments for any material variances.

---

<sup>1</sup> *Single Audit Report Division of State Audit For the Year Ended June 30, 2017* (March 27, 2018).

<sup>2</sup> See Footnote 1, Finding 2017-010.

- Charged unallowable costs to Federal programs, including \$87,165 to SSA, during the cost allocation process.<sup>3</sup> The corrective action plan indicated DHS adjusted the unallowable costs and implemented procedures to ensure unallowable costs are not included in the allocation process.
- Charged costs to various Federal agencies, including \$38,221 to SSA, using methodologies that were inconsistent with allocation methodologies identified in the Cost Allocation Plan.<sup>4</sup> The corrective action plan indicated DHS implemented appropriate methodologies into the approved Cost Allocation Plan and costs were adjusted appropriately.
- Did not maintain adequate documentation to support personnel costs it charged to Federal grants.<sup>5</sup> The corrective action plan indicated DHS implemented new processes, including electronically submitted timesheets.

We recommend that SSA:

1. Work with DHS to determine whether the \$123,318 charged to SSA based on prior quarter percentages is allowable or a refund to the SSA disability program is warranted.
2. Verify DHS credited the SSA disability program for the \$87,165 in unallowable costs and the \$38,221 in incorrectly allocated costs.
3. Ensure DHS implemented appropriate policies and procedures to support personnel costs charged to the SSA 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, 2018.

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](mailto:Shannon.Agee@ssa.gov).



Rona Lawson

Attachment

---

<sup>3</sup> See Footnote 1, Finding 2017-012.

<sup>4</sup> See Footnote 1, Finding 2017-014.

<sup>5</sup> See Footnote 1, Finding 2017-015.

## MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

## CONNECT WITH US

The OIG Website (<https://oig.ssa.gov/>) gives you access to a wealth of information about OIG. On our Website, you can report fraud as well as find the following.

- OIG news
- audit reports
- investigative summaries
- Semiannual Reports to Congress
- fraud advisories
- press releases
- congressional testimony
- an interactive blog, “[Beyond The Numbers](#)” where we welcome your comments

In addition, we provide these avenues of communication through our social media channels.



[Watch us on YouTube](#)



[Like us on Facebook](#)



[Follow us on Twitter](#)



[Subscribe to our RSS feeds or email updates](#)

## OBTAIN COPIES OF AUDIT REPORTS

To obtain copies of our reports, visit our Website at <https://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <https://oig.ssa.gov/e-updates>.

## REPORT FRAUD, WASTE, AND ABUSE

To report fraud, waste, and abuse, contact the Office of the Inspector General via

**Website:** <https://oig.ssa.gov/report-fraud-waste-or-abuse>

**Mail:** Social Security Fraud Hotline  
P.O. Box 17785  
Baltimore, Maryland 21235

**FAX:** 410-597-0118

**Telephone:** 1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

**TTY:** 1-866-501-2101 for the deaf or hard of hearing