



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: December 19, 2025

Refer To: 772607

To: Amy Gao
Director
Audit Liaison Staff

From: Michelle L. Anderson *Michelle L. Anderson*
Assistant Inspector General for Audit

Subject: Single Audit of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 2024

This memorandum presents the Social Security Administration's (SSA) portion of the single audit of the State of Kentucky for the Fiscal Year ended June 30, 2024.¹ The Kentucky Auditor of Public Accounts 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.

BACKGROUND

A single audit is an organization-wide financial statement and Federal awards audit of a non-Federal entity that expends \$1 million or more in Federal funds in 1 year. It is intended to assure 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 state and local governments, Indian tribes, universities, and nonprofit organizations.

For single audit purposes, the General Services Administration maintains a list of all Federal programs in the Federal Assistance Listing. SSA's Disability Insurance and Supplemental Security Income programs are identified under listing number 96. SSA is responsible for resolving single audit findings reported under this listing number.

The Kentucky Disability Determination Services (DDS) performs disability determinations under SSA's Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. SSA reimburses the DDS for 100 percent of allowable costs. The Cabinet for Health and Family Services (CHFS) is the Kentucky DDS' parent agency.

¹ Allison Ball, Auditor of Public Accounts, *Report of the Statewide Single Audit of the Commonwealth of Kentucky For the Year Ended June 30, 2024* (February 18, 2025).

RESULTS

The single audit found CHFS did not properly allocate indirect costs. The State updated its accounting system, which resulted in new distribution tables and cost allocation jobs. The updated tables led to duplication of salary records that affected the indirect cost percentages allocated to each Federal program, including Social Security, beginning April 2024.

The State cannot determine the amount of improperly allocated indirect costs for April through June 2024 because the system performed the allocations automatically and CHFS was unable to manually correct all amounts used in or resulting from the incorrect allocations. As a result, CHFS may not be able to determine whether it correctly allocated indirect costs to SSA for this period.

The State worked with the vendor to resolve the underlying software issues and enhance system functionality. As of February 2025, CHFS was reviewing and correcting all cost allocations for affected Federal programs since April 2024. Going forward, CHFS will generate monthly reports to ensure allocation accuracy.

RECOMMENDATION

We recommend SSA work with CHFS to determine whether it correctly charged indirect costs to SSA's programs since April 2024 and make any necessary corrections.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that Federal awarding agencies issue a management decision letter on single audit findings within 6 months of the Federal Audit Clearinghouse accepting the audit report. The Federal Audit Clearinghouse accepted the single audit of the State of Kentucky on March 29, 2025. However, the report did not appear in our advanced searches of the Federal Audit Clearinghouse until November 2025. There is no guidance when this situation occurs; therefore, we expect the management decision letter to be prepared and sent as soon as possible.

Please send copies of the final Audit Clearance Document to OIG.Audit.Division.7@ssa.gov.