

Management Advisory Report

Single Audit of the State of North
Carolina for the Fiscal Year Ended
June 30, 2011

**Single Audit of the State of North Carolina for the Fiscal Year
Ended June 30, 2011
A-77-13-00003**



February 2013

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.

Background

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

Findings

The single audit reported:

- Internal controls over payment for provider consultative examinations (CE) did not effectively ensure the DDS only paid for medically necessary services and that invoices for services were accurate.
- The DDS did not have a process in place to verify and document that all CE providers, including hospitals, were eligible to participate in the program.
- The DDS did not have a review and approval process to ensure the accuracy of the information reported on the Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.

Recommendations

We recommend that SSA ensure the DDS has:

1. Established procedures to minimize the risk of payments for unauthorized or unallowable CE services.
2. Established procedures to verify and document all providers of CE services are eligible to participate in the program.
3. Strengthened procedures to ensure the accuracy of the information reported on Form SSA-4514.

MEMORANDUM

Date: February 26, 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, 2011
(A-77-13-00003)

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, 2011.¹ 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 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 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 State Department of Health and Human Services is the North Carolina DDS' parent agency.

The single audit reported:

- Internal controls over payment for provider consultative examinations (CE) did not effectively ensure the DDS only paid for medically necessary services and invoices for

¹ *Single Audit Report for the Year Ended June 30, 2011.* <http://www.ncauditor.net/EPSWeb/Reports/Financial/FIN-2011-8730.pdf>, (last viewed January 16, 2013).

services were accurate.² The corrective action plan indicated steps had been added to existing internal controls to ensure medical services performed were necessary, and costs incurred were for allowable services.

- The DDS did not have a process in place to verify and document that all CE providers, including hospitals, were eligible to participate in the program.³ The corrective action plan indicates procedures were being developed for an annual review of hospitals and radiologists.
- The DDS did not have a review and approval process to ensure the accuracy of the information reported on the Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.⁴ The corrective action plan indicates that internal controls had been strengthened to ensure adequate review and verification of the amounts reported on the Form SSA-4514.

We recommend that SSA ensure the DDS has:

1. Established procedures to minimize the risk of payments for unauthorized or unallowable CE services.
2. Established procedures to verify and document all providers of CE services are eligible to participate in the program.
3. Strengthened procedures to ensure the accuracy of the information reported on Form SSA-4514.

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.



Patrick P. O'Carroll, Jr.

Attachment

cc:

Lynn Bernstein

² Id. at finding 11-SA-134.

³ Id. at finding 11-SA-135.

⁴ Id. at finding 11-SA-136.

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