

Management Advisory Report

Single Audit of the State of North
Carolina for the Fiscal Year Ended
June 30, 2012

**Single Audit of the State of North Carolina for the Fiscal Year
Ended June 30, 2012
A-77-14-00006**



December 2013

Office of Audit Report Summary

Objective

To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to Social Security Administration (SSA) for resolution action.

Background

The North Carolina Office of the State Auditor conducted the single audit of the State of North Carolina. SSA is responsible for resolving single audit findings related to its Disability programs. The North Carolina Department of Health and Human Services is the North Carolina Disability Determination Services' (DDS) parent agency.

Findings

The single audit reported:

- The DDS made inappropriate payments to consultative examination (CE) providers totaling \$235. We made recommendations to SSA in a prior report for corrective action on this finding. We confirmed that SSA had taken appropriate actions to address this finding. Therefore, we will not repeat the recommendation in this report.
- The DDS vendor file included providers who were not eligible to perform CEs.

Recommendations

We recommend that SSA verify the DDS implemented appropriate procedures to ensure selection of only approved providers to perform CEs.

MEMORANDUM

Date: December 23, 2013 **Refer To:**

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

From: Inspector General

Subject: Single Audit of the State of North Carolina for the Fiscal Year Ended June 30, 2012
(A-77-14-00006)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of North Carolina for the Fiscal Year ended June 30, 2012.¹ Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The North Carolina Office of the State Auditor 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 internal control and compliance work performed by the North Carolina Office of the State Auditor and the reviews performed by HHS. 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 North Carolina 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 North Carolina Department of Health and Human Services is the North Carolina DDS' parent agency.

¹ *Single Audit Report for the Year Ended June 30, 2012* (FSA-2012-8730)
<http://www.ncauditor.net/pub4/SingleAuditsList.aspx> (last viewed December 11, 2013).

The single audit reported:

- The DDS made inappropriate payments to consultative examination (CE) providers totaling \$235.² The corrective action plan indicates internal controls were strengthened to ensure all CE providers will be charged the correct reimbursement rate. In addition, the DDS will take action to recoup the inappropriate payments. We made recommendations to SSA in a prior report for corrective actions on this finding.³ We confirmed that SSA had taken appropriate actions to address this finding. Therefore, we will not repeat the recommendation in this report.
- The DDS vendor file included providers who were not eligible to perform CEs.⁴ The corrective action plan indicates the DDS is in the process of cleaning and purging the vendor file to ensure only eligible providers are selected to perform CEs.. In the interim, the DDS will implement additional internal controls to prevent scheduling with ineligible providers. We recommend that SSA verify the DDS implemented appropriate procedures to ensure selection of only approved providers to perform CEs.

The single audit also disclosed the North Carolina Department of Health and Human Services did not comply with Federal cash management requirements and the Treasury-State Agreement.⁵ This finding may impact DDS operations although it was not specifically identified to SSA. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

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

² Id. at finding 12-SA-84.

³ SSA OIG, Management Advisory Report, *Single Audit of the State of North Carolina for the Fiscal Year Ended June 30, 2011* (A-77-13-00003), February 2013.

⁴ Id. at finding 12-SA-85.

⁵ Id. at finding 12-SA-34.

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