

**Single Audit of the State of Tennessee for the Fiscal Year
Ended June 30, 2015
A-77-16-00006**



August 2016

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 following.

- DHS charged costs to various Federal agencies, including SSA, based on activity codes that were not included in the approved cost allocation plan. The auditor determined these charges were reasonable and did not question the costs. Accordingly, we are not making a recommendation on this finding.
- DHS charged costs to various Federal agencies, including SSA, based on allocation methodologies that were not in accordance with the cost allocation plan. As a result, the auditor identified \$173,769 was incorrectly charged to SSA. DHS disagreed with the questioned costs, claiming the expenditures were for allowable program costs.
- DHS charged costs to various Federal agencies, including SSA, based on an error in a cost allocation table formula. As a result, \$2,739 was inaccurately charged to SSA. According to DHS, the error was corrected.
- DDS overstated the hours reported on the Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.

In addition, the single audit reported DHS did not have adequate procedures and controls over the timing of cash draws. The Department of Health and Human Services will resolve this finding on behalf of the Federal Government. Therefore, we are bringing this to your attention, but we are not making a recommendation.

Recommendations

We recommend that SSA:

1. Determine whether the \$173,769 charged to SSA based on unapproved cost allocation plan methodologies was expended for allowable program costs.
2. Verify that SSA was given credit for the \$2,739 incorrectly charged based on the error in the cost allocation table formula.
3. Verify that procedures are in place to ensure the accuracy of the Form SSA-4514.