

Management Advisory Report

Single Audit of the State of Michigan
for the Fiscal Year Ended
September 30, 2014

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A-77-15-00014



September 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 Michigan 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.

Findings

The single audit reported MDHHS:

- Did not timely complete semi-annual certifications for some employees who worked solely on SSA's disability programs.
- Understated the total hours reported on the Fiscal Year 2014 fourth quarter Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.

The single audit also reported MDHHS did not make cash draws within the number of days required by the funding technique specified in its *Cash Management Improvement Act* agreement. We recommended corrective action to SSA on this finding in a June 2015 report, which is pending completion. Therefore, we will not repeat the recommendation in this report.

In addition, the single audit reported MDHHS did not ensure that it had a complete and accurate description of the procedures used to identify, measure, and allocate all costs in its new and amended cost allocation plan. The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, the Department of Health and Human Services will resolve this finding on behalf of the Federal Government. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.

Recommendations

We recommend SSA:

1. Confirm that procedures were implemented to ensure employees who solely work on SSA's disability programs have semi-annual certifications.
2. Verify that procedures are in place to ensure the accuracy of the Form SSA-4514.

MEMORANDUM

Date: September 11, 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 Michigan for the Fiscal Year Ended September 30, 2014
(A-77-15-00014)

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, 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 Michigan 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 Michigan 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 Michigan 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 Michigan Department of Health and Human Services (MDHHS) is the Michigan DDS' parent agency.

¹ State of Michigan *Single Audit Report, Fiscal Year Ended September 30, 2014* http://www.audgen.michigan.gov/~audgenmi/finalpdfs/14_15/r000010015.pdf (last viewed August 31, 2015).

The single audit reported MDHHS:

- Did not timely complete semi-annual certifications for some employees who worked solely on SSA's disability program.² The corrective action plan indicated MDHHS will ensure that semi-annual certifications are completed and verified timely. Further, in March 2015, MDHHS provided the auditor with the certifications for employees in question.
- Understated the total hours reported on the Fiscal Year FY) 2014 fourth quarter Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*.³ The corrective action plan indicated the query used to provide the data to complete the Form SSA-4514 was adjusted to reflect the correct hours worked and a revised report was submitted to SSA.

We recommend that SSA:

1. Confirm that procedures were implemented to ensure employees who solely work on SSA's disability programs have semi-annual certifications.
2. Verify that procedures are in place to ensure the accuracy of the Form SSA-4514.

The single audit also reported MDHHS did not make cash draws within the number of days required by the funding technique specified in its *Cash Management Improvement Act* agreement.⁴ The corrective action plan indicated the funding technique was revised, which will bring MDHHS into compliance for FY 2015. We recommended corrective action to SSA on this finding in a June 2015 report, which is pending completion.⁵ Therefore, we will not repeat the recommendation in this report.

In addition, the single audit reported MDHHS did not ensure that it had a complete and accurate description of the procedures used to identify, measure, and allocate all costs in its new and amended cost allocation plan (CAP).⁶ Specifically, two cost pools were not included in the CAP and the coding for two cost pools was not accurate. The corrective action plan indicated MDHHS corrected the omission of the cost pools and hired a staff person dedicated to the accuracy of the department's coding, which includes ensuring that the coding in the State's accounting system matches the coding in the CAP. The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, HHS will resolve this finding on behalf of the Federal Government. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.

² Id. at finding 2014-088.

³ Id. at finding 2014-090.

⁴ Id. at finding 2014-089.

⁵ SSA OIG, *Management Advisory Report: Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2013* (A-77-15-00001), June 2015.

⁶ Id. at finding 2014-010.

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

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