

Management Advisory Report

Single Audit of the State of Michigan
for the Fiscal Year Ended
September 30, 2016

Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2016 A-77-17-00011



July 2017

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 Michigan Office of the Auditor General conducted the single audit of the State of Michigan. SSA 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' (DDS) parent agency.

Findings

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

- ensure an accurate narrative was included in its amended Public Assistance Cost Allocation Plan (PACAP);
- use appropriate data and account codes to allocate expenditures to Federal programs;
- ensure only allowable expenditures were charged to PACAP;
- allocate Federal expenditures in accordance with PACAP or ensure its contractor fully allocated expenditures based on allocation methods described in the PACAP; and
- maintain effective general controls for the vendor hosting its cost allocation plan.

The single audit identified multiple Federal programs, including SSA, responsible for resolving these findings. However, the Department of Health and Human Services will resolve these findings on the Government's behalf. Therefore, we are bringing these issues to your attention, but we are not making recommendations.

MEMORANDUM

Date: July 17, 2017 **Refer To:**

To: Gary S. Hatcher
Senior Advisor
Audit Liaison Staff

From: Assistant Inspector General for Audit

Subject: Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2016
(A-77-17-00011)

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, 2016.¹ The Michigan Office of the Auditor General 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 action.

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. CFDA number 96 identifies SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs. 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. SSA reimburses the DDS for 100 percent of allowable costs. The Michigan Department of Health and Human Services (MDHHS) is the Michigan DDS' parent agency.

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

- ensure an accurate narrative was included in its amended Public Assistance Cost Allocation Plan (PACAP);²
- use appropriate data and account codes to allocate expenditures to Federal programs;³

¹ Office of the Auditor General, *State of Michigan Single Audit Report Fiscal Year Ended September 30, 2016, 000-0100-17* (June 19, 2017).

² See Footnote 1, finding 2016-009.

³ See Footnote 1, finding 2016-010.

- ensure only allowable expenditures were charged to PACAP;⁴
- allocate Federal expenditures in accordance with the PACAP or ensure that its contractor fully allocated expenditures based on allocation methods described in the PACAP;⁵ and
- maintain effective general controls for the vendor hosting its cost allocation plan.⁶

The corrective action plan indicated MDHHS implemented controls in the Cost Allocation Office to assist with the development, implementation accuracy, and maintenance of the PACAP. In addition, MDHHS modified the vendor contract to require submission of an annual compliance report.

The single audit identified multiple Federal programs, including SSA, responsible for resolving these findings. However, the Department of Health and Human Services will resolve these findings on the Government's behalf. Therefore, we are bringing these issues to your attention, but we are not making recommendations.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that Federal awarding agencies issue a management decision on findings within 6 months of acceptance of the audit report by the Federal Audit Clearinghouse. The Federal Audit Clearinghouse accepted the single audit of the State of Michigan on June 28, 2017.

If you have questions, contact Shannon Agee at (877) 405-7694, extension 18802 or Shannon.Agee@ssa.gov.



Rona Lawson

Attachment

⁴ See Footnote 1, finding 2016-011.

⁵ See Footnote 1, finding 2016-012.

⁶ See Footnote 1, finding 2016-013.

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