
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
FOR THE 2-YEAR PERIOD ENDED
SEPTEMBER 30, 2000**

November 2001

A-77-02-00003

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: **NOV 20 2001**

Office of the Inspector General

Refer To:

To: Dan Sweeney
Acting Director
Management Analysis and Audit Program Support Staff

From: Assistant Inspector General
for Audit

Subject: Single Audit of the State of Michigan, Family Independence Agency for the 2-Year Period Ended September 30, 2000 (A-77-02-00003)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Michigan, Family Independence Agency for the 2-year period ended September 30, 2000. The Michigan Office of the Auditor General performed the audit and its reports on compliance and internal controls are attached (see Appendix A). Results of the desk review conducted by the Department of Health and Human Services (HHS) have not been received. We will notify you when the results are received if HHS determines the audit did not meet Federal requirements.

The Michigan Disability Determination Services (DDS) performs disability determinations under SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Michigan Family Independence Agency (FIA) is the Michigan DDS's parent agency.

For single audit purposes, the Office of Management and Budget (OMB) assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's DI and SSI programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The single audit reported the following findings (see Appendix B):

1. On the Schedule of Expenditures of Federal Awards (SEFA), FIA did not list the DI program, CFDA 96.001, as an individual grant of the DI/SSI cluster, and did not report the correct Federal assistance program title for the DI program. The FIA's corrective action plan indicates that the Federal Reporting and Cost Allocation Section will review the SEFA against the CFDA to ensure that names and clusters are correctly reported.

2. The DDS did not have certifications to document that 4 of 13 sampled employees worked solely on SSA's disability programs as required by OMB Circular A-87. The lack of certifications resulted in questioned costs of \$9,186 (\$2,809 and \$6,377 for Fiscal Years 1999 and 2000, respectively). FIA's corrective action plan indicates that a process has been established to document and maintain payroll certifications for staff whose personnel costs are charged to Federal programs. A process has also been implemented for interagency agreements with other State departments.

We recommend that SSA:

1. Verify that FIA has internal controls in place to ensure that the DI program, CFDA 96.001, is accurately recorded on the SEFA report.
2. Determine that procedures have been established to record and maintain payroll certifications for personnel costs charged to SSA's disability programs.
3. Recover the unallowable personnel costs of \$9,186.

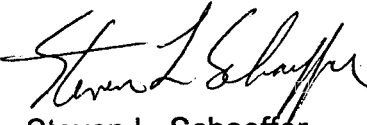
The single audit also disclosed the following findings that may impact DDS operations, although they were not specifically identified to SSA. I am bringing these matters to your attention as they represent potentially serious service delivery and financial control problems for the Agency (see Appendix C).

FIA did not comply with prescribed Human Resources System's internal control procedures for preparing time and attendance records. Internal controls were not maintained over the processing of personnel and payroll transactions in the following instances:

- Timekeeping procedures disclosed that FIA's internal controls did not ensure that biweekly time and attendance summaries were prepared and certified by authorized personnel.
- Control personnel for the FIA personnel and payroll information system did not maintain the required internal controls for entering and reconciling payroll and personnel information.

Page 3 - Dan Sweeney

Please send copies of the final Audit Clearance Document to Mark Bailey in Kansas City and Paul Wood in Baltimore. If you have questions contact Mark Bailey at (816) 936-5591.



Steven L. Schaeffer

Attachments



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting

May 18, 2001

Mr. Douglas E. Howard, Director
Family Independence Agency
and
Ms. Pamela Posthumus, Chairperson
State Child Abuse and Neglect Prevention Board
Grand Tower
Lansing, Michigan

Dear Mr. Howard and Ms. Posthumus:

We have audited the General Fund financial schedules and the Children's Trust Fund financial statements of the Family Independence Agency as of and for the fiscal years ended September 30, 2000 and September 30, 1999 and the Child Support Collection Fund financial statement of the Family Independence Agency as of and for the fiscal year ended September 30, 2000 and have issued our report thereon dated May 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Family Independence Agency's financial schedules, the Children's Trust Fund financial statements, and the Child Support Collection Fund financial statement are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule and statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

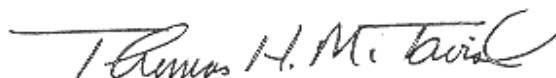
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Family Independence Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules, the Children's Trust Fund financial statements, and the Child Support Collection Fund financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Family Independence Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 1 through 3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules or statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the previous paragraph is a material weakness.

This report is intended solely for the information and use of the State's management, the State Child Abuse and Neglect Prevention Board, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Thomas H. McTavish, C.P.A.
Auditor General



STATE OF MICHIGAN
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

May 18, 2001

Mr. Douglas E. Howard, Director
Family Independence Agency
and
Ms. Pamela Posthumus, Chairperson
State Child Abuse and Neglect Prevention Board
Grand Tower
Lansing, Michigan

Dear Mr. Howard and Ms. Posthumus:

Compliance

We have audited the compliance of the Family Independence Agency with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The Family Independence Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Family Independence Agency's management. Our responsibility is to express an opinion on the Family Independence Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Family Independence Agency's compliance with those requirements and performing such other procedures as we

considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Family Independence Agency's compliance with those requirements.

As described in Findings 5, 8, 11, 12, and 18 in the accompanying schedule of findings and questioned costs, the Family Independence Agency did not comply with requirements regarding allowable costs/cost principles, eligibility, and/or special tests and provisions that are applicable to its Food Stamps, Temporary Assistance for Needy Families, Child Support Enforcement, Refugee and Entrant Assistance: State Administered Programs, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, and Foster Care: Title IV-E Programs. Compliance with such requirements is necessary, in our opinion, for the Family Independence Agency to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the previous paragraph, the Family Independence Agency complied, in all material respects, with the requirements referred to in the third previous paragraph that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 9 through 11, 13 through 15, 17, and 19 through 21.

Internal Control Over Compliance

The management of the Family Independence Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Family Independence Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

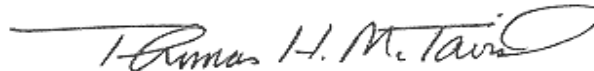
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Family Independence Agency's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 5 through 21.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants

that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the previous paragraph, we consider Findings 5, 8, 11, 12, and 18 to be material weaknesses.

This report is intended solely for the information and use of the State's management, the State Child Abuse and Neglect Prevention Board, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Thomas H. McTavish, C.P.A.
Auditor General

93.778 Medical Assistance Program (Medicaid; Title XIX)

96.001 Social Security: Disability Insurance

Dollar threshold used to distinguish between type A and type B programs: \$ 13,010,826

Auditee qualified as a low-risk auditee*? No

Section II: Findings Related to the Financial Schedules and Statements

FINDING (430101)

1. Schedule of Expenditures of Federal Awards (SEFA)

The Family Independence Agency (FIA) should enhance its internal control to help ensure the accurate preparation of the SEFA in accordance with OMB Circular A-133 reporting standards.

FIA's Bureau of Accounting is responsible for preparing the SEFA. Our review of FIA's SEFA disclosed:

- a. FIA sometimes did not list individual federal programs by federal agency or identify clusters of programs.

OMB Circular A-133 requires grantees to list individual federal programs by federal agency. For federal programs included in a cluster of programs, grantees must list individual federal programs within the cluster of programs. FIA did not report:

- (1) The Medical Assistance Program (CFDA 93.778) as funded through the U.S. Department of Health and Human Services (HHS).
- (2) The AmeriCorps Program (CFDA 94.006) as funded through the Corporation for National and Community Service.

* See glossary at end of report for definition.

(3) The Child Care and Development Block Grant (*CFDA* 93.575) and the Child Care Mandatory and Matching Funds of the Child Care Development Fund (*CFDA* 93.596) as individual grants of the Child Care Cluster.

(4) The Social Security: Disability Insurance Program (*CFDA* 96.001) as an individual grant of the Disability Insurance/SSI Cluster.

b. FIA sometimes did not report the correct federal assistance program titles.

OMB Circular A-133 requires grantees to provide the *CFDA* number or other identifying number when the *CFDA* information is not available. The title for each program should match the *CFDA* number to avoid confusion. We noted the following incorrect federal assistance program titles:

(1) School Breakfast Program (*CFDA* 10.553)

(2) National School Lunch Program (*CFDA* 10.555)

(3) Adult Education: State Grant Program (*CFDA* 84.002)

(4) Title I Program for Neglected and Delinquent Children (*CFDA* 84.013)

(5) Vocational Education: Basic Grants to States (*CFDA* 84.048)

(6) Special Education: Grants for Infants and Families with Disabilities (*CFDA* 84.181)

(7) Safe and Drug-Free Schools and Communities: State Grants (*CFDA* 84.186)

(8) Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training (*CFDA* 84.265)

(9) Innovative Education Program Strategies (*CFDA* 84.298)

(10) Promoting Safe and Stable Families (*CFDA* 93.556)

(11) Child Care and Development Block Grant (*CFDA* 93.575)

(12) Social Services in Empowerment Zones and Enterprise Communities
(*CFDA* 93.585)

(13) Social Security: Disability Insurance (*CFDA* 96.001)

- c. FIA recorded payment amounts to subrecipients that differed from the amount reported as "Distributed to Subrecipients."

OMB Circular A-133 requires pass-through entities, to the extent practicable, to identify in the SEFA the total amount provided to subrecipients from each federal program. Our tests of expenditures within each major program disclosed:

- (1) FIA misclassified \$6,452,505 and \$11,505,089 of Child Care Cluster (*CFDA* 93.575 and 93.596) expenditures as "Directly Expended" rather than as "Distributed to Subrecipients" in fiscal years 1999-2000 and 1998-99, respectively.
- (2) FIA misclassified \$6,706,749 of Promoting Safe and Stable Families (*CFDA* 93.556) expenditures as "Directly Expended" rather than as "Distributed to Subrecipients" in fiscal year 1998-99.
- (3) FIA misclassified \$59,152 of Refugee and Entrant Assistance: Targeted Assistance (*CFDA* 93.584) expenditures as Refugee and Entrant Assistance: State Administered Programs (REAP) (*CFDA* 93.566) expenditures because of an incorrect Michigan Administrative Information Network (MAIN) grant profile. As a result, FIA overstated the REAP (*CFDA* 93.566) federal awards "Directly Expended" and understated expenditures of Refugee and Entrant Assistance: Targeted Assistance (*CFDA* 93.584) in fiscal year 1998-99.
- (4) FIA misclassified \$2,777,024 and \$2,267,273 of REAP (*CFDA* 93.566) expenditures as "Directly Expended" rather than as "Distributed to Subrecipients" in fiscal years 1999-2000 and 1998-99, respectively.

- (5) FIA overstated "Distributed to Subrecipients" for the Temporary Assistance for Needy Families (TANF) Program (CFDA 93.558) and understated "Distributed to Subrecipients" for the State Administrative Matching Grants for Food Stamp Program (CFDA 10.561) by \$5,914,515 in fiscal year 1999-2000.
- (6) As noted in Finding 6, FIA's subrecipient monitoring controls did not provide for identifying all payments to subrecipients. As a result, FIA subsequently reclassified an additional \$48 million and \$65 million from "Directly Expended" by the department to "Distributed to Subrecipients" for fiscal years 1999-2000 and 1998-99, respectively.

The SEFA was corrected for the exceptions noted in items a., b., and c. Generally, these exceptions resulted from FIA's failure to follow OMB Circular A-133 reporting standards and to monitor CFDA changes.

RECOMMENDATION

We recommend that FIA enhance its internal control to help ensure the accurate preparation of the SEFA in accordance with OMB Circular A-133 reporting standards.

FINDING (430102)

2. Expenditure Recognition

FIA sometimes did not record program expenditures in the proper fiscal year as required.

Section 1600.118 of the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the Governmental Accounting Standards Board (GASB), states that expenditures should be recorded when the related liability is incurred. Also, Chapter 14, section 2 of the Office of Financial Management, Department of Management and Budget, Year-End Closing Guide states that agencies who receive goods by September 30 but do not receive an invoice until the new fiscal year, are responsible to initiate payment using a standard payment transaction code until November 12 with an effective date of September 31* in the

* See glossary at end of report for definition.

FAMILY INDEPENDENCE AGENCY
Summary of Questioned Costs Indexed By Finding Number
For the Period October 1, 1998 through September 30, 2000

Finding Number	CFDA Number	Federal Agency	Award Number	Award Period	Name of Federal Program	Questioned Costs
430104	93.566	Health and Human Services	G 99 AA MI 5110	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 203,164
430105	93.576	Health and Human Services	G-90 RT 0068/02	09/30/1999 - 03/31/2001	Refugee and Entrant Assistance: State Discretionary Grants	\$ (203,164)
	93.558	Health and Human Services	G 99 01 MI TANF	10/01/1998 - 09/30/2000	Temporary Assistance for Needy Families (TANF)	\$ 412
		Health and Human Services	G 00 01 MI TANF	10/01/1999 - 09/30/2001	Temporary Assistance for Needy Families (TANF)	\$ 4,600
	93.566	Health and Human Services	G 99 AA MI 5100	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 1,047
		Health and Human Services	G 00 AA MI 5011	10/01/1999 - 09/30/2002	Refugee and Entrant Assistance: State Administered Programs	\$ 332
	93.568	Health and Human Services	G 99 B1 MI LIEA	10/01/1998 - 09/30/2000	Low-Income Home Energy Assistance	\$ 257
		Health and Human Services	G 00 B1 MI LIEA	10/01/1999 - 09/30/2001	Low-Income Home Energy Assistance	\$ 723
	93.575	Health and Human Services	G 99 01 MI CCD2	10/01/1998 - 09/30/2000	Child Care and Development Block Grant	\$ 0
		Health and Human Services	G 00 01 MI CCD2	10/01/1999 - 09/30/2001	Child Care and Development Block Grant	\$ 0
	93.596	Health and Human Services	G 99 01 MI CCDF	10/01/1998 - 09/30/1999	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	\$ 1,727
		Health and Human Services	G 00 01 MI CCDF	10/01/1999 - 09/30/2000	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	\$ 1,990
	93.658	Health and Human Services	99 01 MI 1401	10/01/1998 - 09/30/1999	Foster Care: Title IV-E	\$ 1,025
		Health and Human Services	00 01 MI 1401	10/01/1999 - 09/30/2000	Foster Care: Title IV-E	\$ 5,514
	93.659	Health and Human Services	G 99 01 MI 1407	10/01/1998 - 09/30/1999	Adoption Assistance	\$ 7,038
	Health and Human Services	G 00 01 MI 1407	10/01/1999 - 09/30/2000	Adoption Assistance	\$ 7,275	
93.778	Health and Human Services	05 99 05 MI 5048	10/01/1998 - 09/30/1999	Medical Assistance Program (Medicaid; Title XIX)	\$ (84)	
430107	93.566	Health and Human Services	G 99 AA MI 5100	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 0
	Health and Human Services	G 00 AA MI 5011	10/01/1999 - 09/30/2002	Refugee and Entrant Assistance: State Administered Programs	\$ 0	
430108	93.563	Health and Human Services	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 0
	Health and Human Services	G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 0	
430109	93.563	Health and Human Services	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 0
	Health and Human Services	G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 0	
430110	93.563	Health and Human Services	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 24,775
	Health and Human Services	G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 174	
430111	93.558	Health and Human Services	G 99 01 MI TANF	10/01/1998 - 09/30/2000	Temporary Assistance for Needy Families (TANF)	\$ 0
	Health and Human Services	G 00 01 MI TANF	10/01/1999 - 09/30/2001	Temporary Assistance for Needy Families (TANF)	\$ 0	
430112	93.558	Health and Human Services	G 99 01 MI TANF	10/01/1998 - 09/30/2000	Temporary Assistance for Needy Families (TANF)	\$ 792
	Health and Human Services	G 00 01 MI TANF	10/01/1999 - 09/30/2001	Temporary Assistance for Needy Families (TANF)	\$ 563	
430113	93.659	Health and Human Services	G 99 01 MI 1407	10/01/1998 - 09/30/1999	Adoption Assistance	\$ 49,783
	Health and Human Services	G 00 01 MI 1407	10/01/1999 - 09/30/2000	Adoption Assistance	\$ 80,852	
430114	93.566	Health and Human Services	G 99 AA MI 5100	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 500
430115	93.667	Health and Human Services	G 99 01 MI SOSR	10/01/1998 - 09/30/2000	Social Services Block Grant	\$ 0
	Health and Human Services	G 00 01 MI SOSR	10/01/1999 - 09/30/2001	Social Services Block Grant	\$ 0	
430116	93.556	Health and Human Services	G 98 01 MI 00FP	10/01/1997 - 09/30/1999	Promoting Safe and Stable Families	\$ 0
	Health and Human Services	G 99 01 MI 00FP	10/01/1998 - 09/30/1999	Promoting Safe and Stable Families	\$ 0	
430117	84.126	Education	H-126A-99-0031	10/01/1998 - 09/30/2000	Rehabilitation Services: Vocational Rehabilitation Grants to States	\$ 101,084
430118	10.551	Agriculture	LOC 42646 99	10/01/1998 - 09/30/1999	Food Stamps	\$ 0
	Agriculture	LOC 42646 00	10/01/1999 - 09/30/2000	Food Stamps	\$ 0	
	93.563	Health and Human Services	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 0
	Health and Human Services	G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 0	
	93.658	Health and Human Services	99 01 MI 1401	10/01/1998 - 09/30/1999	Foster Care: Title IV-E	\$ 0
	Health and Human Services	00 01 MI 1401	10/01/1999 - 09/30/2000	Foster Care: Title IV-E	\$ 0	
430119	93.563	Health and Human Services	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 5,391,262
430120	93.563	Health and Human Services	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 45,550
	Health and Human Services	G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 1,026	
	93.778	Health and Human Services	05 00 05 MI 5048	10/01/1999 - 09/30/2000	Medical Assistance Program (Medicaid; Title XIX)	\$ 538
	96.001	Social Security Administration	4 99 04 MI D100	10/01/1998 - 09/30/1999	Social Security: Disability Insurance	\$ 2,809
	Social Security Administration	4 00 04 MI D100	10/01/1999 - 09/30/2000	Social Security: Disability Insurance	\$ 6,377	
430121	10.551	Agriculture	LOC 42646 99	10/01/1998 - 09/30/1999	Food Stamps	\$ 0
	Agriculture	LOC 42646 00	10/01/1999 - 09/30/2000	Food Stamps	\$ 0	

This summary is indexed by finding number. The following summary is indexed by CFDA number.

FAMILY INDEPENDENCE AGENCY
Summary of Questioned Costs Indexed by CFDA Number
For the Period October 1, 1998 through September 30, 2000

CFDA Number	Finding Number	Award Number	Award Period	Name of Federal Program	Questioned Costs
<u>U.S. Department of Agriculture</u>					
10.551	430118	LOC 42646 99	10/01/1998 - 09/30/1999	Food Stamps	\$ 0
		LOC 42646 00	10/01/1999 - 09/30/2000	Food Stamps	\$ 0
	430121	LOC 42646 99	10/01/1998 - 09/30/1999	Food Stamps	\$ 0
		LOC 42646 00	10/01/1999 - 09/30/2000	Food Stamps	\$ 0
<u>U.S. Department of Education</u>					
84.126	430117	H-126A-99-0031	10/01/1998 - 09/30/2000	Rehabilitation Services: Vocational Rehabilitation Grants to States	\$ 101,084
<u>U.S. Department of Health and Human Services</u>					
93.556	430116	G 98 01 MI 00FP	10/01/1997 - 09/30/1999	Promoting Safe and Stable Families	\$ 0
		G 99 01 MI 00FP	10/01/1998 - 09/30/1999	Promoting Safe and Stable Families	\$ 0
93.558	430105	G 99 01 MI TANF	10/01/1998 - 09/30/2000	Temporary Assistance for Needy Families (TANF)	\$ 412
		G 00 01 MI TANF	10/01/1999 - 09/30/2001	Temporary Assistance for Needy Families (TANF)	\$ 4,600
	430111	G 99 01 MI TANF	10/01/1998 - 09/30/2000	Temporary Assistance for Needy Families (TANF)	\$ 0
		G 00 01 MI TANF	10/01/1999 - 09/30/2001	Temporary Assistance for Needy Families (TANF)	\$ 0
	430112	G 99 01 MI TANF	10/01/1998 - 09/30/2000	Temporary Assistance for Needy Families (TANF)	\$ 792
		G 00 01 MI TANF	10/01/1999 - 09/30/2001	Temporary Assistance for Needy Families (TANF)	\$ 563
93.563	430108	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 0
		G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 0
	430109	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 0
		G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 0
	430110	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 24,775
		G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 174
	430118	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 0
		G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 0
	430119	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 5,391,262
	430120	G 99 04 MI 4004	10/01/1998 - 09/30/1999	Child Support Enforcement (CSE)	\$ 45,550
		G 00 04 MI 4004	10/01/1999 - 09/30/2000	Child Support Enforcement (CSE)	\$ 1,026
93.566	430104	G 99 AA MI 5110	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 203,164
	430105	G 99 AA MI 5100	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 1,047
		G 00 AA MI 5011	10/01/1999 - 09/30/2002	Refugee and Entrant Assistance: State Administered Programs	\$ 332
	430107	G 99 AA MI 5100	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 0
		G 00 AA MI 5011	10/01/1999 - 09/30/2002	Refugee and Entrant Assistance: State Administered Programs	\$ 0
	430114	G 99 AA MI 5100	10/01/1998 - 09/30/2001	Refugee and Entrant Assistance: State Administered Programs	\$ 500
93.568	430105	G 99 B1 MI LIEA	10/01/1998 - 09/30/2000	Low-Income Home Energy Assistance	\$ 257
		G 00 B1 MI LIEA	10/01/1999 - 09/30/2001	Low-Income Home Energy Assistance	\$ 723
93.575	430105	G 99 01 MI CCD2	10/01/1998 - 09/30/2000	Child Care and Development Block Grant	\$ 0
		G 00 01 MI CCD2	10/01/1999 - 09/30/2001	Child Care and Development Block Grant	\$ 0
93.576	430104	G-90 RT 0068/02	09/30/1999 - 03/31/2001	Refugee and Entrant Assistance: Discretionary Grants	\$ (203,164)
93.596	430105	G 99 01 MI CCDF	10/01/1998 - 09/30/1999	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	\$ 1,727
		G 00 01 MI CCDF	10/01/1999 - 09/30/2000	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	\$ 1,990
93.658	430105	99 01 MI 1401	10/01/1998 - 09/30/1999	Foster Care: Title IV-E	\$ 1,025
		00 01 MI 1401	10/01/1999 - 09/30/2000	Foster Care: Title IV-E	\$ 5,514
	430118	99 01 MI 1401	10/01/1998 - 09/30/1999	Foster Care: Title IV-E	\$ 0
		00 01 MI 1401	10/01/1999 - 09/30/2000	Foster Care: Title IV-E	\$ 0
93.659	430105	G 99 01 MI 1407	10/01/1998 - 09/30/1999	Adoption Assistance	\$ 7,038
		G 00 01 MI 1407	10/01/1999 - 09/30/2000	Adoption Assistance	\$ 7,275
	430113	G 99 01 MI 1407	10/01/1998 - 09/30/1999	Adoption Assistance	\$ 49,783
		G 00 01 MI 1407	10/01/1999 - 09/30/2000	Adoption Assistance	\$ 80,852
93.667	430115	G 99 01 MI SOSR	10/01/1998 - 09/30/2000	Social Services Block Grant	\$ 0
		G 00 01 MI SOSR	10/01/1999 - 09/30/2001	Social Services Block Grant	\$ 0
93.778	430105	05 99 05 MI 5048	10/01/1998 - 09/30/1999	Medical Assistance Program (Medicaid; Title XIX)	\$ (84)
	430120	05 00 05 MI 5048	10/01/1999 - 09/30/2000	Medical Assistance Program (Medicaid; Title XIX)	\$ 538
<u>Social Security Administration</u>					
96.001	430120	4 99 04 MI D100	10/01/1998 - 09/30/1999	Social Security: Disability Insurance	\$ 2,809
		4 00 04 MI D100	10/01/1999 - 09/30/2000	Social Security: Disability Insurance	\$ 6,377

This summary is indexed by CFDA number. The preceding summary is indexed by finding number.

FINDING (430120)

20. Federal Payroll Certifications

Applicable to: For affected programs and associated questioned costs, see summaries of questioned costs at the beginning of Section III.

FIA sometimes did not complete or obtain federally required payroll documentation for employees charged to various federal programs.

OMB Circular A-87 states that payroll costs are allowable to the extent that they satisfy specific documentation requirements. OMB Circular A-87 requires periodic certifications for employees who are expected to work solely on a single federal award to support their salary and wages for the period covered by the certification. These certifications are to be prepared at least semiannually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. In certain circumstances, time and attendance documents may replace semiannual certifications.

For employees working on multiple activities, OMB Circular A-87 requires that a distribution of salaries and wages be supported by personnel activity reports or equivalent documentation. This documentation must be prepared at least monthly and signed by the employee. In addition, payroll charges based on budgets must be subsequently compared to actual results at least quarterly.

Our review of payroll certifications disclosed:

- a. FIA did not maintain certifications for 4 (31%) of 13 sampled FIA employees. As a result, we questioned costs totaling \$7,941 and \$2,809 in fiscal years 1999-2000 and 1998-99, respectively.
- b. FIA did not obtain from the Department of Management and Budget (DMB) semiannual certifications for DMB employees who worked solely on the CSE Program. Salaries and wages for these employees during fiscal year 1998-99 totaled \$505,287.
- c. Salaries and wages totaling \$45,550 for two DMB employees working on multiple activities during fiscal year 1998-99 were based on budgeted amounts and were not supported by personnel activity reports or equivalent

documentation. FIA did not obtain budget to actual comparisons from DMB for these employees to verify charges to the CSE Program.

We noted a similar condition in our prior audit for items b. and c. In its corrective action plan dated September 27, 2000, FIA disagreed with the recommendation and stated that HHS's approval of the Statewide cost allocation plan meets the requirements of OMB Circular A-87. FIA also informed us that its contract with DMB would be revised to include the documentation requirements. As of August 2001, FIA had not amended the contract.

RECOMMENDATION

WE AGAIN RECOMMEND THAT FIA COMPLETE OR OBTAIN FEDERALLY REQUIRED PAYROLL DOCUMENTATION FOR EMPLOYEES CHARGED TO FEDERAL PROGRAMS.

FINDING (430121)

21. Deceased Recipients

Applicable to: For affected programs and associated questioned costs, see summaries of questioned costs at the beginning of Section III.

This finding is associated with Finding 7 of our performance and financial related audit of Information Technology Management Services, issued in August 1999. FIA had not periodically matched its Client Information System recipient records with Department of Community Health death records to prevent the issuance of benefits to deceased recipients. The report (43-591-98) is available upon request from our web site at <http://www.state.mi.us/audgen/>. FIA's corrective action plan dated September 27, 2000 anticipated the corrective action completion date as December 31, 2000.

The status of findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

FAMILY INDEPENDENCE AGENCY

Corrective Action Plan

As of August 1, 2001

FINDINGS RELATED TO THE FINANCIAL SCHEDULES AND STATEMENTS

Finding Number: 430101
Finding Title: Schedule of Expenditures of Federal Awards
Management Views: FIA agrees with the recommendation and will comply. Necessary adjustments have been made to the SEFA for this audit period and were submitted to the OAG.
Corrective Action: The Bureau of Accounting, Federal Reporting and Cost Allocation Section, will review the SEFA against the Catalog of Federal Domestic Assistance (CFDA) to ensure that names and clusters are reported on the SEFA are correct.
Anticipated Completion Date: February 1, 2003 (This represents the anticipated completion date of the SEFA for the two-year audit period ending September 30, 2002).
Responsible Individual: Cindy Osga, Audit Specialist

Finding Number: 430102
Finding Title: Expenditure Recognition
Management Views: FIA agrees with the recommendation and will comply.
Corrective Action: The Bureau of Accounting, Payment Document Control Division, procedures will be updated to explain to staff how payables should be recognized after the standard deadlines, based on dollar thresholds. Additional information will be included in the training materials presented to FIA staff at the Year End Closing Training.
Anticipated Completion Date: October 1, 2001
Responsible Individual: Cindy Osga, Audit Specialist

Finding Number: 430120
Finding Title: Federal Payroll Certifications
Management Views: FIA agrees with the recommendation and will comply.
Corrective Action:

- a. FIA is establishing a process for program areas to document and maintain payroll certifications for staff whose personnel costs are charged to federal programs.
- b. FIA has implemented a process for interagency agreements with other State departments. The process includes language in the agreement specific to payroll documentation required by OMB Circular A-87 and responsibility for that documentation.

Anticipated Completion Date: October 1, 2001
Responsible Individual: Cindy Osga, Audit Specialist

Finding Number: 430121
Finding Title: Deceased Recipients
Management Views: FIA agrees with the recommendation and will comply.
Corrective Action: The agreement with the Department of Community Health is still being negotiated. FIA will submit a Data Systems Service Request to accomplish match after the implementation of the Customer Information Management System project in 2003. There is a freeze on most projects affecting the area responsible for this project until the Customer Information Management System is completed.

Anticipated Completion Date: Late 2003
Responsible Individual: Cindy Osga, Audit Specialist

old fiscal year. If the invoice was received after November 12, the agency was allowed to record liabilities in the old fiscal year until November 24. Our review of REAP expenditure transactions disclosed that FIA improperly recorded expenditures in fiscal year 1999-2000 totaling \$260,748 for refugee employment services performed in September 1999. FIA received the statement of expenditures from the subrecipient on November 10, 1999 but did not initiate a fiscal year 1998-99 payment or establish a corresponding payable.

RECOMMENDATION

We recommend FIA record program expenditures in the proper fiscal year as required.

FINDING (430103)

3. Personnel and Payroll Transactions

FIA often did not comply with prescribed MAIN Human Resources System* (HRS) internal control procedures for preparing time and attendance reports. Also, FIA did not maintain effective internal control over the processing of personnel and payroll transactions.

Our review of FIA's timekeeping procedures disclosed:

- a. FIA's internal control did not ensure that biweekly time and attendance summaries (viewed electronically on the Data Collection and Distribution System* (DCDS)) were prepared and certified by authorized personnel in accordance with MAIN HRS and FIA procedures.

MAIN HRS Procedures Manual sections 3.3 and 3.5 and FIA Administrative Handbook Manual item 633-3 state that only authorized persons may prepare and certify payroll information.

Our analysis of 20 biweekly time and attendance summaries identified 5 (25%) unauthorized timekeepers and 12 (60%) unauthorized certifiers. Two (40%) of the 5 unauthorized timekeepers became authorized after our sampled pay period. We defined unauthorized timekeepers and certifiers as ones whose

* See glossary at end of report for definition.

name did not appear on the timekeeping unit (TKU) signature request form (FIA-1103) for the timekeeping unit of the sampled employee.

We also identified 9 (45%) of 20 summaries where the timekeeper and the certifier were the same person. MAIN HRS Procedures Manual section 14.16 requires certification of payroll information by someone other than the person who entered the data.

We noted similar findings in our five prior audits. In response to our last audit, FIA concurred and initiated corrective action by distributing a memorandum to timekeepers on August 25, 2000 reminding them of procedures. This memorandum also informed timekeepers that they no longer needed to complete the FIA-1103, but instead must complete a DCDS security form. None of our sampled items related to the period after August 25, 2000.

- b. FIA Personnel-Payroll Information System for Michigan* (PPRISM) control persons did not maintain the required internal control for entering and reconciling payroll and personnel information.

Because of staffing limitations, FIA often authorizes control persons to have PPRISM entry capability. As a result, FIA faces greater risk of improper entries without detection. Therefore, we surveyed the Wayne County Office of Human Resources, 12 local offices responsible for entering payroll and personnel data, and the W.J. Maxey Training School to identify data entry and reconciliation controls used at each location. Our survey disclosed:

- (1) Control personnel were entering data in violation of PPRISM procedures.

We reviewed entry capabilities for 15 control persons from the 12 locations that identified a control person to test whether they were complying with PPRISM procedures. For each control person, we reviewed the Valid PPRISM Operator identification list (CR-185) to determine the capabilities for each control person. Two (13%) control persons identified in the survey were not listed on the CR-185. Twelve (92%) of the remaining 13 control persons had entry capabilities beyond what is allowed under MAIN HRS Procedures Manual section 3.3. In

* See glossary at end of report for definition.

fiscal years 1999-2000 and 1998-99, these 12 control persons entered 7,150 and 7,955 transactions, respectively, that were not allowed per the MAIN HRS Procedures Manual. Six of the 12 control persons entered a total of 37 transactions for themselves. MAIN HRS Procedures Manual section 3.3 allows the control person to enter only the PSWN (password changes) and CNTL (daily transaction report) commands.

- (2) FIA sometimes did not maintain documentation that control personnel performed prescribed reconciliations of input transactions to source documents.

MAIN HRS Procedures Manual section 3.3 states that the control person is to perform a daily reconciliation of the daily operator transaction log (A-816 or A-817) to CNTL totals.

For our sample of 20 biweekly time and attendance summaries pertaining to 13 different pay periods, FIA could not locate the daily transaction log and associated CNTL for a selected day for 1 (8%) pay period. FIA did document that control personnel performed the required reconciliation for the other 12 days/pay periods.

The combination of these two conditions limited FIA's ability to detect improper PPRISM transactions.

RECOMMENDATIONS

- (a) WE AGAIN RECOMMEND THAT FIA COMPLY WITH PRESCRIBED MAIN HRS INTERNAL CONTROL PROCEDURES FOR PREPARING TIME AND ATTENDANCE REPORTS.
- (b) WE AGAIN RECOMMEND THAT FIA MAINTAIN EFFECTIVE INTERNAL CONTROL OVER THE PROCESSING OF PERSONNEL AND PAYROLL TRANSACTIONS.

The status of the findings related to the financial schedules and statements that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

Finding Number:

430103

Finding Title:

Personnel and Payroll Transactions

Management Views:

- a. FIA agrees with the recommendation and will comply.

FIA's Office of Human Resources (OHR) began piloting on-line timekeeping for employees, supervisors, and certifiers on July 8, 2001. If successful, the majority of FIA should be on-line by early 2002. With the on-line timekeeping, a password must be used for access. Therefore, only authorized approvers (supervisors) and certifiers will have access to these functions. This will alleviate unauthorized personnel from approving and certifying time and attendance.

OHR still believes the OAG was unaware of FIA's time-and-attendance procedures where certification is a manual process off-line, which meant the timekeeper performed the function on-line giving the impression it was an unauthorized certification.

- b. FIA agrees with the recommendation and will comply.

With the implementation of the Human Resources Management Network, there currently is no reconciliation process for entering and reviewing personnel and payroll transactions. To date, there is no replacement for the CNTL daily transaction report or Daily Transaction Log.

Corrective Action:

A memo will be issued to remind staff that only the authorized timekeeper and certifier may prepare and certify payroll. In addition, OHR will conduct random reviews of the signed HR-306, Detailed Time Report, to verify the signature of the certifier.

Anticipated Completion Date: September 1, 2001
Responsible Individual: Cindy Osga, Audit Specialist

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 430104
Finding Title: MAIN Coding of Federally Funded Programs
Management Views: FIA agrees with the recommendation and has complied.
Corrective Action:

- a. FIA reported an increasing adjustment of Grant 90RT0068/02 and a decreasing adjustment to Grant G99AAMI5110. These adjustments are included in a revised federal report submitted to the U.S. Department of Health and Human Services for the period ended March 31, 2001. The report is dated April 26, 2001.
- b. FIA processed changes of the CFDA number for Grant 090039, Refugee TAG Discretionary Access) from 93.566 to 93.567. A change was entered to the D47 screen in MAIN on April 24, 2001.

Anticipated Completion Date: Completed.
Responsible Individual: Cindy Osga, Audit Specialist

Finding Number: 430105
Finding Title: Case File Internal Control
Management Views: FIA agrees with the recommendation and will comply.
Corrective Action: FIA field and program offices will jointly review current policy and practices to identify areas with high incidences of noncompliance to determine the feasibility of simplifying and standardizing policy regarding eligibility and documentation. Simplification of documentation requirements could prove beneficial

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

The Office of Executive Operations (OEO) provides four functions for the Office of the Inspector General (OIG) – administrative support, strategic planning, quality assurance, and public affairs. OEO supports the OIG components by providing information resources management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this Office coordinates and is responsible for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. The quality assurance division performs internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency. This division also conducts employee investigations within OIG. The public affairs team communicates OIG's planned and current activities and the results to the Commissioner and Congress, as well as other entities.

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The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.