



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Management Advisory Report

Single Audit of the State of
Arizona for the Fiscal Year Ended
June 30, 2011

A-77-13-00012 | June 2013

**Single Audit of the State of Arizona for the Fiscal Year Ended
June 30, 2011
A-77-13-00012**



June 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 Arizona Auditor General conducted the single audit of the State of Arizona. SSA is responsible for resolving single audit findings related to its Disability Insurance program. The Department of Economic Security is the Arizona Disability Determination Services Administration's parent agency.

Finding

The single audit reported the State of Arizona charged information technology project costs based on a percentage of each agency's total payroll expenditures, including those paid with Federal money. However, these costs should have been charged in accordance with the relative benefits received by each agency instead of as a percentage of payroll costs.

Recommendation

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 are not making a recommendation.

MEMORANDUM

Date: June 10, 2013

Refer To:

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

From: Inspector General

Subject: Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 2011 (A-77-13-00012)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Arizona 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 Arizona Auditor General 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 Arizona 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 Arizona Disability Determination Services Administration (DDSA) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDSA is reimbursed for 100 percent of allowable costs. The Department of Economic Security is the Arizona DDSA's parent agency.

The single audit reported the State of Arizona charged information technology project costs based on a percentage of each agency's total payroll expenditures, including those paid with Federal money. However, these costs should have been charged in accordance with the relative

¹ *Single Audit, State of Arizona Year Ended June 30, 2011*, http://www.azauditor.gov/Reports/State_Agencies/StateWideReports/Financial/SingleAudit/SA_6_30_11/State_of_AZ_6_30_11_SA.pdf (last viewed May 15, 2013).

benefits received by each agency instead of as a percentage of payroll costs.² The corrective action plan indicated the State is working with the HHS Division of Cost Allocation (DCA) for the payment and appropriate resolution of the questioned costs. Further, the State will continue to work with DCA to find a resolution to properly charge Federal programs for these costs.

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 are not making a recommendation.

The single audit also disclosed the State legislature mandated transfers of fund balances, including approximately \$2.5 million Federal money, from various State agencies to the State of Arizona's General Fund to provide support and maintenance for the agencies of the State. However, the transfers were not based on the relative benefits received.³ This finding may impact DDSA's operations, although it was not specifically identified to SSA. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency.

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 11-102.

³ Id. finding 11-103.

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