

Management Advisory Report

Single Audit of the Commonwealth
of Virginia for the Fiscal Year Ended
June 30, 2019

Single Audit of the Commonwealth of Virginia for the Fiscal Year Ended June 30, 2019

A-77-20-00002



March 2020

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

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 in compliance with program requirements. Non-Federal entities typically include State and local governments, Indian tribes, universities, and nonprofit organizations.

The Virginia Auditor of Public Accounts conducted the single audit of the Commonwealth of Virginia. SSA is responsible for resolving single audit findings related to its disability programs. The Department of Health and Human Resources is the Virginia Disability Determination Services' parent agency. The Department for Aging and Rehabilitation Services (DARS), within the Department of Health and Human Resources, oversees the Virginia Disability Determination Services, which performs disability determinations for SSA programs.

Findings

DARS did not have documentation that management reviewed the fee schedule used to pay consultative examination providers. Further, DARS did not have documentation that management reviewed consultative examination providers to ensure they were not suspended or debarred from participating in Federal programs. The corrective action outlined plans for training to ensure staff properly documents management reviews.

In addition, the single audit reported DARS did not ensure a third-party service provider who managed and maintained an outsourced information technology system had a secure environment to protect its sensitive and mission-critical data. The corrective action plan indicated DARS will require that third-party service providers annually submit system and organizational control reports.

Recommendations

We recommend SSA confirm DARS:

1. Established appropriate procedures to document required management reviews of consultative examination providers.
2. Implemented reviews of third-party service providers' system and organizational control reports to ensure protection of sensitive data.

MEMORANDUM

Date: March 30, 2020 **Refer To:**

To: Trae Sommer
Director
Audit Liaison Staff

From: Assistant Inspector General for Audit

Subject: Single Audit of the Commonwealth of Virginia for the Fiscal Year Ended June 30, 2019
(A-77-20-00002)

This report presents the Social Security Administration's (SSA) portion of the single audit of the Commonwealth of Virginia for the Fiscal Year ended June 30, 2019.¹ The Virginia Auditor of Public Accounts 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 in compliance 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 Department of Health and Human Resources is the Virginia Disability Determination Services' parent agency. The Department for Aging and Rehabilitation Services (DARS), within the Department of Health and Human Resources, provides and advocates for resources and services to improve the employments, quality of life, security, and independence of older Virginians, Virginians with disabilities, and their families.

¹ Virginia Auditor of Public Accounts, *Commonwealth of Virginia Single Audit Report for the Year Ended June 30, 2019* (February 7, 2020).

Within DARS, the Virginia 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 costs.

RESULTS

DARS did not have documentation that management reviewed the fee schedule used to pay consultative examination providers for medical evidence used in performing SSA disability determinations. Further, DARS did not have documentation that management reviewed consultative examination providers to ensure they were not suspended or debarred from participating in Federal programs.² As stated in the report, "A lack of review increases the risk of inaccurate reporting, incorrect payment rates, improper payments and further instances of noncompliance." The corrective action outlined plans for staff training to ensure staff properly documents management reviews. We recommend SSA confirm DARS established appropriate procedures to document required management reviews of consultative examination providers.

In addition, the single audit reported DARS did not ensure a third-party service provider who managed and maintained an outsourced information technology (IT) system has a secure environment to protect its sensitive and mission-critical data.³ As stated in the report "Without gaining assurance over third-party service providers' IT environments, [DARS] cannot validate the effectiveness of the third-party's IT controls. This risks . . . the potential compromise of sensitive data."

The corrective action plan indicated DARS will require that third-party service providers annually submit system and organizational control reports. We recommend SSA confirm DARS implemented reviews of third-party service providers' system and organizational control reports to ensure it protects sensitive data.

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 Commonwealth of Virginia on March 10, 2020.

² See Footnote 1, finding 2019-107.

³ See Footnote 1, finding 2019-108.

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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 "Rona Lawson". The signature is fluid and cursive, with "Rona" on top and "Lawson" below it.

Rona Lawson

Attachment

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