

Management Advisory Report

Single Audit of the State of Michigan
for the Fiscal Year Ended
September 30, 2019

Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2019 A-77-21-00001



November 2020

Office of Audit Report Summary

Objective	Findings
To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to the Social Security Administration (SSA) for resolution action.	<p>The single audit reported MDHHS' Form SSA-4514, <i>Time Report of Personnel Services for Disability Determination Services</i>, understated the hours employees worked. The report states, “[r]eporting incomplete information diminishes the Social Security Administration’s ability to oversee and monitor the [Disability Insurance/Supplemental Security Income] Cluster.</p>
Background	MDHHS indicated it had implemented a process to ensure the hours reported on the SSA-4514 reconcile to payroll data.
A single audit is an organization-wide financial statement and Federal awards audit of a non-Federal entity that expends \$750,000 or more in Federal funds in 1 year. It is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally complying with program requirements. Non-Federal entities typically include State and local governments, Indian tribes, universities, and nonprofit organizations. 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' parent agency.	Recommendation We recommend SSA confirm MDHHS' process ensures the accuracy of the information reported on the SSA-4514.

MEMORANDUM

Date: November 16, 2020

Refer To:

To: Trae Sommer
Director
Audit Liaison Staff

From: Assistant Inspector General for Audit

Subject: Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2019
(A-77-21-00001)

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, 2019.¹ 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.

BACKGROUND

A single audit is an organization-wide financial statement and Federal awards audit of a non-Federal entity that expends \$750,000 or more in Federal funds in 1 year. The audit is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally complying with program requirements. Non-Federal entities typically include State and local governments, Indian tribes, universities, and nonprofit organizations.

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 and Supplemental Security Income programs. SSA is responsible for resolving single audit findings reported under this CFDA number.

The Michigan Disability Determination Services performs disability determinations under SSA's Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. SSA reimburses the disability determination services for 100 percent of allowable

¹ Office of the Auditor General, *State of Michigan Single Audit Report Fiscal Year Ended September 30, 2019, 000-0100-20* (October 22,, 2020).

costs. The Michigan Department of Health and Human Services (MDHHS) is the Michigan Disability Determination Services' parent agency.

RESULTS

The single audit reported MDHHS' Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*, understated the hours employees worked.² As the report states, “[r]eporting incomplete information diminishes the Social Security Administration’s ability to oversee and monitor the [Disability Insurance/Supplemental Security Income] Cluster.”

MDHHS indicated it had implemented a process to ensure the hours reported on the SSA-4514 reconcile to payroll data. We recommend SSA confirm MDHHS' process ensures the accuracy of the information reported on the SSA-4514.

The single audit also reported MDHHS did not

- have appropriate controls over its cost-allocation system to ensure it (1) included a complete and accurate narrative in its amended Public Assistance Cost Allocation Plan³ and (2) used appropriate data and account codes to allocate expenditures to Federal programs⁴ or
- prepare reimbursement requests in accordance with the *Cash Management Improvement Act* and did not report complete and accurate information to the Michigan Department of Treasury.⁵

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 matters 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 October 28, 2020.

² See Footnote 1, finding 2019-072.

³ See Footnote 1, finding 2019-011.

⁴ See Footnote 1, finding 2019-012.

⁵ See Footnote 1, finding 2019-013.

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Please send copies of the final Audit Clearance Document to OIG.Audit.Kansas.City@ssa.gov.
If you have questions, contact OIG.Audit.Kansas.City@ssa.gov.

A handwritten signature in black ink that reads "Michelle L Anderson".

Michelle L. Anderson

Attachment



Mission:

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

Report:

Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at oig.ssa.gov/report.

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