

Management Advisory Report

Single Audit of the State of Michigan
for the Fiscal Year Ended
September 30, 2013

Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2013

A-77-15-00001



June 2015

Office of Audit Report Summary

Objective	Findings
<p>To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to Social Security Administration (SSA) for resolution action.</p>	<p>The single audit reported DHS:</p> <ul style="list-style-type: none">● Did not make cash draws within the number of days required by the <i>Cash Management Improvement Act</i> (CMIA) agreement.● Did not annually review the List of Excluded Individuals and Entities (LEIE) for consultative examination (CE) provider's medical licenses.● Inappropriately charged 100 percent of three employees' payroll expenditures for union representatives to the SSA programs although these employees also represented DHS employees working on non-SSA programs. The payroll expenditures totaled \$132,578.● Made cash draws that exceeded SSA program expenditures resulting in \$164,502 in questioned costs.● Did not have an effective process to track and verify each CE provider's license status every 2 years or at the license renewal date.
<p>Background</p> <p>Michigan Auditor General conducted the single audit of the State of Michigan. SSA is responsible for resolving single audit findings related to its Disability programs. Department of Human Services (DHS) is the Michigan Disability Determination Services' (DDS) parent agency.</p>	<p>Recommendations</p> <p>We recommend that SSA:</p> <ol style="list-style-type: none">1. Verify that DHS is drawing funds for SSA's disability programs in accordance with the CMIA agreement.2. Verify that DHS established an annual process to verify CE providers to the LEIE to ensure they are not excluded from participating in federally funded programs.3. Determine the portion of the \$132,578 in payroll costs for union representatives inappropriately charged to SSA's disability programs and request a refund of the unallowable costs.4. Ensure the \$164,502 related to excessive cash draws is returned to SSA.5. Ensure DHS establishes appropriate procedures to verify CE provider license status.

MEMORANDUM

Date: June 17, 2015 **Refer To:**

To: Gary S. Hatcher
Senior Advisor
Records Management and Audit Liaison Staff

From: Inspector General

Subject: Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2013
(A-77-15-00001)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Michigan for the Fiscal Year ended September 30, 2013.¹ Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Michigan Auditor General performed the audit. The results of the desk review conducted by the Department of Health and Human Services (HHS) concluded that the audit met Federal requirements. In reporting the results of the single audit, we relied entirely on the Michigan Auditor General's internal control and compliance work and HHS' reviews. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The Michigan Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Department of Human Services (DHS) is the Michigan DDS' parent agency.

¹ State of Michigan *Single Audit Report, Fiscal Year Ended September 30, 2013*
http://www.audgen.michigan.gov/finalpdfs/13_14/r000010014.pdf (last viewed May 22, 2015).

The single audit reported DHS:

- Did not make cash draws within the number of days required by the *Cash Management Improvement Act* (CMIA) agreement.² The corrective action plan indicates DHS will seek to revise the CMIA agreement to include the DI/SSI cluster among those programs with a weekly payment schedule.
- Did not perform annual reviews of the HHS OIG's List of Excluded Individuals and Entities (LEIE) for consultative examination (CE) provider's medical licenses.³ The corrective action plan indicates, in January 2014, LEIE reviews were initiated and completed for all CE providers and will be completed annually thereafter.
- Inappropriately charged 100 percent of three employees' payroll expenditures for union representatives to the SSA programs although these employees also represented DHS employees working on non-SSA programs. The payroll expenditures totaled \$132,578.⁴ The corrective action plan indicates DHS will take the necessary actions to ensure staff time for union representatives will not be charged to the Federal funding source.
- Made cash draws that exceeded SSA program expenditures resulting in questioned costs of \$164,502.⁵ The corrective action plan indicates DHS will enhance procedures to better monitor cash draws to ensure compliance with the CMIA agreement.
- Did not have an effective process to track and verify each CE provider's license status every 2 years or at the license renewal date.⁶ The corrective action plan indicates reviews will be done annually at the beginning of each calendar year.

We recommend that SSA:

1. Verify that DHS is drawing funds for SSA's disability programs in accordance with the CMIA agreement.
2. Verify that DHS established an annual process to verify CE providers to the LEIE to ensure they are not excluded from participating in federally funded programs.
3. Determine the portion of the \$132,578 in payroll costs for union representatives inappropriately charged to SSA's disability programs and request a refund of the unallowable costs.

² Id. at finding 2013-094.

³ Id. at finding 2013-095.

⁴ Id. at finding 2013-096.

⁵ Id. at finding 2013-097.

⁶ Id. at finding 2013-098.

4. Ensure the \$164,502 related to excessive cash draws is returned to SSA.
5. Ensure DHS establishes appropriate procedures to verify CE provider license status.

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.



Patrick P. O'Carroll, Jr.

Attachment

cc:
Lynn Bernstein

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