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AUDITOR GENERAL

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– Article IV, Section 53 of the Michigan Constitution

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January 12, 2012

Ms. Maura D. Corrigan, Director  
Department of Human Services  
Grand Tower  
Lansing, Michigan

Dear Ms. Corrigan:

This is our report on our follow-up of the material condition (Finding 6) and 2 corresponding recommendations reported in the performance audit of the Client Eligibility Oversight, Error Identification, and Error Prevention Processes for Selected Public Assistance Programs, Department of Human Services (DHS). That audit report was issued and distributed in March 2008. Additional copies are available on request or at <http://www.audgen.michigan.gov>.

Our follow-up disclosed that DHS had complied with one recommendation and had partially complied with the other recommendation. A material condition still exists.

If you have any questions, please call me or Scott M. Strong, C.P.A., C.I.A., Deputy Auditor General.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish".

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



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# **CLIENT ELIGIBILITY OVERSIGHT, ERROR IDENTIFICATION, AND ERROR PREVENTION PROCESSES FOR SELECTED PUBLIC ASSISTANCE PROGRAMS DEPARTMENT OF HUMAN SERVICES FOLLOW-UP REPORT**

## **INTRODUCTION**

This report contains the results of our follow-up of the material condition\* and corresponding recommendations and the agency's preliminary responses as reported in our performance audit\* of the Client Eligibility Oversight, Error Identification, and Error Prevention Processes for Selected Public Assistance Programs, Department of Human Services (DHS), 431-0285-05, which was issued and distributed in March 2008. That audit report included 1 material condition (Finding 6) and 9 other reportable conditions\*.

## **PURPOSE OF FOLLOW-UP**

The purpose of this follow-up was to determine whether DHS had taken appropriate corrective measures in response to the material condition and 2 corresponding recommendations.

## **BACKGROUND**

DHS's assistance payment (AP) caseworkers\* establish client eligibility for individuals in need of public assistance at 96 DHS local offices. DHS's Field Services (formerly Field Operations Administration), organizationally placed in the central office, is responsible for managing the eligibility determination process Statewide. DHS incorporates State laws and federal regulations into eligibility policies to ensure that DHS's AP caseworkers establish client eligibility in accordance with State and federal program requirements. Within the local offices, family independence managers oversee the eligibility determination activities of the AP caseworkers.

\* See glossary at end of report for definition.

To support eligibility determination for its AP programs, DHS developed and implemented a single integrated eligibility determination and service delivery system named Bridges Integrated Automated Eligibility Determination System (Bridges). Bridges was operational Statewide in September 2009.

Our follow-up report focused on client eligibility determinations for DHS's Family Independence Program (FIP), Child Development and Care (CDC) Program, and Medical Assistance (MA) Program\*.

FIP is Michigan's welfare reform program that provides cash assistance for personal needs, shelter, utilities, and food to families with children who meet income and eligibility requirements. As of June 2011, DHS reported that 221,444 recipients were receiving FIP benefits.

The CDC Program pays all or a portion of child day-care expenses for low-income families when the parent, legal guardian, or other caretaker is unavailable to provide childcare due to employment, education, and/or a health/social condition for which treatment is being received. Families receiving FIP receive CDC Program assistance to support their employment. As of June 2011, DHS reported that 55,799 recipients were receiving CDC Program benefits.

The MA Program includes the Medicaid and adult medical programs administered by the Department of Community Health. The MA Program provides health care services for FIP and Supplemental Security Income clients and other low-income people who are under age 21, caring for children, pregnant, disabled, blind, or age 65 and older. DHS determines MA Program client eligibility through an interagency agreement with the Department of Community Health. As of June 2011, DHS reported that 1,924,384 recipients were receiving MA Program benefits.

## **SCOPE**

Our fieldwork was conducted in August and September 2011. We interviewed DHS personnel and reviewed DHS's corrective action plans to determine the status of compliance with our recommendations for Finding 6. We reviewed DHS policies and legislation, along with federal law, to determine whether there were any changes since

\* See glossary at end of report for definition.

the issuance of our performance audit of the Client Eligibility Oversight, Error Identification, and Error Prevention Processes for Selected Public Assistance Programs, Department of Human Services, in March 2008. We obtained an understanding of DHS's case review processes related to the CDC Program and Medicaid. We reviewed DHS single audits\* and the corresponding working papers to identify eligibility errors and conclusions on the eligibility compliance requirement related to FIP and the CDC Program. We obtained DHS reports on CDC Program error rates and Medicaid mispayment rates. We gathered information on DHS's process for identifying CDC Program training needs and inquired about MA Program training. We reviewed a sample of CDC Program and Medicaid case reviews conducted by DHS to verify that DHS is making corrections to cases with errors.

\* See glossary at end of report for definition.

## **FOLLOW-UP RESULTS**

### **EFFORTS TO IMPLEMENT ERROR IDENTIFICATION AND CORRECTION PROCESSES**

#### **RECOMMENDATIONS AND RESPONSE AS REPORTED IN MARCH 2008:**

##### **6. Error Identification and Correction Processes**

#### **RECOMMENDATIONS**

We recommend that DHS develop and implement a process to identify and correct errors for FIP and the CDC Program to improve payment accuracy.

We also recommend that DHS enhance its error identification and correction processes for the MA Program.

#### **AGENCY PRELIMINARY RESPONSE**

DHS agrees with these recommendations. DHS informed us that:

- Bridges will provide case reading and roll-up capability for FIP, the Family Assistance Program, the CDC Program, and the MA Program.
- Field Operations Administration has a team of Medicaid case readers doing work in multiple counties.
- The Office of Quality Assurance (OQA) is establishing a unit to read and report on CDC Program reads as part of DHS's CDC Integrity Plan.

#### **FOLLOW-UP CONCLUSION**

We concluded that DHS had partially complied with the first recommendation. A material condition still exists because of the eligibility error rates that continued in the CDC Program and FIP. We also concluded that DHS had complied with the second recommendation.

Our follow-up regarding the first recommendation, as it related to the CDC Program, disclosed that DHS did take steps in fiscal year 2008-09 to reduce improper CDC Program payments. DHS required the CDC Case Review Unit

within the Office of Early Education and Care to review 5,500 CDC Program cases. DHS later transferred this responsibility to OQA. OQA continued to perform 418 CDC Program case reviews quarterly. As part of the CDC Program quarterly case review, OQA provided assistance and required the local offices to correct any cases in which OQA had identified errors. OQA also generated a case review statistical report at the completion of the quarterly case reviews. DHS used the statistical report to create CDC Program training modules that included eligibility determination related elements and mandated that local office staff complete several of these modules.

In addition, DHS conducted a federally required review of CDC Program cases in fiscal year 2008-09. The results of the review required DHS to develop and submit a corrective action plan to the U.S. Department of Health and Human Services. DHS also developed corrective action plans for its local offices based on the review results. DHS formed a CDC Program corrective action plan leadership team to monitor the corrective action plan. Related to the CDC Program, the leadership team discussed error rates from the OQA case reviews, the status of training module modifications, and the identification of current training needs and issues.

However, DHS continued to have significant errors in its CDC Program eligibility determinations. During the two most recent single audits for the two-year periods ended September 30, 2008 and September 30, 2010 (431-0100-09 and 431-0100-11), we identified CDC Program eligibility error rates of 36% and 72%, respectively. More recently, OQA reported an error rate of 29.1% related to cases with an eligibility determination element for CDC Program cases it reviewed from January 3, 2011 through March 28, 2011.

As of August 28, 2011, Executive Order No. 2011-8 transferred responsibility for the CDC Program within DHS to the Michigan Office of Great Start within the Michigan Department of Education (MDE). The memorandum of understanding between DHS and MDE, signed August 31, 2011, states that the Michigan Office of Great Start is responsible for the CDC Program case reviews. However, DHS retains the responsibility for determining CDC Program eligibility and authorizing childcare services.

Our follow-up regarding the first recommendation, as it related to FIP, disclosed that DHS did not conduct case reads or reviews targeted specifically for FIP

eligibility error identification and correction. DHS had developed and implemented a case read function within Bridges that included FIP, but DHS had not used this functionality. DHS conducted case reads for other purposes that had the potential for FIP eligibility error identification and correction. OQA conducted reviews on FIP cases to assess DHS's compliance with work participation rate\* requirements. DHS implemented a Work Participation Review Committee in December 2007 to evaluate the results of the OQA reviews and initiate and track corrections on cases that did not meet work participation rate requirements. The evaluation of the OQA reviews provides the Committee with an opportunity to also identify FIP eligibility determination errors. Beginning in August 2011, the Committee also followed up on cases identified by OQA in which DHS local offices did not maintain an assistance application to support client eligibility for FIP.

However, the accuracy of FIP payments continued to be of concern. During the two most recent single audits for the two-year periods ended September 30, 2008 and September 30, 2010 (431-0100-09 and 431-0100-11), we identified eligibility error rates of 60% and 77%, respectively.

Our follow-up regarding the second recommendation disclosed that, in fiscal year 2006-07, DHS enhanced its error identification and correction processes for the MA Program by implementing a case review process within Field Services that concentrates specifically on high-risk, long-term care cases. As part of the case review process, Field Services requires local offices with an error rate greater than 10% to develop and submit a corrective action plan. Field Services also implemented a reread process for 3% of all cases that are found to be in error during the initial case review to ensure that local office staff properly corrected the cases.

Regarding both recommendations, DHS's Office of Inspector General (OIG) implemented Front-End Eligibility\* (FEE) Statewide in March 2011. Prior to the audit report that was issued in March 2008, the OIG had piloted FEE in a few of the State's larger counties, such as Oakland, Genesee, and Wayne. The OIG established FEE in an effort to obtain and maintain a partnership with the local office staff early in the eligibility determination process to reduce errors and increase payment accuracy for public assistance programs. Because the Statewide implementation was relatively new during our follow-up fieldwork, we

\* See glossary at end of report for definition.

could not evaluate its effectiveness and impact on payment accuracy for FIP, the CDC Program, or the MA Program.

DHS informed us that it disagrees with the conclusion that it partially complied with the first recommendation. DHS indicated that it believes that it implemented a robust case reading requirement for all local offices to identify and correct errors associated with client eligibility. In addition, DHS indicated that although a case reading process may not be specifically targeted for FIP, any error identified is corrected and eligibility is redetermined. DHS further indicated that a correction within one program is applied to all programs associated with the case within the Bridges application so the client receives the appropriate amount of benefits. DHS informed us that although the case read function within Bridges was implemented, the report tools were limited in their ability to help identify error trends so training could be targeted.

Although DHS implemented Bridges, we determined that DHS did not use the Bridges case read functionality. DHS implemented Bridges Statewide in September 2009. We identified substantial and increased error rates in FIP eligibility determination in our single audit for the two-year period ended September 30, 2010 (431-0100-11).

In addition, DHS informed us that the 40% decrease in the CDC Program targeted case read error rate for the period January 2011 through March 2011 indicates that its processes put in place to identify and correct errors improved payment accuracy.

We acknowledge DHS's improvement in CDC Program eligibility determination elements during the period January 2011 through March 2011. However, we determined that an error rate of 29.1%, within a statistical sampling application, denotes that DHS's internal control was ineffective in preventing, detecting, and correcting improper client eligibility determinations on a timely basis.

There currently is no national tolerance rate for FIP and the CDC Program. However, the continued high eligibility determination error rates and material conditions for FIP and the CDC Program identified in DHS single audits put DHS at risk for federal funding disallowance and future sanctions. Also, the continued high error rates directly impact DHS's payment accuracy for FIP and the CDC Program and increase the likelihood of wasteful spending of State and federal funds.

# GLOSSARY

## Glossary of Acronyms and Terms

|                                    |   |
|------------------------------------|---|
| assistance payment (AP) caseworker | A DHS local office staff member responsible for determining recipient public assistance eligibility and benefits, maintaining recipient case files, and calling recipients in their homes.  |
| Bridges                            | Bridges Integrated Automated Eligibility Determination System.  |
| CDC                                | Child Development and Care.   |
| DHS                                | Department of Human Services.   |
| FIP                                | Family Independence Program.  |
| Front-End Eligibility (FEE)        | A process established by DHS's OIG to obtain and maintain a partnership with the local office staff early in the eligibility determination process to reduce errors and increase payment accuracy for public assistance programs.   |
| material condition                 | A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.   |
| MDE                                | Michigan Department of Education.   |
| Medical Assistance (MA) Program    | The Medicaid and adult medical programs administered by the Department of Community Health. DHS determines MA client eligibility through an interagency agreement with the Department of Community Health. The goal of the MA Program is to ensure that essential health care services are made available to those who otherwise could not afford them. |

|                      |  |
|----------------------|--|
| OIG                  | Office of Inspector General.   |
| OQA                  | Office of Quality Assurance.   |
| performance audit    | An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve program operations, to facilitate decision making by parties responsible for overseeing or initiating corrective action, and to improve public accountability.   |
| reportable condition | A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the objectives of the audit; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.   |
| single audit         | A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. |

work participation rate

A rate that measures the degree to which a family receiving temporary assistance for needy families is engaged in work activities that lead to self-sufficiency. State agencies must meet or exceed two separate minimum work participation standards each year, one for all families and another for two-parent families.







