

Costs Claimed by the Michigan Disability Determination Services

A-55-20-00005



September 2021

Office of Audit Report Summary

Objective

To (1) evaluate internal controls over the accounting and reporting of administrative costs by the Michigan Disability Determination Services (MI-DDS) for Fiscal Years (FY) 2017 and 2018, as well as indirect costs for FY 2016; (2) determine whether the administrative costs claimed on the most recently submitted Form SSA-4513 were allowable and properly allocated; (3) reconcile funds drawn down with claimed costs; and (4) assess the general security controls environment.

Background

MI-DDS performs disability determinations under the Social Security Administration's (SSA) Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. MI-DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses MI-DDS for 100 percent of allowable expenditures, including direct and indirect costs. The MI-DDS' parent agency is the Michigan Department of Health and Human Services.

SSA contracted with Grant Thornton LLP (Grant Thornton) to conduct this audit. The Office of the Inspector General was responsible for technical and administrative oversight of Grant Thornton's performance under the contract terms.

Findings

Grant Thornton found the MI-DDS' controls over the accounting and reporting of administrative costs for FYs 2017 and 2018 (and indirect costs for FY 2016), as well as its general security controls, could be strengthened to ensure compliance with applicable criteria.

As of March 31, 2020, Grant Thornton noted that projected administrative costs of \$4,102,521, \$6,418,932, and \$2,457,611 as claimed on the Forms SSA-4513 for FYs 2016, 2017 and 2018, respectively did not meet criteria for allowability. Additionally, cumulative drawdowns exceeded cumulative disbursements for FY 2018 by \$655,561.

Recommendations

Grant Thornton outlined 21 recommendations for the MI-DDS to enhance its internal control environment for control gaps and other findings noted during its audit. Grant Thornton outlined recommendations in a separate memorandum for general security controls.

The full text of the MI-DDS' response is included in Appendix C. SSA was provided the report for comment and, although not required, did not provide comments on the recommendations.