

Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2018 A-77-19-00009



July 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 for resolution.

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 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 governments, local governments, Indian tribes, universities, and nonprofit organizations.

The Michigan Office of the Auditor General conducted the single audit of the State of Michigan. The Agency is responsible for resolving single audit findings related to its disability programs. The Michigan Department of Health and Human Services (MDHHS) is the Michigan Disability Determination Services' parent agency.

Findings

The single audit reported MDHHS did not have appropriate controls over its cost allocation system. Specifically, MDHHS did not

- ensure a complete and accurate narrative was included in its amended Public Assistance Cost Allocation Plan;
- use appropriate data and account codes to allocate expenditures to Federal programs; and
- allocate Federal expenditures in accordance with the Public Assistance Cost Allocation Plan.

The single audit also reported MDHHS did not have adequate procedures and controls over the timing of cash draws for Federal programs, including SSA's disability programs. In addition, contracts for Federal awards did not include required provisions.

The Department of Health and Human Services will resolve these findings on the Government's behalf. Therefore, we are bringing these matters to your attention, but we are not making recommendations.