

Management Advisory Report

Single Audit of the Commonwealth
of Pennsylvania for the Fiscal Year
Ended June 30, 2011

Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2011

A-77-13-00011



May 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 action.

Background

The Pennsylvania Auditor General and KPMG, LLP conducted the single audit of the Commonwealth of Pennsylvania. SSA is responsible for resolving single audit findings related to its Disability Insurance program. The Department of Labor and Industry (L&I) is the Pennsylvania Bureau of Disability Determination's parent agency.

Finding

The single audit reported L&I carried forward approximately \$1.8 million from prior SSA reimbursements. L&I should have expended these funds before it requested additional SSA funds. However, since L&I drew additional funds before it expended the \$1.8 million, the Commonwealth of Pennsylvania owes interest on these funds in the amount of \$2,119.

Recommendation

The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, the Department of Health and Human Services plans to resolve this finding on the Government's behalf. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.

MEMORANDUM

Date: May 24, 2013 **Refer To:**

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

From: Inspector General

Subject: Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2011
(A-77-13-00011)

This report presents the Social Security Administration's (SSA) portion of the single audit of the Commonwealth of Pennsylvania 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 Pennsylvania Auditor General and KPMG, LLP conducted 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 Pennsylvania Auditor General and KPMG, LLP 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 Pennsylvania Bureau Disability Determination (BDD) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The BDD is reimbursed for 100 percent of allowable costs. The Department of Labor and Industry (L&I) is the Pennsylvania BDD's parent agency.

¹ *Single Audit Report For the Fiscal Year Ended June 30, 2011*,
<http://www.portal.state.pa.us/portal/server.pt?open=512&objID=4574&&PageID=473561&mode=2> (last viewed May 1, 2013).

The Office of Vocational Rehabilitation (OVR), within L&I, provides vocational rehabilitation services to Social Security beneficiaries. SSA reimburses OVR for direct costs of items purchased for these individuals and indirect costs related to administrative, placement, and counseling services as well as tracking and monitoring work activity.

The single audit reported L&I carried forward approximately \$1.8 million from prior SSA reimbursements. L&I should have expended these funds before it requested additional SSA funds. However, since L&I drew additional funds before expending the \$1.8 million , the Commonwealth of Pennsylvania owes interest, totaling \$2,119, on these funds.²

The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, HHS plans to resolve this finding on the Government's behalf. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.

The single audit also disclosed the following findings that may impact BDD operations although they were not specifically identified to SSA. I am bringing these matters to your attention as they represent potentially serious service delivery and financial control problems for the Agency. Specifically, the Commonwealth of Pennsylvania did not have adequate

- general computer controls³ and
- controls related to debarment and suspension.⁴

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. finding 11-OB-03.

³ Id. finding 11-08.

⁴ Id. finding 11-L&I-06.

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