

Management Advisory Report

Single Audit of the State of Arizona
for the Fiscal Year Ended
June 30, 2014

**Single Audit of the State of Arizona for the Fiscal Year Ended
June 30, 2014
A-77-15-00004**



July 2015

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 Arizona Auditor General conducted the single audit of the State of Arizona. SSA is responsible for resolving single audit findings related to its Disability programs. The Department of Economic Security (DES) is the Arizona Disability Determination Services' (DDS) parent agency.

Findings

The single audit identified that

- DES did not evaluate or test its disaster recovery plan annually.
- The State of Arizona incorrectly charged information technology service costs to Federal programs, including SSA. The Department of Health and Human Services' Division of Cost Allocation will resolve this finding. Therefore, we are bringing this matter to SSA's attention, but are not making a recommendation.

Recommendation

We recommend that SSA confirm that DES has an appropriate disaster recovery process in place to ensure the continuity of DDS operations and the protection of DDS data in the event of a systems interruption.

MEMORANDUM

Date: July 8, 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 Arizona for the Fiscal Year Ended June 30, 2014 (A-77-15-00004)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Arizona for the Fiscal Year ended June 30, 2014.¹ Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Arizona 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 internal control and compliance work performed by the Arizona Auditor General 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 Arizona 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 Economic Security (DES) is the Arizona DDS's parent agency.

The single audit identified that DES did not evaluate or test its disaster recovery plan annually.² The corrective action plan indicated DES is in the process of updating the disaster recovery plan, which includes migrating data to a better storage center to reduce the risk of outages. We recommend that SSA confirm that DES has an appropriate disaster recovery process in place to

¹ *Single Audit State of Arizona Year Ended June 30, 2014*

http://www.azauditor.gov/sites/default/files/StateOfAZ_6_30_14_SA_0.pdf. Last viewed June 18, 2015).

² Id. finding at 2014-109.

ensure the continuity of DDS operations and the protection of DDS data in the event of a systems interruption.

The single audit also reported that the State of Arizona incorrectly charged information technology service costs to Federal programs, including SSA. These costs were charged based on a percentage of payroll expenditures but should have been charged based on the relative benefits received by each Federal program.³ This issue is being addressed by the HHS Division of Cost Allocation for resolution of the questioned costs. Therefore, we are bringing this matter to your attention, but are not making a recommendation.

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

³ Id. finding at 2014-101.

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