

Management Advisory Report

Single Audit of the State of Michigan
for the Fiscal Year Ended
September 30, 2018

Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2018

A-77-19-00009



July 2019

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 for resolution.

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. It is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally in compliance with program requirements. Non-Federal entities typically include State governments, local governments, Indian tribes, universities, and nonprofit organizations.

The Michigan Office of the Auditor General conducted the single audit of the State of Michigan. The Agency 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 have appropriate controls over its cost allocation system. Specifically, MDHHS did not

- ensure a complete and accurate narrative was included in its amended Public Assistance Cost Allocation Plan;
- use appropriate data and account codes to allocate expenditures to Federal programs; and
- allocate Federal expenditures in accordance with the Public Assistance Cost Allocation Plan.

The single audit also reported MDHHS did not have adequate procedures and controls over the timing of cash draws for Federal programs, including SSA's disability programs. In addition, contracts for Federal awards did not include required provisions.

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.

MEMORANDUM

Date: July 25, 2019 **Refer To:**

To: Trae Sommer
Acting 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, 2018
(A-77-19-00009)

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, 2018.¹ 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.

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. It is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally in compliance with program requirements. Non-Federal entities typically include State governments, 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 DDS for 100 percent of allowable costs. The Michigan Department of Health and Human Services (MDHHS) is the Michigan Disability Determination Services' parent agency.

¹ Office of the Auditor General, State of Michigan Single Audit Report Fiscal Year Ended September 30, 2018, 000-0100-19 (June 28, 2019).

RESULTS

The single audit reported MDHHS did not have appropriate controls over its cost allocation system. Specifically, MDHHS did not

- ensure a complete and accurate narrative was included in its amended Public Assistance Cost Allocation Plan;²
- use appropriate data and account codes to allocate expenditures to Federal programs;³ and
- allocate Federal expenditures in accordance with the Public Assistance Cost Allocation Plan.⁴

The single audit also reported MDHHS did not have adequate procedures and controls over the timing of cash draws for Federal programs, including SSA's disability programs. Specifically, MDHHS did not prepare reimbursement requests in accordance with the *Cash Management Improvement Act*. In addition, MDHHS did not report complete and accurate information to Treasury for inclusion in the State's calculation of interest.⁵ In addition, contracts for Federal awards did not include required provisions.⁶

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 July 1, 2019.

Please direct questions to QIG.Audit.Kansas.City@ssa.gov.



Rona Lawson

Attachment

² See Footnote 1, finding 2018-011.

³ See Footnote 1, finding 2018-012.

⁴ See Footnote 1, finding 2018-013.

⁵ See Footnote 1, finding 2018-019.

⁶ See Footnote 1, finding 2018-022.

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