



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Management Advisory Report

Single Audit of the State of Michigan
for the Fiscal Year Ended
September 30, 2015

A-77-16-00015 | September 2016

**Single Audit of the State of Michigan for the Fiscal Year
Ended September 30, 2015
A-77-16-00015**



September 2016

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 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 have appropriate controls over its cost allocation system. Specifically, MDHHS did not

- ensure an accurate narrative was included in its amended Public Assistance Cost Allocation Plan,
- appropriately allocate expenditures to Federal programs for 16 of 19 cost pools, or
- allocate Federal expenditures for 2 of 19 cost pools in accordance with the Public Assistance Cost Allocation Plan.

In addition, the single audit reported MDHHS needed to improve the monitoring of general controls for the vendor hosting its cost allocation system.

The Department of Health and Human Services will resolve these findings on the Government's behalf. Therefore, we are bringing these issues to your attention, but we are not making recommendations.

MEMORANDUM

Date: September 13, 2016 **Refer To:**

To: Gary S. Hatcher
Senior Advisor
Audit Liaison Staff

From: Assistant Inspector General for Audit

Subject: Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2015
(A-77-16-00015)

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, 2015.¹ 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 conducted the audit. The Department of Health and Human Services' desk review 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 Department of Health and Human Services' reviews. 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 and Supplemental Security Income 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 Disability Insurance and Supplemental Security Income 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, 2015* (June 15, 2016).

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

- ensure an accurate narrative was included in its amended Public Assistance Cost Allocation Plan (PACAP),²
- appropriately allocate expenditures to Federal programs for 16 of 19 cost pools,³ or
- allocate Federal expenditures for 2 of 19 cost pools in accordance with the PACAP.⁴

The corrective action plan for these findings indicated a new Cost Allocation Office was created to enhance the effectiveness and quality of the PACAP development, implementation, and maintenance process.

In addition, the single audit reported MDHHS needed to improve the monitoring of general controls for the vendor hosting its cost allocation system.⁵ The corrective action plan indicated MDHHS was working with the vendor to ensure the general controls were monitored and certified annually.

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 issues to your attention, but we are not making recommendations.

If you have questions, contact Shannon Agee at (877) 405-7694, extension 18802 or Shannon.Agee@ssa.gov.



Rona Lawson

Attachment

² See Footnote 1, finding 2015-010.

³ See Footnote 1, finding 2015-011.

⁴ See Footnote 1, finding 2015-013.

⁵ See Footnote 1, finding 2015-014.

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