

Office of the Auditor General

State of Michigan Single Audit Report

Fiscal Year Ended September 30, 2015



The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Single Audit Report

State of Michigan

Fiscal Year Ended September 30, 2015

Report Number:
000-0100-16

Released:
June 2016

A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial statements are fairly presented, considers internal control over financial reporting and internal control over federal program compliance, determines compliance with requirements material to the financial statements, and assesses compliance with direct and material requirements of the major federal programs.

Financial Statements:

Auditor's Report Issued

We have audited the State of Michigan's basic financial statements as of and for the fiscal year ended September 30, 2015 and have issued a separate report thereon dated December 31, 2015. We issued unmodified opinions on the State's basic financial statements.

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Internal Control Over Financial Reporting

We considered the State of Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. We identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies in internal control as reported in the Report on Internal Control, Compliance, and Other Matters for the *State of Michigan Comprehensive Annual Financial Report* (071-0010-16).

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Compliance and Other Matters

We performed tests of the State's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Report on Compliance for Each Major Federal Program

We have audited the State's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs. We and other auditors audited 32 programs as major programs and reported known questioned costs of \$5.7 million (net). The State expended a total of \$23.1 billion in federal awards during the fiscal year ended September 30, 2015. We issued 22 unmodified opinions, 7 qualified opinions, and 3 adverse opinions. The opinions issued by major program are identified on the following pages. We identified instances of noncompliance that are required to be reported in accordance with OMB Circular A-133. The findings are identified by major federal program on the following pages.

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Report on Internal Control Over Compliance

We considered the State's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program. We identified deficiencies in internal control over compliance that we consider to be material weaknesses and others we consider to be significant deficiencies as described in the findings identified by major federal program on the following pages.

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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the State's basic financial statements. The information therein has been subjected to the auditing

procedures applied in the audit of the State's basic financial statements and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the State's basic financial statements as a whole.



Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Known Questioned Costs, and Audit Finding Numbers:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
10.551 and 10.561	SNAP Cluster	Qualified	(\$6,611)	<u>2015-001</u> <u>2015-002</u> <u>2015-003</u> <u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u>
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	Unmodified	\$0	<u>2015-009</u>
10.565, 10.568, and 10.569	Food Distribution Cluster	Unmodified	\$0	<u>2015-009</u> <u>2015-021</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified	\$0	<u>2015-005</u>
10.558	Child and Adult Care Food Program	Unmodified	\$0	<u>2015-009</u> <u>2015-022</u>
15.605, 15.611, and 15.626	Fish and Wildlife Cluster	Unmodified	\$0	<u>2015-023</u>
17.258, 17.259, and 17.278	WIA Cluster	Unmodified	\$0	Not Applicable
20.205 and 20.219	Highway Planning and Construction Cluster, including ARRA	Unmodified	\$0	<u>2015-024</u>
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, including ARRA	Unmodified	\$0	Not Applicable
66.458	Clean Water State Revolving Fund Cluster	Unmodified	\$0	<u>2015-025</u> <u>2015-026</u> <u>2015-027</u>
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified	\$0	<u>2015-009</u> <u>2015-019</u> <u>2015-028</u>
84.010	Title I Grants to Local Educational Agencies	Unmodified	\$20,459	<u>2015-009</u> <u>2015-019</u> <u>2015-020</u> <u>2015-029</u>
84.032G and 84.032L	Federal Family Education Loans - Guaranty Agency and Lender	Unmodified	\$0	Not Applicable
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Unmodified	\$0	<u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u> <u>2015-030</u> <u>2015-031</u>
84.287	Twenty-First Century Community Learning Centers	Unmodified	\$0	<u>2015-009</u> <u>2015-019</u> <u>2015-032</u>
84.367	Improving Teacher Quality State Grants	Unmodified	\$0	<u>2015-009</u> <u>2015-019</u> <u>2015-020</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.558	TANF Cluster	Adverse	(\$24,803)	2015-001 2015-002 2015-003 2015-004 2015-006 2015-010 2015-011 2015-012 2015-013 2015-014 2015-033 2015-034 2015-035 2015-036 2015-037 2015-038
93.575 and 93.596	CCDF Cluster	Qualified	\$1,572	2015-001 2015-002 2015-010 2015-011 2015-013 2015-014 2015-039 2015-040 2015-041 2015-042
93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA	Adverse	\$5,321,270	2015-001 2015-002 2015-003 2015-004 2015-005 2015-007 2015-008 2015-010 2015-011 2015-012 2015-013 2015-014 2015-018 2015-043 2015-044 2015-045 2015-046 2015-047 2015-048 2015-049 2015-050 2015-051 2015-052 2015-053 2015-054 2015-055 2015-056 2015-057
93.268	Immunization Cooperative Agreements	Unmodified	\$0	Not Applicable
93.563	Child Support Enforcement	Unmodified	\$0	2015-010 2015-011 2015-013 2015-014
93.568	Low-Income Home Energy Assistance	Qualified	(\$17,068)	2015-001 2015-002 2015-010 2015-011 2015-013 2015-014 2015-059 2015-060 2015-061

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.658	Foster Care - Title IV-E, including ARRA	Qualified	\$7,628	2015-006 2015-010 2015-011 2015-012 2015-013 2015-014 2015-015 2015-016 2015-017
93.659	Adoption Assistance	Qualified	\$3,093	2015-006 2015-010 2015-011 2015-012 2015-013 2015-014 2015-062 2015-063
93.667	Social Services Block Grant	Adverse	\$179,242	2015-006 2015-010 2015-011 2015-012 2015-013 2015-014 2015-015 2015-016 2015-017
93.767	Children's Health Insurance Program	Qualified	\$3,777	2015-001 2015-002 2015-005 2015-007 2015-008 2015-018 2015-064
93.958	Block Grants for Community Mental Health Services	Qualified	\$188,103	2015-065 2015-066 2015-067
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Unmodified	\$0	2015-068
96.001	Disability Insurance/SSI Cluster	Unmodified	\$78	2015-010 2015-011 2015-013 2015-014

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
14.182 and 14.856	Section 8 Project-Based Cluster	Unmodified	\$0	Not Applicable
14.239	Home Investment Partnerships Program	Unmodified	\$0	2015-069
17.225	Unemployment Insurance, including ARRA	Unmodified	\$0	2015-070 2015-071

Findings Related to Non-Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
81.042	Weatherization Assistance for Low-Income Persons	Not Applicable	\$114,621	2015-011
93.566	Refugee and Entrant Assistance - State Administered Programs	Not Applicable	\$4,968	2015-011 2015-058
93.569	Community Services Block Grant	Not Applicable	(\$96,538)	2015-011

Total known questioned costs (net)

\$5,699,791



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

June 24, 2016

Mr. John S. Roberts, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Dear Mr. Roberts:

This is our single audit report for the State of Michigan for the fiscal year ended September 30, 2015.

This report contains our report summary; the schedule of expenditures of federal awards; our independent auditor's report on compliance for each major federal program, report on internal control over compliance, and report on the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133; and our schedule of findings and questioned costs, including the corrective action plan. In addition, this report contains the State's summary schedule of prior audit findings, a list of abbreviations, and a glossary of terms.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. The management views and corrective action plan follow each finding. The *Michigan Compiled Laws* and administrative procedures require that the audited agencies develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agencies to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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SUPPLEMENTAL FINANCIAL SCHEDULE

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity
<u>Financial Assistance</u>		
<u>U.S. Department of Agriculture</u>		
SNAP Cluster:		
Supplemental Nutrition Assistance Program	10.551	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	
Total SNAP Cluster		
Child Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Special Milk Program for Children	10.556	
Summer Food Service Program for Children	10.559	
Total Child Nutrition Cluster		
Food Distribution Cluster:		
Commodity Supplemental Food Program	10.565	
Emergency Food Assistance Program (Administrative Costs)	10.568	
Total Food Distribution Cluster		
Forest Service Schools and Roads Cluster:		
Schools and Roads - Grants to States	10.665	
Total Forest Service Schools and Roads Cluster		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	
Conservation Reserve Program	10.069	
Voluntary Public Access and Habitat Incentive Program	10.093	
Market Protection and Promotion	10.163	
Specialty Crop Block Grant Program - Farm Bill	10.170	
Food Safety Cooperative Agreements	10.479	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	
Child and Adult Care Food Program	10.558	
State Administrative Expenses for Child Nutrition	10.560	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	
Team Nutrition Grants	10.574	
Senior Farmers Market Nutrition Program	10.576	
Child Nutrition Discretionary Grants Limited Availability	10.579	
Fresh Fruit and Vegetable Program	10.582	
Child Nutrition Direct Certification Performance Awards	10.589	
Cooperative Forestry Assistance	10.664	
Urban and Community Forestry Program	10.675	
Forest Legacy Program	10.676	
Forest Stewardship Program	10.678	
Forest Health Protection	10.680	
Forest Health Protection	10.680	Gypsy Moth Slow the Spread Foundation, Inc.
Total CFDA 10.680		
Soil and Water Conservation	10.902	
Environmental Quality Incentives Program	10.912	
Conservation Security Program	10.921	
Conservation Stewardship Program	10.924	
Agricultural Conservation Easement Program	10.931	
Regional Conservation Partnership Program	10.932	
Cost Share Agreement	10.**	
Forest Service Drug Team	10.09-LE-11091000-030**	
Total U.S. Department of Agriculture		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 2,368,290,939	\$	\$	\$ 2,368,290,939
	141,344,902	29,798,808		171,143,710
	<u>\$ 2,509,635,841</u>	<u>\$ 29,798,808</u>	<u>\$ 0</u>	<u>\$ 2,539,434,649</u>
	\$ 72,356	\$ 103,425,668	\$	\$ 103,498,024
	129,737	289,936,875		290,066,612
		304,022		304,022
	751,456	12,141,670		12,893,126
	<u>\$ 953,549</u>	<u>\$ 405,808,235</u>	<u>\$ 0</u>	<u>\$ 406,761,784</u>
	\$ 134,281	\$ 5,443,159	\$	\$ 5,577,440
	39,204	2,749,378		2,788,582
	<u>\$ 173,485</u>	<u>\$ 8,192,537</u>	<u>\$ 0</u>	<u>\$ 8,366,022</u>
	<u>\$</u>	<u>\$ 3,520,474</u>	<u>\$</u>	<u>\$ 3,520,474</u>
	<u>\$ 0</u>	<u>\$ 3,520,474</u>	<u>\$ 0</u>	<u>\$ 3,520,474</u>
	\$ 527,088	\$ 83,653	\$	\$ 610,741
		20,000		20,000
	290,896			290,896
	1,310,000			1,310,000
	256,109	1,165,092		1,421,201
	125,000			125,000
	127,462,218	43,986,402		171,448,620
	1,083,260	65,772,599		66,855,859
	6,328,171			6,328,171
	324,841	26,474		351,315
	332,565			332,565
	227,532			227,532
	3,385,690	513,614		3,899,304
	153,395	3,897,799		4,051,194
	9,377			9,377
	1,764,700	438,523		2,203,223
	205,962			205,962
	954,509			954,509
	51,169			51,169
	98,234			98,234
307115	8,200			8,200
	<u>\$ 106,434</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,434</u>
	\$	\$ 183,318	\$	\$ 183,318
		225,929		225,929
		2,986		2,986
		20,728		20,728
		60,713		60,713
	43,986			43,986
	793			793
	2,476			2,476
	<u>\$ 2,655,709,046</u>	<u>\$ 563,717,884</u>	<u>\$ 0</u>	<u>\$ 3,219,426,930</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Department of Commerce</u>		
Coastal Zone Management Administration Awards	11.419	
State and Local Implementation Grant Program	11.549	
Measurement and Engineering Research and Standards	11.609	
Total U.S. Department of Commerce		
<u>U.S. Department of Defense</u>		
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	
Military Construction, National Guard	12.400	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	
National Guard ChalleNGe Program	12.404	
Defense Activity for Non-Traditional Education Support	12.N3569713MDTSTOP**	
Estuary Habitat Restoration Program	12.W912P4-11-2-0001**	
Total U.S. Department of Defense		
<u>U.S. Department of Housing and Urban Development</u>		
Section 8 Project-Based Cluster:		
Section 8 Contract Administration	14.182	
Section 8 New Construction/Substantial Rehabilitation	14.182	
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	
Total Section 8 Project-Based Cluster		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	
Mainstream Vouchers	14.879	
Total Housing Voucher Cluster		
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	
Emergency Solutions Grant Program	14.231	
Supportive Housing Program	14.235	
Home Investment Partnerships Program	14.239	
Home Investment Partnerships Program - Technical Assistance	14.239	
Housing Opportunities for Persons with AIDS	14.241	
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256	
Continuum of Care Program	14.267	
Fair Housing Assistance Program - State and Local	14.401	
Family Self-Sufficiency Program	14.896	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	
Asthma Interventions in Public and Assisted Multifamily Housing	14.914	
Total U.S. Department of Housing and Urban Development		
<u>U.S. Department of the Interior</u>		
Fish and Wildlife Cluster:		
Sport Fish Restoration Program (Note 15)	15.605	
Wildlife Restoration and Basic Hunter Education (Note 15)	15.611	
Enhanced Hunter Education and Safety Program	15.626	
Total Fish and Wildlife Cluster		
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	
Keweenaw National Historical Park (NHP) and Keweenaw NHP Advisory Commission		
Partner Enhancement Grants	15.407	
Fish and Wildlife Management Assistance	15.608	
Cooperative Endangered Species Conservation Fund	15.615	
Clean Vessel Act Program	15.616	
Sportfishing and Boating Safety Act	15.622	
State Wildlife Grants	15.634	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 1,420,346	\$ 911,805	\$	\$ 2,332,151
	747,914			747,914
	203,606	254,286		457,892
	\$ 2,371,866	\$ 1,166,091	\$ 0	\$ 3,537,957
	\$ 944,693	\$	\$	\$ 944,693
	11,381,594			11,381,594
	53,202,306		4,296,581	57,498,887
	2,907,345	2,472,690		5,380,035
	168,095			168,095
	11,794			11,794
	\$ 68,615,827	\$ 2,472,690	\$ 4,296,581	\$ 75,385,098
	\$ 6,746,108	\$ 213,417,398	\$	\$ 220,163,506
		104,916,277		104,916,277
		1,276,618		1,276,618
	\$ 6,746,108	\$ 319,610,293	\$ 0	\$ 326,356,401
	\$ 16,297,605	\$ 159,190,810	\$	\$ 175,488,415
		302,349		302,349
	\$ 16,297,605	\$ 159,493,159	\$ 0	\$ 175,790,764
	\$ 1,023,282	\$ 33,387,183	\$	\$ 34,410,465
		3,567,877		3,567,877
	6,898	1,617,513		1,624,411
	2,514,387	17,438,502		19,952,889
		6,250		6,250
	30,454	1,105,091		1,135,545
		14,930		14,930
	90,649	6,992,021		7,082,670
	1,231,000			1,231,000
	486,924	54,932		541,856
	810,737	111,359		922,096
	9,781			9,781
	\$ 29,247,825	\$ 543,399,110	\$ 0	\$ 572,646,935
	\$ 11,211,317	\$	\$	\$ 11,211,317
	19,570,218			19,570,218
	239,760			239,760
	\$ 31,021,295	\$ 0	\$ 0	\$ 31,021,295
	\$ 9,585	\$	\$	\$ 9,585
	1,500			1,500
	13,394			13,394
	115,251			115,251
	6,450	37,198		43,648
	21,132			21,132
	1,820,449			1,820,449

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Endangered Species Conservation Recovery Implementation Funds	15.657	
Great Lakes Restoration	15.662	
Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	15.666	
U.S. Geological Survey - Research and Data Collection	15.808	
Historic Preservation Fund Grants-In-Aid	15.904	
Outdoor Recreation - Acquisition, Development and Planning	15.916	
Cost Share Agreement	15.**	
Total U.S. Department of the Interior		
<u>U.S. Department of Justice</u>		
Sexual Assault Services Formula Program	16.017	
Juvenile Accountability Block Grants	16.523	
Supervised Visitation, Safe Havens for Children	16.527	
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	
Missing Children's Assistance	16.543	
National Criminal History Improvement Program (NCHIP)	16.554	
National Institute of Justice Research, Evaluation, and Development Project Grants (Note 15)	16.560	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Kent County
Total CFDA 16.560		
Crime Victim Assistance	16.575	
Crime Victim Compensation	16.576	
Violence Against Women Formula Grants	16.588	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	
Residential Substance Abuse Treatment for State Prisoners	16.593	
State Criminal Alien Assistance Program	16.606	
Bulletproof Vest Partnership Program	16.607	
ARRA - Public Safety Partnership and Community Policing Grants	16.710	
Enforcing Underage Drinking Laws Program	16.727	
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	
DNA Backlog Reduction Program	16.741	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	
Capital Case Litigation Initiative	16.746	
Support for Adam Walsh Act Implementation Grant Program	16.750	
Edward Byrne Memorial Competitive Grant Program	16.751	
John R. Justice Prosecutors and Defenders Incentive Act	16.816	
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	
Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE	16.828	
Equitable Sharing of Federally Forfeited Property	16.**	
Firearms Investigative Team	16.**	
District Fugitive Task Force	16.**	
ATF	16.**	
Upper Peninsula Safe Trails Task Force (UPSTTF)	16.**	
Straits Area Safe Trails Task Force (SASTT)	16.**	
ATF OT 8th District	16.**	
Violent Crimes Task Force	16.**	
Detroit Major Crimes Task Force (DMCTF)	16.**	
Oakland County Violent Gang Task Force	16.**	
DEA - Tactical Diversion Task Force	16.**	
Joint Terrorism Task Force	16.**	
US Marshal Fugitive Task Force	16.**	
US Marshal Western District	16.**	
US Marshal - Sex Offender Sweeps	16.**	
Children Exposed to Violence	16.**	
Saginaw County Safe Streets Task Force	16.**	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 21,193	\$	\$	\$ 21,193
	902,613	389,498		1,292,111
	16,655			16,655
	25,000			25,000
	946,251	172,603		1,118,854
	66,279	738,834		805,113
	300,458			300,458
	\$ 35,287,505	\$ 1,338,133	\$ 0	\$ 36,625,638
	\$ 56,594	\$ 223,411	\$	\$ 280,005
	54,567	625,617		680,184
	731	230,919		231,650
	432,730	204,836		637,566
	348,710			348,710
	283,143	100,000		383,143
	58,101			58,101
2014-DN-BX-K064	2,910			2,910
	\$ 61,011	\$ 0	\$ 0	\$ 61,011
	\$ 416,026	\$ 12,396,035	\$	\$ 12,812,061
	1,678,986			1,678,986
	125,917	3,253,444		3,379,361
	299,698			299,698
	212,510	57,231		269,741
	585,457			585,457
	2,175	34,424		36,599
	3,104			3,104
	19,398			19,398
	119,192			119,192
	2,007,799	4,308,917		6,316,716
	2,581,928			2,581,928
	297,424			297,424
	42,875			42,875
	226,330			226,330
	56,961	32,848		89,809
	35,899			35,899
	70,837			70,837
	5,794			5,794
	651,310			651,310
	6,725			6,725
	86,241			86,241
	21,951			21,951
	59,425			59,425
	21,460			21,460
	334			334
	30,616			30,616
	15,762			15,762
	13,613			13,613
	20,836			20,836
	27,054			27,054
	73,967			73,967
	36,355			36,355
	36,891			36,891
	14,638			14,638
	51,934			51,934

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Project Safe Neighborhood	16.**	Saginaw Community Foundation
Project Safe Neighborhood	16.**	Children's Aid Society
Total CFDA 16.**		
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2014-81**	
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2015-82**	
Genesee County Safe Streets Task Force (GCSSTF)	16.281D-DE-C98517**	
Southeast Michigan Crimes Against Children Task Force (SEMCAC)	16.31E-DE-C100515**	
FANG OCDEF	16.GL-MIE-0472**	
FANG OCDEF	16.GL-MIE-0524**	
MANTIS OCDEF	16.GL-MIE-0526**	
Tri County Metro OCDEF	16.GL-MIW-125**	
Total U.S. Department of Justice		
<u>U.S. Department of Labor</u>		
Employment Service Cluster:		
Employment Service/Wagner-Peyser Funded Activities	17.207	
Disabled Veterans' Outreach Program (DVOP)	17.801	
Local Veterans' Employment Representative Program	17.804	
Total Employment Service Cluster		
WIA Cluster:		
WIA/WIOA Adult Program	17.258	
WIA/WIOA Youth Activities	17.259	
WIA/WIOA Dislocated Worker Formula Grants	17.278	
Total WIA Cluster		
Labor Force Statistics	17.002	
Compensation and Working Conditions	17.005	
Unemployment Insurance	17.225	
ARRA - Unemployment Insurance	17.225	
Senior Community Service Employment Program	17.235	
Trade Adjustment Assistance	17.245	
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	
Temporary Labor Certification for Foreign Workers	17.273	
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	
Occupational Safety and Health - State Program	17.503	
Consultation Agreements	17.504	
Total U.S. Department of Labor		
<u>U.S. Department of State</u>		
Environmental and Scientific Partnerships and Programs	19.017	University of Wisconsin- Milwaukee
Total U.S. Department of State		
<u>U.S. Department of Transportation</u>		
Highway Planning and Construction Cluster:		
Highway Planning and Construction (Note 15)	20.205	
ARRA - Highway Planning and Construction	20.205	
Recreational Trails Program	20.219	
Total Highway Planning and Construction Cluster		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
2014-GP-BX-0005	\$ 68,332	\$	\$	\$ 68,332
2012-GPBX-0011	20,497			20,497
	<u>\$ 88,829</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,829</u>
	\$ 10,792	\$	\$	\$ 10,792
	440,171			440,171
	100,410			100,410
	35,842			35,842
	9,395			9,395
	9,059			9,059
	2,521			2,521
	2,728			2,728
	<u>\$ 11,894,655</u>	<u>\$ 21,467,682</u>	<u>\$ 0</u>	<u>\$ 33,362,337</u>
	\$ 9,031,823	\$ 15,508,786	\$	\$ 24,540,609
	4,697,507			4,697,507
	1,150,272			1,150,272
	<u>\$ 14,879,602</u>	<u>\$ 15,508,786</u>	<u>\$ 0</u>	<u>\$ 30,388,388</u>
	\$ 1,378,459	\$ 26,898,185	\$	\$ 28,276,644
	1,283,277	27,660,323		28,943,600
	3,261,895	36,842,524		40,104,419
	<u>\$ 5,923,631</u>	<u>\$ 91,401,032</u>	<u>\$ 0</u>	<u>\$ 97,324,663</u>
	\$ 2,088,000	\$	\$	\$ 2,088,000
	244,000			244,000
	1,093,740,422			1,093,740,422
	(5,037,365)			(5,037,365)
	44,806	2,858,591		2,903,397
	2,182,878	13,962,863		16,145,741
	380,304			380,304
	1,004,626			1,004,626
	62,065	4,987,105		5,049,170
	9,963,300			9,963,300
	1,639,900			1,639,900
	<u>\$ 1,127,116,169</u>	<u>\$ 128,718,377</u>	<u>\$ 0</u>	<u>\$ 1,255,834,546</u>
133405533	\$ 16,281	\$ 0	\$ 0	\$ 16,281
	<u>\$ 16,281</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,281</u>
	\$ 1,145,922,031	\$ 32,002,044	\$	\$ 1,177,924,075
	62,694			62,694
	2,989,042			2,989,042
	<u>\$ 1,148,973,767</u>	<u>\$ 32,002,044</u>	<u>\$ 0</u>	<u>\$ 1,180,975,811</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	
Bus and Bus Facilities Formula Program	20.526	
Total Federal Transit Cluster		
Transit Services Programs Cluster:		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	
Job Access And Reverse Commute Program	20.516	
New Freedom Program	20.521	
Total Transit Services Programs Cluster		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	
Occupant Protection Incentive Grants	20.602	
State Traffic Safety Information System Improvement Grants	20.610	
Child Safety and Child Booster Seats Incentive Grants	20.613	
National Priority Safety Programs	20.616	
Total Highway Safety Cluster		
Airport Improvement Program (Note 7)	20.106	
National Motor Carrier Safety	20.218	
Commercial Driver's License Program Improvement Grant	20.232	
Border Enforcement Grants	20.233	
Capital Assistance to States - Intercity Passenger Rail Service	20.317	
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	
Rail Line Relocation and Improvement	20.320	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	
Formula Grants for Rural Areas	20.509	
Public Transportation Research, Technical Assistance, and Training	20.514	
ARRA - Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528	
Pipeline Safety Program State Base Grant	20.700	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	
State Damage Prevention Program Grants	20.720	
PHMSA Pipeline Safety Program One Call Grant	20.721	
ARRA - Surface Transportation - Discretionary Grants for Capital Investment	20.932	
National Infrastructure Investments	20.933	
Total U.S. Department of Transportation		
<u>U.S. Department of the Treasury</u>		
Equitable Sharing of Federally Forfeited Property	21.**	
National Foreclosure Mitigation Counseling	21.**	Neighborhood Works
Total U.S. Department of the Treasury		
<u>Equal Employment Opportunity Commission</u>		
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	
Total Equal Employment Opportunity Commission		
<u>National Endowment for the Arts</u>		
Promotion of the Arts - Partnership Agreements	45.025	
Total National Endowment for the Arts		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 27,191	\$ 5,425,089	\$	\$ 5,452,280
		2,732,770		2,732,770
	<u>\$ 27,191</u>	<u>\$ 8,157,859</u>	<u>\$ 0</u>	<u>\$ 8,185,050</u>
	\$	\$ 2,311,822	\$	\$ 2,311,822
		225,238		225,238
		956,686		956,686
	<u>\$ 0</u>	<u>\$ 3,493,746</u>	<u>\$ 0</u>	<u>\$ 3,493,746</u>
	\$ 5,999,887	\$ 343,476	\$	\$ 6,343,363
	410,391	(8,940)		401,451
	12,158			12,158
	300,290			300,290
	47,791	183,206		230,997
	5,274,213	5,568,014		10,842,227
	<u>\$ 12,044,730</u>	<u>\$ 6,085,756</u>	<u>\$ 0</u>	<u>\$ 18,130,486</u>
	\$ 21,384,177	\$	\$	\$ 21,384,177
	6,407,094	(44)		6,407,050
	2,442,106			2,442,106
	93,842			93,842
	6,654,523			6,654,523
	9,345,780			9,345,780
	63,596,929	3,051,617		66,648,546
	50,551			50,551
	184,717	3,267,476		3,452,193
	1,970,726	18,225,534		20,196,260
		126,943		126,943
		227,202		227,202
	26,209			26,209
	1,041,898			1,041,898
	290,559	144,601		435,160
		28,654		28,654
	16,310			16,310
	5,192,473	11,339,491		16,531,964
	135,759			135,759
	<u>\$ 1,279,879,341</u>	<u>\$ 86,150,879</u>	<u>\$ 0</u>	<u>\$ 1,366,030,220</u>
PL113-235X1350	\$ 93,740	\$	\$	\$ 93,740
	12,058	258,547		270,605
	<u>\$ 105,798</u>	<u>\$ 258,547</u>	<u>\$ 0</u>	<u>\$ 364,345</u>
	\$ 725,000	\$	\$	\$ 725,000
	<u>\$ 725,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 725,000</u>
	\$	\$ 743,970	\$	\$ 743,970
	<u>\$ 0</u>	<u>\$ 743,970</u>	<u>\$ 0</u>	<u>\$ 743,970</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>Institute of Museum and Library Services</u>		
Grants to States	45.310	
Total Institute of Museum and Library Services		
<u>Small Business Administration</u>		
State Trade and Export Promotion Pilot Grant Program	59.061	
Total Small Business Administration		
<u>U.S. Department of Veterans Affairs</u>		
Veterans State Domiciliary Care	64.014	
Veterans State Nursing Home Care	64.015	
Veterans Information and Assistance	64.115	
Total U.S. Department of Veterans Affairs		
<u>U.S. Environmental Protection Agency</u>		
Clean Water State Revolving Fund Cluster:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	
Total Clean Water State Revolving Fund Cluster		
Drinking Water State Revolving Fund Cluster:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	
Total Drinking Water State Revolving Fund Cluster		
Air Pollution Control Program Support	66.001	
State Indoor Radon Grants	66.032	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	
Training, Investigations, and Special Purpose Activities of Federally-Recognized Indian Tribes Consistent With the Clean Air Act (CAA), Tribal Sovereignty and the Protection and Management of Air Quality	66.038	Little River Band of Ottawa Indians
State Clean Diesel Grant Program	66.040	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	
State Public Water System Supervision	66.432	
Water Quality Management Planning	66.454	
Nonpoint Source Implementation Grants	66.460	
Regional Wetland Program Development Grants	66.461	
Great Lakes Program	66.469	
Beach Monitoring and Notification Program Implementation Grants	66.472	
Performance Partnership Grants	66.605	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	
Pollution Prevention Grants Program	66.708	
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	
Hazardous Waste Management State Program Support	66.801	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	
State and Tribal Response Program Grants	66.817	
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	
Total U.S. Environmental Protection Agency		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 4,287,107	\$	\$	\$ 4,287,107
	\$ 4,287,107	\$ 0	\$ 0	\$ 4,287,107
	\$ 66,240	\$ 430,608	\$	\$ 496,848
	\$ 66,240	\$ 430,608	\$ 0	\$ 496,848
	\$ 876,258	\$	\$	\$ 876,258
	26,884,492			26,884,492
	361,017			361,017
	\$ 28,121,767	\$ 0	\$ 0	\$ 28,121,767
	\$ 2,662,060	\$ 137,416,189	\$	\$ 140,078,249
	\$ 2,662,060	\$ 137,416,189	\$ 0	\$ 140,078,249
	\$ 5,331,561	\$ 16,730,173	\$	\$ 22,061,734
	\$ 5,331,561	\$ 16,730,173	\$ 0	\$ 22,061,734
	\$ 4,404,432	\$	\$	\$ 4,404,432
	341,265			341,265
	1,172,851			1,172,851
XA965859-01	9,541			9,541
	8,168	121,773		129,941
	414,847	521,930		936,777
	4,145,000			4,145,000
	338,395	210,056		548,451
	20,332	2,512,054		2,532,386
	517,592			517,592
	2,332,637	4,014,682		6,347,319
	77,593	227,475		305,068
	11,645,169			11,645,169
	73,075	128,342		201,417
	363,979	60,375		424,354
	24,860	9,300		34,160
	4,482			4,482
	3,394,410			3,394,410
	1,478,984	99,705		1,578,689
	739,000			739,000
	1,274,327			1,274,327
	112,500			112,500
	1,003,149			1,003,149
	189,116			189,116
	\$ 42,079,325	\$ 162,052,054	\$ 0	\$ 204,131,379

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Department of Energy</u>		
State Energy Program	81.041	
Weatherization Assistance for Low-Income Persons	81.042	
State Energy Program Special Projects	81.119	
Total U.S. Department of Energy		
<u>U.S. Department of Education</u>		
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	
Special Education - Preschool Grants	84.173	
Total Special Education Cluster (IDEA)		
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	
Total Student Financial Assistance Cluster		
School Improvement Grants Cluster:		
School Improvement Grants	84.377	
ARRA - School Improvement Grants, Recovery Act	84.388	
Total School Improvement Grants Cluster		
DED Generalist CFDA (9000000100)	84.000	
Adult Education - Basic Grants to States	84.002	
Title I Grants to Local Educational Agencies	84.010	
Migrant Education - State Grant Program	84.011	
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	
Federal Family Education Loans - Guaranty Agency (Notes 9 and 10)	84.032G	
Federal Family Education Loans - Lender (Notes 9 and 11)	84.032L	
Career and Technical Education - Basic Grants to States	84.048	
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	
Migrant Education - Coordination Program	84.144	
Independent Living - State Grants	84.169	
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	
Special Education-Grants for Infants and Families	84.181	
Safe and Drug-Free Schools and Communities - National Programs	84.184	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	
Education for Homeless Children and Youth	84.196	
Assistive Technology	84.224	
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	
Charter Schools	84.282	
Twenty-First Century Community Learning Centers	84.287	
Special Education - State Personnel Development	84.323	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	
Credit Enhancement for Charter School Facilities	84.354	
Rural Education	84.358	
English Language Acquisition State Grants	84.365	
Mathematics and Science Partnerships	84.366	
Improving Teacher Quality State Grants	84.367	
Grants for State Assessments and Related Activities	84.369	
Race to the Top Early Learning Challenge	84.412	
Total U.S. Department of Education		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 775,734	\$ 525,874	\$	\$ 1,301,608
	1,043,672	11,340,177		12,383,849
		390,192		390,192
	\$ 1,819,406	\$ 12,256,243	\$ 0	\$ 14,075,649
	\$ 16,971,300	\$ 372,763,323	\$	\$ 389,734,623
	683,635	10,777,601		11,461,236
	\$ 17,654,935	\$ 383,540,924	\$ 0	\$ 401,195,859
	\$ 496,699	\$	\$	\$ 496,699
	\$ 496,699	\$ 0	\$ 0	\$ 496,699
	\$ 413,535	\$ 25,796,384	\$	\$ 26,209,919
	55,778	(92,041)		(36,263)
	\$ 469,313	\$ 25,704,343	\$ 0	\$ 26,173,656
	\$ 191,516	\$	\$	\$ 191,516
	1,819,028	9,890,094		11,709,122
	10,366,831	505,036,921		515,403,752
	605,897	7,374,867		7,980,764
	747,271			747,271
	124,752,443			124,752,443
	(11,022,732)			(11,022,732)
	3,842,842	34,099,543		37,942,385
	94,528,363	3,434,072		97,962,435
	46,509			46,509
	57,839	265,349		323,188
	755,290	259,253		1,014,543
	719,945	11,461,473		12,181,418
	1,138,177	3,785,557		4,923,734
	636,042			636,042
	538,958	1,567,819		2,106,777
	239,873			239,873
	98,607			98,607
	360,738	6,819,399		7,180,137
	923,688	38,376,283		39,299,971
		1,449,044		1,449,044
	1,008,680			1,008,680
	895,780	3,450,157		4,345,937
	6,722,574			6,722,574
	123,939	2,686,926		2,810,865
	517,339	10,239,742		10,757,081
	508,469	3,793,009		4,301,478
	3,534,257	89,728,326		93,262,583
	9,920,432			9,920,432
	2,764,242			2,764,242
	\$ 275,963,784	\$ 1,142,963,101	\$ 0	\$ 1,418,926,885

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Election Assistance Commission</u>		
Help America Vote Act Requirements Payments	90.401	
Total U.S. Election Assistance Commission		
<u>U.S. Department of Health and Human Services</u>		
Aging Cluster:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	
Nutrition Services Incentive Program	93.053	
Total Aging Cluster		
TANF Cluster:		
Temporary Assistance for Needy Families (Note 12)	93.558	
Total TANF Cluster		
CCDF Cluster:		
Child Care and Development Block Grant (Note 12)	93.575	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	
Total CCDF Cluster		
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	
Medical Assistance Program	93.778	
ARRA - Medical Assistance Program	93.778	
Total Medicaid Cluster		
Medical Reserve Corps Small Grant Program	93.008	
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	93.048	
Alzheimer's Disease Demonstration Grants to States	93.051	
National Family Caregiver Support, Title III, Part E	93.052	
Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure	93.065	Association of Public Health Laboratories, Inc.
Public Health Emergency Preparedness	93.069	
Environmental Public Health and Emergency Response	93.070	
Medicare Enrollment Assistance Program	93.071	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	
Guardianship Assistance	93.090	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	
Food and Drug Administration - Research	93.103	
Maternal and Child Health Federal Consolidated Programs	93.110	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	
Emergency Medical Services for Children	93.127	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	
Injury Prevention and Control Research and State and Community Based Programs	93.136	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	
Health Program for Toxic Substances and Disease Registry	93.161	
Grants to States for Loan Repayment Program	93.165	
Disabilities Prevention	93.184	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 763,650	\$ 85,721	\$	\$ 849,371
	\$ 763,650	\$ 85,721	\$ 0	\$ 849,371
	\$ 620,562	\$ 10,744,233	\$	\$ 11,364,795
	934,410	19,211,379		20,145,789
		7,472,137		7,472,137
	\$ 1,554,972	\$ 37,427,749	\$ 0	\$ 38,982,721
	\$ 586,974,025	\$ 87,830,727	\$	\$ 674,804,752
	\$ 586,974,025	\$ 87,830,727	\$ 0	\$ 674,804,752
	\$ 67,091,346	\$ 3,703,720	\$	\$ 70,795,066
	51,717,438			51,717,438
	\$ 118,808,784	\$ 3,703,720	\$ 0	\$ 122,512,504
	\$ 4,223,147	\$	\$	\$ 4,223,147
	12,479,225			12,479,225
	12,260,424,412	46,326,118		12,306,750,530
	54,490,914	5,361,400		59,852,314
	\$ 12,331,617,698	\$ 51,687,518	\$ 0	\$ 12,383,305,216
	\$ 18,500	\$	\$	\$ 18,500
		159,856		159,856
	235,768	265,905		501,673
		655,542		655,542
	83,265	363,970		447,235
	47,326	24,993		72,319
	211,274	4,346,248		4,557,522
56400-200-202-15-03	78,500			78,500
	8,470,139	8,416,387		16,886,526
	1,003,941	397,088		1,401,029
	45,948	681,064		727,012
	397,503	74,221		471,724
	3,050,795			3,050,795
	419,588	1,125,029		1,544,617
	386,299	893,457		1,279,756
	872,998	37,457		910,455
	739,304	258,255		997,559
	913,381	236,524		1,149,905
	117,140			117,140
	42,080	172,000		214,080
	339,987	739,419		1,079,406
	59,210	1,577,929		1,637,139
	155,870	922,876		1,078,746
	125,937	(5)		125,932
	1,024,496			1,024,496
	64,295	176,454		240,749

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Family Planning - Services	93.217	
Research on Healthcare Costs, Quality and Outcomes	93.226	Regents of the University of Michigan
Affordable Care Act (ACA) Abstinence Education Program	93.235	
Grants to States to Support Oral Health Workforce Activities	93.236	
State Capacity Building	93.240	
State Rural Hospital Flexibility Program	93.241	
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	
Universal Newborn Hearing Screening	93.251	
Rural Access to Emergency Devices Grant and Public Access to Defibrillation Demonstration Grant	93.259	
Occupational Safety and Health Program	93.262	Michigan State University
Immunization Cooperative Agreements	93.268	
Adult Viral Hepatitis Prevention and Control	93.270	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	National Association of Chronic Disease Directors
Total CFDA 93.283		
National Public Health Improvement Initiative	93.292	
State Partnership Grant Program to Improve Minority Health	93.296	
Small Rural Hospital Improvement Grant Program	93.301	
National State Based Tobacco Control Programs	93.305	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	
State Health Insurance Assistance Program	93.324	
Behavioral Risk Factor Surveillance System	93.336	
Nurse Education, Practice Quality and Retention Grants	93.359	
Sickle Cell Treatment Demonstration Program	93.365	Sickle Cell Disease Association of America
ACL Independent Living State Grants	93.369	
NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424	Council of State and Territorial Epidemiologists
NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424	Association of State and Territorial Health Officials
Total CFDA 93.424		
Food Safety and Security Monitoring Project	93.448	
Ruminant Feed Ban Support Project	93.449	
ACL Assistive Technology	93.464	
Pregnancy Assistance Fund Program	93.500	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access		
Employees of Long Term Care Facilities and Providers	93.506	
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems		
Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521	
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations - financed in part by Prevention and Public Health Funds (PPHF)	93.524	Association of State and Territorial Health Officials
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations - financed in part by Prevention and Public Health Funds (PPHF)	93.524	National Association of Chronic Disease Directors
Total CFDA 93.524		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 1,356,927	\$ 5,118,636	\$	\$ 6,475,563
3002243208;				
3002290116	93,336	(1,566)		91,770
	524,971	930,904		1,455,875
	69,132	342,100		411,232
	404,644			404,644
	28,580	566,751		595,331
	828,583	3,478,687		4,307,270
	234,362	23,588		257,950
	2,879	190,000		192,879
61-0406MDCH;				
RC105035-MDHHS	132,911			132,911
	4,580,341	4,920,171		9,500,512
	719,009			719,009
	3,990,089	1,204,438		5,194,527
1952012	(11,028)	11,028		
	<u>\$ 3,979,061</u>	<u>\$ 1,215,466</u>	<u>\$ 0</u>	<u>\$ 5,194,527</u>
	\$ 3,164	\$ 62,671	\$	\$ 65,835
	3,550	137,673		141,223
	6,040	434,958		440,998
	603,484	109,332		712,816
	49,735			49,735
	1,372,803	24,000		1,396,803
	79,812	1,667,678		1,747,490
	30,652			30,652
	77,880	326,373		404,253
20153529	43,050			43,050
	96,321	59,620		155,941
20152233	20,000			20,000
86-10312	605			605
	<u>\$ 20,605</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,605</u>
	\$ 229,102	\$	\$	\$ 229,102
	214,822			214,822
	309,345			309,345
	886,378	942,962		1,829,340
	2,918,725	4,988,477		7,907,202
	22,322	573,137		595,459
	1,215,109			1,215,109
	332,553			332,553
	1,128,077	(1,478)		1,126,599
83-12302	1,829	82,694		84,523
194-1500-2	6,770			6,770
	<u>\$ 8,599</u>	<u>\$ 82,694</u>	<u>\$ 0</u>	<u>\$ 91,293</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	
Promoting Safe and Stable Families	93.556	
Child Support Enforcement	93.563	
Child Support Enforcement Research	93.564	
Refugee and Entrant Assistance - State Administered Programs	93.566	
Low-Income Home Energy Assistance (Note 12)	93.568	
Community Services Block Grant	93.569	
Refugee and Entrant Assistance - Discretionary Grants	93.576	
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	
State Court Improvement Program	93.586	
Community-Based Child Abuse Prevention Grants	93.590	
Grants to States for Access and Visitation Programs	93.597	
Chafee Education and Training Vouchers Program (ETV)	93.599	
Head Start	93.600	
The Affordable Care Act Medicaid Adult Quality Grants	93.609	
Health Care Innovation Awards (HCIA)	93.610	Altarum Institute
Voting Access for Individuals with Disabilities - Grants to States	93.617	
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634	
Children's Justice Grants to States	93.643	
Stephanie Tubbs Jones Child Welfare Services Program (Note 12)	93.645	
Adoption Opportunities	93.652	
Foster Care - Title IV-E	93.658	
ARRA - Foster Care - Title IV-E	93.658	
Adoption Assistance	93.659	
Social Services Block Grant (Note 12)	93.667	
Child Abuse and Neglect State Grants	93.669	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	
Chafee Foster Care Independence Program	93.674	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	93.733	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by Prevention and Public Health Funds (PPHF)	93.734	
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	93.735	
PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	
Children's Health Insurance Program (Note 16)	93.767	
Money Follows the Person Rebalancing Demonstration	93.791	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	
Organized Approaches to Increase Colorectal Cancer Screening	93.800	
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	
Allergy and Infectious Diseases Research	93.855	Michigan State University
National Bioterrorism Hospital Preparedness Program	93.889	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 290,011	\$ 425,000	\$	\$ 715,011
	10,775,052	1,700,739		12,475,791
	52,236,409	112,928,485		165,164,894
	23,157			23,157
	4,171,272	13,412,985		17,584,257
	101,019,167	68,126,300		169,145,467
	1,150,044	22,903,908		24,053,952
		937,327		937,327
		1,750,298		1,750,298
	647,035	1,560		648,595
	144,361	639,820		784,181
	247,676			247,676
	1,364,801			1,364,801
	131,155			131,155
	72,738	473,182		545,920
SC-14-020	20,535			20,535
	111,618	177,497		289,115
	78,142	1,077,441		1,155,583
	582,861	962,529		1,545,390
	1,365,291	959,347		2,324,638
	101,223			101,223
	793,839			793,839
	8,931,618			8,931,618
		422,192		422,192
	130,427,514			130,427,514
	(2,457)			(2,457)
	119,058,509			119,058,509
	124,416,576	2,172,697		126,589,273
	460,587	773,610		1,234,197
	325,558	2,264,114		2,589,672
	3,904,179	2,186,225		6,090,404
	844,123	76,610		920,733
	43,713	346,388		390,101
	593,002			593,002
	27,316			27,316
	3,831,952	3,851,965		7,683,917
	238,356			238,356
	1,255,897	3,351,761		4,607,658
	1,962,483	3,941,369		5,903,852
	248,914,364	1,250,886		250,165,250
	12,952,088	114,278		13,066,366
	7,066,384			7,066,384
	32,063	59,486		91,549
	68,067			68,067
	106,897			106,897
	10,817	814,212		825,029
61-0049MDCH	45,687			45,687
	2,656,125	4,405,310		7,061,435

STATE OF MICHIGAN
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For the Fiscal Year Ended September 30, 2015
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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Grants to States for Operation of Offices of Rural Health	93.913	
HIV Care Formula Grants	93.917	
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	
HIV Prevention Activities - Health Department Based	93.940	
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	
Assistance Programs for Chronic Disease Prevention and Control	93.945	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	
Block Grants for Community Mental Health Services	93.958	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	
Preventive Health and Health Services Block Grant	93.991	
Maternal and Child Health Services Block Grant to the States	93.994	
Vital Statistics - CDC NCHS Contract	93.HHSD200201250823**	
Genotyping TB	93.HHSD200201357461**	
National Death Index	93.HHSD2002014M58260**	
Michigan State Tobacco Retail Inspections Contract	93.HHSF223201110085C**	
FDA Tobacco Retail Inspection Contract	93.HHSF223201400074C**	
State Demo Dual Eligible	93.HHSM500201100034C**	
Laboratory Support of the BioWatch Program	93.HSHQDC-14-P-00095**	
Social Security Administration - Death Records	93.SS00-12-60052**	
Social Security Administration - Birth Record Contract	93.SS00-14-61066**	
NASMHPD Transformation Transfer Initiative (TTI)	93.SC-1026-MI-01**	National Association of State Mental Health Program Directors
Technical Assistance Coalition (TAC) - Transformation Transfer Initiative (TTI)	93.SC-1060-MI-01**	National Association of State Mental Health Program Directors
Uptake and Effectiveness of Inside Knowledge Materials by the National Comprehensive Cancer Control Program	93.14TWSK0069**	
Bringing Recovery Supports to Scale Technical Assistance Center Strategy (BRSS TACS)	93.21B-OY3**	ICF Macro, Inc. Innovation
Behavioral Health Services Information System State Agreement with Single State Agencies	93.283-07-4803**	Decisions, Inc.
Behavioral Health Services Information System State Agreement with State Mental Health Authorities	93.283-07-4803**	Synectics for Management Decisions, Inc.
Total U.S. Department of Health and Human Services		
<u>U.S. Corporation for National and Community Service</u>		
State Commissions	94.003	
AmeriCorps	94.006	
Volunteers in Service to America	94.013	
Volunteer Generation Fund	94.021	
Total U.S. Corporation for National and Community Service		
<u>Executive Office of the President</u>		
High Intensity Drug Trafficking Areas Program	95.001	
Total Executive Office of the President		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 74,453	\$ 87,000	\$	\$ 161,453
	14,903,204	4,870,657		19,773,861
	(152,924)	(17,225)		(170,149)
	896,257	4,976,516		5,872,773
	1,582,283	15,080		1,597,363
	965,891	827,396		1,793,287
	152,512			152,512
	2,537,082	8,844,030		11,381,112
	1,060,410	45,251,788		46,312,198
	1,921,532	175,973		2,097,505
	148,835	(990)		147,845
		(16,609)		(16,609)
	8,934,855	9,098,484		18,033,339
	678,168			678,168
	676,940			676,940
	79,019			79,019
	(30,402)	(40,487)		(70,889)
	872,248	54,557		926,805
	7,136	345,161		352,297
	30,000			30,000
	138,552			138,552
	395,360			395,360
SC-1026-MI-01	(7,481)			(7,481)
SC-1060-MI-01	24,955			24,955
14TWSK0069	472	23,400		23,872
21B-0Y3	75,000			75,000
283-07-4803	308,735			308,735
283-07-4803	89,993			89,993
	\$ 13,960,326,777	\$ 555,369,469	\$ 0	\$ 14,515,696,246
	\$ 513,663	\$	\$	\$ 513,663
	48,883	6,240,747		6,289,630
		17,601		17,601
	68,375	110,026		178,401
	\$ 630,921	\$ 6,368,374	\$ 0	\$ 6,999,295
	\$ 587,904	\$	\$	\$ 587,904
	\$ 587,904	\$ 0	\$ 0	\$ 587,904

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>Social Security Administration</u>		
Disability Insurance/SSI Cluster:		
Social Security - Disability Insurance	96.001	
Total Disability Insurance/SSI Cluster		
Total Social Security Administration		
<u>U.S. Department of Homeland Security</u>		
Interoperable Emergency Communications Grant Program	97.001	
Non-Profit Security Program	97.008	
Boating Safety Financial Assistance	97.012	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	
Flood Mitigation Assistance	97.029	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	
Hazard Mitigation Grant	97.039	
National Dam Safety Program	97.041	
Emergency Management Performance Grants	97.042	
State Fire Training Systems Grants	97.043	
Assistance to Firefighters Grant	97.044	
Cooperating Technical Partners	97.045	
Pre-Disaster Mitigation	97.047	
Homeland Security Grant Program	97.067	
CyberTipline	97.076	
Driver's License Security Grant Program	97.089	
Homeland Security Biowatch Program	97.091	
Repetitive Flood Claims	97.092	
Border Interoperability Demonstration Project	97.120	
Total U.S. Department of Homeland Security		
TOTAL FINANCIAL ASSISTANCE		
<u>Non-Cash Assistance (Note 6):</u>		
<u>U.S. Department of Agriculture</u>		
Child Nutrition Cluster:		
National School Lunch Program	10.555	
Summer Food Service Program for Children	10.559	
Total Child Nutrition Cluster		
Food Distribution Cluster:		
Commodity Supplemental Food Program	10.565	
Emergency Food Assistance Program (Food Commodities)	10.569	
Total Food Distribution Cluster		
Total U.S. Department of Agriculture		
<u>General Services Administration</u>		
Donation of Federal Surplus Personal Property (Note 8)	39.003	
Total General Services Administration		
<u>U.S. Environmental Protection Agency</u>		
Air Pollution Control Program Support	66.001	
Performance Partnership Grants	66.605	
Hazardous Waste Management State Program Support	66.801	
Total U.S. Environmental Protection Agency		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 89,496,771	\$	\$	\$ 89,496,771
	\$ 89,496,771	\$ 0	\$ 0	\$ 89,496,771
	\$ 89,496,771	\$ 0	\$ 0	\$ 89,496,771
	\$ 2,000,000	\$ (1,634)	\$	\$ 1,998,366
		342,254		342,254
	4,757,542	673,590		5,431,132
	243,091			243,091
	753	536,270		537,023
	153,188	13,479,846		13,633,034
		(315,944)		(315,944)
	100,238			100,238
	6,777,227	2,450,214		9,227,441
	10,192			10,192
	342,179			342,179
	463,158			463,158
	19,440	897,724		917,164
	3,600,975	9,906,191		13,507,166
	599			599
	24,539			24,539
	1,716,815			1,716,815
	1,332	7,794		9,126
	18,714	593,004		611,718
	\$ 20,229,982	\$ 28,569,309	\$ 0	\$ 48,799,291
	\$ 19,635,342,947	\$ 3,257,528,242	\$ 4,296,581	\$ 22,897,167,770
	\$ 424	\$ 32,732,180	\$	\$ 32,732,604
		38,606		38,606
	\$ 424	\$ 32,770,786	\$ 0	\$ 32,771,210
	\$	\$ 18,542,622	\$	\$ 18,542,622
		15,119,960		15,119,960
	\$ 0	\$ 33,662,582	\$ 0	\$ 33,662,582
	\$ 424	\$ 66,433,368	\$ 0	\$ 66,433,792
	\$	\$ 236,000	\$	\$ 236,000
	\$ 0	\$ 236,000	\$ 0	\$ 236,000
	\$ 113,346	\$	\$	\$ 113,346
	9,699			9,699
	225,471			225,471
	\$ 348,516	\$ 0	\$ 0	\$ 348,516

STATE OF MICHIGAN
 Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015
 (Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity
<u>U.S. Department of Health and Human Services</u>		
Public Health Emergency Preparedness	93.069	
Immunization Cooperative Agreements	93.268	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	
National State Based Tobacco Control Programs	93.305	
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	
Total U.S. Department of Health and Human Services		
TOTAL NON-CASH ASSISTANCE		
TOTAL EXPENDITURES OF FEDERAL AWARDS		

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** CFDA number not available. Number derived from federal agency number or contract number, if available.

The accompanying notes are an integral part of this schedule.

<u>Pass-Through Identification Number</u>	<u>Directly Expended</u>	<u>Distributed to Subrecipients</u>	<u>In-Kind Assistance (Note 13)</u>	<u>Total Expended, Distributed, and In-Kind Assistance</u>
	\$ 11,160	\$	\$	\$ 11,160
	87,207,902			87,207,902
	6,467			6,467
	671			671
	25,271			25,271
	<u>\$ 87,251,471</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,251,471</u>
	<u>\$ 87,600,411</u>	<u>\$ 66,669,368</u>	<u>\$ 0</u>	<u>\$ 154,269,779</u>
	<u>\$ 19,722,943,358</u>	<u>\$ 3,324,197,610</u>	<u>\$ 4,296,581</u>	<u>\$ 23,051,437,549</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Reporting Entity

For federal reporting purposes, the State of Michigan's reporting entity includes the primary government and its component units with the exception of those noted in the following paragraph. The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. They include Western Michigan University, Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State. For purposes of presenting the schedule of expenditures of federal awards (SEFA), the State's ten public universities have been excluded from the reporting entity for fiscal year 2015. The universities obtained separate audits in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 Fiscal Year-Ends

The State of Michigan and discretely presented component units included within the fiscal year 2015 reporting entity are reported using fiscal years that end on September 30, except for the Michigan State Housing Development Authority (MSHDA), which utilizes a June 30 year-end.

The following programs include MSHDA expenditures, which are reported as of June 30, 2015. In addition, some of the programs noted below also include the Michigan Department of Health and Human Services, Michigan Department of Transportation, and Michigan Strategic Fund (Other State Agencies) expenditures, which are reported as of September 30, 2015.

<u>CFDA</u>	<u>Program</u>	<u>MSHDA Expenditures as of June 30, 2015</u>	<u>Other State Agencies' Expenditures as of September 30, 2015</u>	<u>Total (as Reported on the SEFA)</u>
14.182	Section 8 Contract Administration	\$ 220,163,506	\$ 0	\$ 220,163,506
14.182	Section 8 New Construction/ Substantial Rehabilitation	\$ 104,916,277	\$ 0	\$ 104,916,277
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 10,219,337	\$ 24,191,128	\$ 34,410,465

<u>CFDA</u>	<u>Program</u>	<u>MSHDA Expenditures as of June 30, 2015</u>	<u>Other State Agencies' Expenditures as of September 30, 2015</u>	<u>Total (as Reported on the SEFA)</u>
14.231	Emergency Solutions Grant Program	\$ 3,567,877	\$ 0	\$ 3,567,877
14.239	Home Investment Partnerships Program	\$ 19,952,889	\$ 0	\$ 19,952,889
14.239	Home Investment Partnerships Program - Technical Assistance	\$ 6,250	\$ 0	\$ 6,250
14.267	Continuum of Care Program	\$ 655,988	\$ 6,426,682	\$ 7,082,670
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	\$ 1,276,618	\$ 0	\$ 1,276,618
14.871	Section 8 Housing Choice Vouchers	\$ 175,488,415	\$ 0	\$ 175,488,415
14.879	Mainstream Vouchers	\$ 302,349	\$ 0	\$ 302,349
14.896	Family Self-Sufficiency Program	\$ 541,856	\$ 0	\$ 541,856
15.904	Historic Preservation Fund Grants-In-Aid	\$ 1,118,854	\$ 0	\$ 1,118,854
20.205	Highway Planning and Construction	\$ 99,542	\$ 1,177,824,533	\$ 1,177,924,075
21.**	National Foreclosure Mitigation Counseling	\$ 270,605	\$ 0	\$ 270,605

Note 3 Basis of Presentation

The SEFA presents the federal grant activity of the State of Michigan in accordance with the requirements of OMB Circular A-133.

Note 4 Summary of Significant Accounting Policies

The expenditures for each of the federal financial assistance programs are presented in the SEFA on the accounting basis as presented on the fund financial statements. For entities with governmental funds, expenditures are presented on the modified accrual basis of accounting. For entities with proprietary or fiduciary funds, expenditures are presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Differences will exist between federal expenditures shown on the SEFA and related federal expenditures on federal financial reports because of additional accrual amounts recorded after the preparation of federal financial reports for the fiscal year. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The State of Michigan has not elected to use the 10% de minimis indirect cost rate.

Note 5 Pass-Through Expenditures Between State Agencies

Federal funds received by one State grantee agency and redistributed to another State grantee agency (i.e., pass-through of funds by the primary recipient State grantee agency to a subrecipient State grantee agency) are reported in the SEFA as federal expenditures of the subrecipient State grantee agency. This is to avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the State.

Note 6 Non-Cash Assistance
 The State of Michigan is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-cash programs." The distributions under these programs are included in the SEFA.

Note 7 Airport Improvement Program
 Federal expenditures of \$53,075,213 for the Airport Improvement Program (CFDA 20.106) channeled to primary airports for fiscal year 2015 are not included in the SEFA. The Federal Aviation Administration (FAA) determined that the Michigan Department of Transportation (MDOT) has no oversight responsibility for grants to primary airports. Also, compliance with federal regulations is the responsibility of the primary airport and not MDOT. Therefore, MDOT is channeling the FAA funds to the primary airports in accordance with Public Act 327 of 1945.

Note 8 Donation of Surplus Property
 The amount distributed to subrecipients for the Donation of Federal Surplus Personal Property (CFDA 39.003) is 23.3% of the acquisition value of donated property sold during the fiscal year. The value does not include service charges that are the basis for the sale of inventory items. The valuation method follows General Services Administration guidelines. The service charges on property donated (sold) in fiscal year 2015 were \$223,979.

Note 9 Federal Family Education Loans (FFEL) Program - Loans Outstanding
 The Michigan Finance Authority, a discretely presented component unit of the State of Michigan, administers the Federal Family Education Loans Program (CFDA 84.032). As of September 30, 2015, the outstanding original principal balance of loans guaranteed under the Federal Family Education Loans Program - Guaranty Agency (CFDA 84.032G) by the Michigan Finance Authority was \$2,002,305,500. In addition, as of September 30, 2015, \$742,354,320 in loans were outstanding under the Federal Family Education Loans Program - Lender (CFDA 84.032L). The loan guarantees and loan balances are not included in the federal expenditures presented in the SEFA.

The Health Care and Education Reconciliation Act of 2010, Public Law No. 111-152, eliminated the authorization to originate the FFEL Program loans after June 30, 2010 and, as a result, the Michigan Finance Authority did not issue or guarantee any new FFEL Program loans in fiscal year 2015.

Note 10 Federal Family Education Loans (FFEL) Program - Guaranty Agency
 The Michigan Finance Authority receives federal loan reinsurance revenue from the U.S. Department of Education (USDOE) according to the following schedule for all eligible default claims purchased by the Authority:

<u>Annual Default Rate</u>	<u>Federal Reinsurance</u>
0% to less than 5%	95%
5% to less than 9%	95% of claims up to 5%, 85% of claims equal to or greater than 5% but less than 9%
9% or greater	95% of claims up to 5%, 85% of claims equal to or greater than 5% but less than 9%, and 75% of claims equal to or greater than 9%

The FFEL Program - Guaranty Agency activity for fiscal year 2015 was:

Federal Program Title	CFDA Number	Federal Expenditures
Federal Family Education Loans - Guaranty Agency	84.032G	
Loan loss reinsured by USDOE		\$105,925,889
Account maintenance fees		1,399,394
Loan recoveries - Net of amounts returned to USDOE		3,049,183
Loans repurchased and rehabilitated		14,377,976
		<hr/>
Total Federal Family Education Loans - Guaranty Agency		<u>\$124,752,443</u>

Note 11 Federal Family Education Loans (FFEL) Program - Lender

The FFEL Program provides the Michigan Finance Authority with interest on subsidized student loans during the period a student is attending school or during certain other allowable grace and deferment periods. In addition, the FFEL Program provides funding (special allowance) that is primarily an incentive payment to ensure that money market conditions or interest rates will not impede the origination of student loans. For loans first disbursed on or after October 1, 2007, the College Cost Reduction and Access Act reduced the special allowance factors and the Deficit Reduction Act of 2005 required that, if the resulting special allowance calculation was negative, the negative special allowance must be paid to USDOE.

The FFEL Program - Lender activity for fiscal year 2015 was:

Federal Program Title	CFDA Number	Federal Expenditures
Federal Family Education Loans - Lender	84.032L	
Interest subsidy payments		\$ 3,412,982
Special allowance payments		<u>(14,435,714)</u>
		<hr/>
Total Federal Family Education Loans - Lender		<u>\$ (11,022,732)</u>

Note 12 Michigan Department of Health and Human Services (MDHHS) Federal Claims

- a. Federal claims exceeded their grant award authorizations by more than \$500,000 in the following program areas and were not reimbursed for the amounts in excess of the grant award. The expenditures not reimbursed could be reimbursed if program disallowances occur. The SEFA reports the net federal claim amounts (total federal claims less the amounts in excess of the grant awards).

Low-Income Home Energy Assistance (CFDA 93.568)	\$15,522,865
Stephanie Tubbs Jones Child Welfare Services Program (CFDA 93.645)	\$27,797,759
Social Services Block Grant (CFDA 93.667)	\$33,072,957

- b. MDHHS moved \$77,535,285 of the TANF Cluster (CFDA 93.558) grant award to the Social Services Block Grant (CFDA 93.667) and \$2,017,045 of the TANF Cluster grant award to the CCDF Cluster (CFDA 93.575) as allowed by the Welfare Reform Plan.

Note 13 National Guard In-Kind Assistance

As part of the National Guard Bureau Cooperative Agreement, the U.S. Department of Defense provided in-kind assistance in the form of direct federal payment for services and supplies for National Guard Military Operations and Maintenance (O&M) Projects (CFDA 12.401). The in-kind assistance dollar amounts reported in the SEFA were determined and obtained from the United States Property and Fiscal Office for Michigan.

Note 14 Medicare and Medicaid Revenue

The Grand Rapids Home for Veterans and the D.J. Jacobetti Home for Veterans received federal Medicare revenue totaling \$929,200 and Medicaid revenue totaling \$17,674 in fiscal year 2015. Medicare and Medicaid revenues are not considered federal assistance but rather a purchase of services provided by the Homes and, therefore, are not included in the SEFA.

Note 15 Research and Development Expenditures

OMB Circular A-133, Section 105 states, "Research and development (R&D) means all research activities, both basic and applied, and all development activities that are performed by a non-Federal entity."

The expenditures presented in the SEFA include R&D expenditures. The R&D portion of the expenditures for each program is listed below:

Federal Program Title	CFDA Number	Federal Expenditures
Sport Fish Restoration Program	15.605	\$ 115,468
Wildlife Restoration and Basic Hunter Education	15.611	1,974,095
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	58,101
Highway Planning and Construction	20.205	4,129,817
Total R&D Expenditures		<u>\$ 6,277,481</u>

Note 16 Children's Health Insurance Program (CHIP)

The expenditures reported for the Children's Health Insurance Program (CFDA 93.767) include \$49,727,029 related to a reclassification of expenditures reported as Medicaid in the prior year. The reclassification was made because changes in CHIP financial eligibility levels increased the number of children who qualified for the program.

INDEPENDENT AUDITOR'S REPORT



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133

The Honorable Rick Snyder, Governor
Members of the Legislature

Report on Compliance for Each Major Federal Program

We have audited the State of Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the State of Michigan's major federal programs for the fiscal year ended September 30, 2015. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The State's basic financial statements include the operations of Western Michigan University, Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University, which expended \$1.3 billion in federal awards that are not included in the schedule of expenditures of federal awards for the fiscal year ended September 30, 2015. Our audit, described below, did not include the operations of these universities because they obtained separate audits in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We did not audit the major federal programs or percentages of federal programs listed below. These programs were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to compliance requirements for these programs, is based on the reports of the other auditors.

CFDA Number(s)	Program or Cluster	Percent Audited by Other Auditors	Total Expenditures
14.182 and 14.856	Section 8 Project-Based Cluster	100%	\$ 326,356,401
14.239	Home Investment Partnerships Program	100%	\$ 19,959,139
17.225	Unemployment Insurance, including ARRA	100%	\$ 1,088,703,057
93.575 and 93.596	CCDF Cluster	8%	\$ 122,512,504

We did not audit the State of Michigan's compliance with the following compliance requirements applicable to the Federal Family Education Loans - Guaranty Agency, *CFDA 84.032G*, and Federal Family Education Loans - Lender, *CFDA 84.032L*: Special Tests and Provisions (Individual Record Review; Interest Benefits; Special Allowance Payments; Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence by Lenders in the Collection of Delinquent Loans; Timely Claim Filings by Lenders or Servicers; Curing Due-Diligence and Timely Filing Violations; Federal Share of Borrower Payments; and Assignment of Defaulted Loans to ED). Also,

we excluded Reporting for the Federal Family Education Loans - Lender, *CFDA* 84.032L. Third-party servicers Great Lakes Educational Loan Services, Inc., Nelnet, Inc., and Navient Solutions, Inc., performed these compliance requirements for the State of Michigan and have obtained audits performed under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* (January 2011) and *Audits of Guaranty Agency Servicers Participating in the Federal Family Education Loan Program* (March 2000), issued by the U.S. Department of Education. Great Lakes Educational Loan Services, Inc., Nelnet, Inc., and Navient Solutions, Inc., lender audits covered the periods January 1, 2014 through December 31, 2014 and January 1, 2015 through December 31, 2015. Our report does not include the results of the other accountants' examinations of the third-party servicers' compliance with such requirements.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit and the reports of other auditors of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the 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. 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 above 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 State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinion on the TANF Cluster, the Medicaid Cluster, and the Social Services Block Grant

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.558	TANF Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Income Eligibility and Verification System	2015-003 2015-011 2015-012 2015-013 2015-033 2015-034 2015-035 2015-037

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2015-003 2015-011 2015-012 2015-013 2015-043 2015-044 2015-045 2015-046 2015-047 2015-049 2015-050 2015-052 2015-053 2015-054 2015-055 2015-056
U.S. Department of Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility	2015-011 2015-012 2015-013 2015-015 2015-016 2015-017

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

Adverse Opinion on the TANF Cluster, the Medicaid Cluster, and the Social Services Block Grant

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion section, the State of Michigan did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster, Medicaid Cluster, and Social Services Block Grant for the fiscal year ended September 30, 2015.

Basis for Qualified Opinion on Certain Major Federal Programs

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements that are applicable to the following major federal programs:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Agriculture	10.551 and 10.561	SNAP Cluster	Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - ADP System for SNAP	2015-003 2015-011 2015-013
U.S. Department of Health and Human Services	93.575 and 93.596	CCDF Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2015-011 2015-013 2015-039

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.568	Low-Income Home Energy Assistance	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility	2015-011 2015-013 2015-059 2015-060
U.S. Department of Health and Human Services	93.658	Foster Care - Title I-VE, including ARRA	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2015-011 2015-012 2015-013 2015-015 2015-016
U.S. Department of Health and Human Services	93.659	Adoption Assistance	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2015-011 2015-012 2015-013 2015-062
U.S. Department of Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2015-064
U.S. Department of Health and Human Services	93.958	Block Grants for Community Mental Health Services	Procurement and Suspension and Debarment and Matching, Level of Effort, and Earmarking	2015-065 2015-066

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance identified in the Basis for Qualified Opinion section, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in the previous paragraph for the fiscal year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 in Findings 2015-011, 2015-013, 2015-020, and 2015-058. Our opinion on each major federal program is not modified with respect to these matters.

The State's management views and planned corrective action related to the noncompliance findings identified in our audit are included in the accompanying schedule of findings and questioned costs, at the end of each finding. The State's management views and planned corrective action were not

subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2015-001, 2015-002, 2015-003, 2015-011, 2015-014, 2015-033, 2015-034, 2015-037, 2015-039, 2015-043, 2015-044, 2015-064, 2015-065, and 2015-066 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-012, 2015-013, 2015-014, 2015-015, 2015-016, 2015-017, 2015-018, 2015-019, 2015-020, 2015-021, 2015-022, 2015-023, 2015-024, 2015-025, 2015-026, 2015-027, 2015-028, 2015-029, 2015-030, 2015-031, 2015-032, 2015-035, 2015-036, 2015-038, 2015-040, 2015-041, 2015-042, 2015-045, 2015-046, 2015-047, 2015-048, 2015-049, 2015-050, 2015-051, 2015-052, 2015-053, 2015-054, 2015-055, 2015-056, 2015-057, 2015-059, 2015-060, 2015-061, 2015-063, 2015-067, and 2015-068 to be significant deficiencies.

The State's management views and planned corrective action related to the internal control over compliance findings identified in our audit are included in the accompanying schedule of findings and questioned costs, at the end of each finding. The State's management views and planned corrective action were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 31, 2015, which contained unmodified opinions on those financial statements and includes references to other auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sincerely,



Doug Ringler
Auditor General
June 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified*

Internal control* over financial reporting:

Material weaknesses* identified? Yes

Significant deficiencies* identified? Yes

Noncompliance or other matters material to the financial statements? No

Federal Awards

Internal control over major federal programs:

Material weaknesses* identified? Yes

Significant deficiencies* identified? Yes

Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget* (OMB) Circular A-133, Section 510(a)? Yes

Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Known Questioned Costs*, and Audit Finding Numbers:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
10.551 and 10.561	SNAP Cluster	Qualified*	(\$6,611)	<u>2015-001</u> <u>2015-002</u> <u>2015-003</u> <u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u>
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	Unmodified	\$0	<u>2015-009</u>
10.565, 10.568, and 10.569	Food Distribution Cluster	Unmodified	\$0	<u>2015-009</u> <u>2015-021</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified	\$0	<u>2015-005</u>
10.558	Child and Adult Care Food Program	Unmodified	\$0	<u>2015-009</u> <u>2015-022</u>
15.605, 15.611, and 15.626	Fish and Wildlife Cluster	Unmodified	\$0	<u>2015-023</u>
17.258, 17.259, and 17.278	WIA Cluster	Unmodified	\$0	Not Applicable
20.205 and 20.219	Highway Planning and Construction Cluster, including ARRA	Unmodified	\$0	<u>2014-024</u>
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, including ARRA	Unmodified	\$0	Not Applicable
66.458	Clean Water State Revolving Fund Cluster	Unmodified	\$0	<u>2015-025</u> <u>2015-026</u> <u>2015-027</u>

* See glossary at end of report for definition.

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified	\$0	<u>2015-009</u> <u>2015-019</u> <u>2015-028</u>
84.010	Title I Grants to Local Educational Agencies	Unmodified	\$20,459	<u>2015-009</u> <u>2015-019</u> <u>2015-020</u> <u>2015-029</u>
84.032G and 84.032L	Federal Family Education Loans - Guaranty Agency and Lender	Unmodified	\$0	Not Applicable
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Unmodified	\$0	<u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u> <u>2015-030</u> <u>2015-031</u>
84.287	Twenty-First Century Community Learning Centers	Unmodified	\$0	<u>2015-009</u> <u>2015-019</u> <u>2015-032</u>
84.367	Improving Teacher Quality State Grants	Unmodified	\$0	<u>2015-009</u> <u>2015-019</u> <u>2015-020</u>
93.558	TANF Cluster	Adverse*	(\$24,803)	<u>2015-001</u> <u>2015-002</u> <u>2015-003</u> <u>2015-004</u> <u>2015-006</u> <u>2015-010</u> <u>2015-011</u> <u>2015-012</u> <u>2015-013</u> <u>2015-014</u> <u>2015-033</u> <u>2015-034</u> <u>2015-035</u> <u>2015-036</u> <u>2015-037</u> <u>2015-038</u>
93.575 and 93.596	CCDF Cluster	Qualified	\$1,572	<u>2015-001</u> <u>2015-002</u> <u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u> <u>2015-039</u> <u>2015-040</u> <u>2015-041</u> <u>2015-042</u>

* See glossary at end of report for definition.

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA	Adverse	\$5,321,270	<u>2015-001</u> <u>2015-002</u> <u>2015-003</u> <u>2015-004</u> <u>2015-005</u> <u>2015-007</u> <u>2015-008</u> <u>2015-010</u> <u>2015-011</u> <u>2015-012</u> <u>2015-013</u> <u>2015-014</u> <u>2015-018</u> <u>2015-043</u> <u>2015-044</u> <u>2015-045</u> <u>2015-046</u> <u>2015-047</u> <u>2015-048</u> <u>2015-049</u> <u>2015-050</u> <u>2015-051</u> <u>2015-052</u> <u>2015-053</u> <u>2015-054</u> <u>2015-055</u> <u>2015-056</u> <u>2015-057</u>
93.268	Immunization Cooperative Agreements	Unmodified	\$0	Not Applicable
93.563	Child Support Enforcement	Unmodified	\$0	<u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u>
93.568	Low-Income Home Energy Assistance	Qualified	(\$17,068)	<u>2015-001</u> <u>2015-002</u> <u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u> <u>2015-059</u> <u>2015-060</u> <u>2015-061</u>
93.658	Foster Care - Title IV-E, including ARRA	Qualified	\$7,628	<u>2015-006</u> <u>2015-010</u> <u>2015-011</u> <u>2015-012</u> <u>2015-013</u> <u>2015-014</u> <u>2015-015</u> <u>2015-016</u> <u>2015-017</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.659	Adoption Assistance	Qualified	\$3,093	<u>2015-006</u> <u>2015-010</u> <u>2015-011</u> <u>2015-012</u> <u>2015-013</u> <u>2015-014</u> <u>2015-062</u> <u>2015-063</u>
93.667	Social Services Block Grant	Adverse	\$179,242	<u>2015-006</u> <u>2015-010</u> <u>2015-011</u> <u>2015-012</u> <u>2015-013</u> <u>2015-014</u> <u>2015-015</u> <u>2015-016</u> <u>2015-017</u>
93.767	Children's Health Insurance Program	Qualified	\$3,777	<u>2015-001</u> <u>2015-002</u> <u>2015-005</u> <u>2015-007</u> <u>2015-008</u> <u>2015-018</u> <u>2015-064</u>
93.958	Block Grants for Community Mental Health Services	Qualified	\$188,103	<u>2015-065</u> <u>2015-066</u> <u>2015-067</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Unmodified	\$0	<u>2015-068</u>
96.001	Disability Insurance/SSI Cluster	Unmodified	\$78	<u>2015-010</u> <u>2015-011</u> <u>2015-013</u> <u>2015-014</u>

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
14.182 and 14.856	Section 8 Project-Based Cluster	Unmodified	\$0	Not Applicable
14.239	Home Investment Partnerships Program	Unmodified	\$0	<u>2015-069</u>
17.225	Unemployment Insurance, including ARRA	Unmodified	\$0	<u>2015-070</u> <u>2015-071</u>

Findings Related to Non-Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
81.042	Weatherization Assistance for Low-Income Persons	Not Applicable	\$114,621	<u>2015-011</u>
93.566	Refugee and Entrant Assistance - State Administered Programs	Not Applicable	\$4,968	<u>2015-011</u> <u>2015-058</u>
93.569	Community Services Block Grant	Not Applicable	(\$96,538)	<u>2015-011</u>

Dollar threshold used to distinguish between type A and type B programs: \$38,008,315

Auditee qualified as a low-risk auditee*? No

Required Reporting Thresholds

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditor to test key controls at a level that would provide sufficient evidence that the established control structure would provide a high probability that material federal program noncompliance would be prevented or detected and corrected. This requires that the auditor set the tolerable exception rate of occurrence at a very low level. During the audit fieldwork, the auditor, in close consultation with the auditee, identifies the key controls that the auditee has established to ensure federal program compliance. In those cases in which the auditor's tests of key controls identify exception rates in excess of the tolerable exception rate of occurrence, the auditor must generally report the observed exception rate in the report finding.

Further, OMB Circular A-133 requires the auditor to report in Section III of the audit report known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major federal program and known questioned costs that are less than \$10,000 for a type of compliance requirement for a major federal program if it is likely that total questioned costs would exceed \$10,000.

As a result of these low required reporting thresholds, the reader may note that, in some cases, the observed exception rates of occurrence and reported known questioned costs appear insignificant in relation to the overall federal expenditures of the auditee. After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a management decision within six months of the receipt of the audit report. The management decision may include a request for the return of the known questioned costs.

Section II: Findings Related to the Financial Statements and Schedule of Expenditures of Federal Awards

The findings related to the financial statements are reported in the Report on Internal Control, Compliance, and Other Matters for the *State of Michigan Comprehensive Annual Financial Report* (071-0010-16), located at www.audgen.michigan.gov.

We did not report any findings related to the schedule of expenditures of federal awards.

* See glossary at end of report for definition.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING 2015-001

Bridges Interface and Change Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Award Identification Number and Year	EBT - 2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$2,539,434,649
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 15 02 MI TANF 10/01/2013 - Until Expended 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Child Support Noncooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF G 15 03 MI CCDF 10/01/2013 - 09/30/2014 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment

Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-001
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Award Identification Number and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 14 B1 MI LIEA 10/01/2013 - 09/30/2015 G 14 01 MI LIEA 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$169,145,467
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Award Identification Number and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1505MI5R21 10/01/2014 - 09/30/2015 05-1505MICECF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking

Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Background

The Michigan Department of Health and Human Services (MDHHS) uses the Bridges Integrated Automated Eligibility Determination System* (Bridges) for determining eligibility and benefit amounts for food assistance, cash assistance, child care assistance, medical assistance, and emergency assistance programs. Our auditing procedures included a review of certain information technology* (IT) general controls* designed for Bridges that were significant to Bridges' eligibility determination and benefit calculation functionality. Our auditing procedures also included follow-up and review of the control weaknesses related to interface processing controls and change controls* reported in our IT performance audit of Interface and Change Controls of the Bridges Integrated Automated Eligibility Determination System, Department of Human Services and Department of Technology, Management, and Budget (431-0591-12), located at www.audgen.michigan.gov.

Condition

MDHHS and the Department of Technology, Management, and Budget (DTMB) did not ensure that effective interface and change controls were implemented for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP).

For purposes of the single audit, we concluded that Finding #1, Interface Processing Controls (parts b. and c.); Finding #5, Data-Sharing Agreements; Finding #6, Bridges Change Controls (part c.); Finding #7, ClearCase and ClearQuest Access (parts a., b.(1), and c.); and Finding #8, Segregation of Duties (part b.), reported in the IT performance audit were collectively a material weakness impacting the Bridges application and data used to help determine eligibility and benefit level for these programs.

Criteria

OMB Circular A-133, Section 300(b) and Title 2, Part 200, section 303 of the *Code of Federal Regulations** (CFR) require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of the federal programs.

Federal regulations 7 CFR 272.8(a)(4), 45 CFR 205.58, and 42 CFR 435.945(i) require MDHHS to execute data-sharing agreements with agencies from which MDHHS requests and obtains income and eligibility information.

Cause

Causes for each finding can be found in the IT performance audit of Interface and Change Controls of the Bridges Integrated Automated Eligibility Determination System, Department of Human Services and Department of Technology, Management, and Budget.

* See glossary at end of report for definition.

Effect

MDHHS and DTMB's weaknesses in maintaining sufficient internal control over federal program compliance could result in noncompliance that will not be detected or corrected in a timely manner.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB ensure that effective interface and change controls are implemented for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, LIHEAP, and CHIP.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

MDHHS and DTMB will implement effective interface and change controls for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, LIHEAP, and CHIP.

Anticipated Completion Date:

July 31, 2019, subject to the pending Medicaid Modernization Project schedule.

Responsible Individual(s):

Business Integration Center, Michigan Department of Health and Human Services
Business Relation Management, Department of Technology, Management, and Budget

FINDING 2015-002

Bridges Security Management and Access Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Award Identification Number and Year	EBT - 2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$2,539,434,649
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Child Support Noncooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-002
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs	\$0

Repeat Finding	2014-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Award Identification Number and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 14 B1 MI LIEA 10/01/2013 - 09/30/2015 G 14 01 MI LIEA 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$169,145,467
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2014-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Award Identification Number and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1505MI5R21 10/01/2014 - 09/30/2015 05-1505MICECF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security* management and access controls* over Bridges users. We noted:

- a. MDHHS did not properly approve Bridges' incompatible role exception requests for 7 (32%) of 22 sampled users.
- b. MDHHS did not maintain documentation for 5 (13%) of 40 sampled security monitoring reports. Also, MDHHS did not complete timely reviews for 10 (29%) of 35 security monitoring reports sampled.

* See glossary at end of report for definition.

- c. DTMB did not fully establish and implement effective security configurations* for the Bridges database. The Bridges database management systems* contained potentially vulnerable database configurations. Because of the confidentiality of database configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.
- d. MDHHS did not consistently follow its established controls over the granting of access to Bridges. Our review disclosed that 4 (10%) of 41 sampled Bridges application security agreements were not properly approved.
- e. DTMB did not fully establish and implement effective security and access controls over the operating system* for Bridges servers. Our review disclosed potentially vulnerable operating system configurations. Because of the confidentiality of operating system configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

DTMB Administrative Guide policy 1335 requires the establishment of a process for controlling and documenting the allocation of user access rights based on current job responsibilities for State IT resources, including networks, operating systems, data, databases, and applications. The policy also requires that processes be established to ensure that segregation of duties* is enforced and that access is managed, controlled, and periodically reviewed to ensure that user access is based on the principle of least privilege. In addition, the U.S. Government Accountability Office's (GAO's) Federal Information System Controls Audit Manual* (FISCAM) recommends that compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties' conflicts exist.

Cause

For part a., MDHHS informed us that internal control and monitoring activities were not sufficient to ensure that incompatible role exception requests were approved and maintained.

For part b., MDHHS informed us that monthly monitoring reports are only retained for one year.

For part c., DTMB informed us that database-specific configuration standards had not been fully implemented at the time of our review.

For part d., MDHHS's security officers did not always follow MDHHS's process for granting access to Bridges or MDHHS misplaced the security forms.

For part e., DTMB informed us that some of the operating system weaknesses resulted from default manufacturer configurations and recommendations that required further evaluation. In addition, DTMB had not evaluated and established standards for all operating system configurations.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to Bridges. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the confidentiality*, integrity*, and security of the Bridges application and data used to help determine eligibility and benefit levels for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, LIHEAP, and CHIP.

* See glossary at end of report for definition.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB establish effective security management and access controls over Bridges users.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with part a. and parts c. through e. of the finding. MDHHS disagrees with part b. State Administrative Rule 0910.02, Records Retention and Disposal Schedules, states Retention and Disposal Schedules provide the only legal authorization to destroy Michigan government records and each agency is required to have Retention and Disposal Schedules. Retention and Disposal Schedules are reviewed and approved by the agency's authorized representative, Records Management Services, Archives of Michigan, Attorney General, Auditor General, and State Administrative Board. The approved retention schedule for the security monitoring reports is a one year retention period. The five reports cited in the finding were outside of the approved one year retention period.

Planned Corrective Action:

MDHHS and DTMB will perform the following corrective actions:

For part a., MDHHS will create/modify documentation and review training with Local Office Security Coordinators (LOSCs) on a quarterly basis.

For part b., although MDHHS disagrees, it will modify its retention cycle to a two year period. To address timeliness of reviews, MDHHS will create/modify documentation and review training with LOSCs on a quarterly basis.

For part c., MDHHS and DTMB will work with the business owners and vendor to establish and implement effective security configurations for the database management system.

For part d., MDHHS will modify documentation related to procedure and review training with the LOSC on a quarterly basis.

For part e., MDHHS and DTMB Technical Services will work with the technical owners, business owners, and vendor to establish and implement effective security management and access controls over the operating system for Bridges servers.

Anticipated Completion Date:

- a. November 1, 2016
- b. November 1, 2016
- c. June 30, 2017
- d. November 1, 2016
- e. July 15, 2017

Responsible Individual(s):

Business Integration Center, Michigan Department of Health and Human Services
Business Relation Management, Department of Technology, Management, and Budget
Technical Services, Department of Technology, Management, and Budget

FINDING 2015-003Income Eligibility and Verification System

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Award Identification Number and Year	EBT - 2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$2,539,434,649
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	2014-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Special Tests and Provisions - Income Eligibility and Verification System
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	2014-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	2014-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Background

MDHHS's automated data processing (ADP) system for the SNAP, TANF, and Medicaid Clusters is Bridges. Bridges obtains and utilizes information from the Income Eligibility and Verification System (IEVS) to verify the eligibility and benefit levels of applicants and participating households for these federal programs. To obtain IEVS information, Bridges conducts approximately 15 data exchanges through interfaces with various governmental agencies. Bridges disseminates the IEVS information obtained from the majority of these interfaces through electronic notifications in Bridges to the recipients' MDHHS county/district office caseworkers to manually consider and take action to determine the recipients' eligibility and benefit levels of the SNAP, TANF, and Medicaid Clusters. Some interfaces automatically update Bridges with the IEVS information and determine the recipients' eligibility and benefit levels.

Condition

MDHHS and DTMB did not request and obtain IEVS information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs. We noted:

- a. MDHHS and DTMB had not fully established effective processing controls over Bridges interfaces to ensure that the data exchanged between Bridges and IEVS data sources was processed accurately, completely, and timely (see Finding 2015-001, Bridges Interface and Change Controls).
- b. For 2 (17%) of 12 IEVS interfaces requiring manual caseworker consideration and action, MDHHS did not maintain sufficient documentation to support that county/district office caseworkers considered and utilized the IEVS information to determine eligibility and benefit level for each recipient in 8 (40%) of 20 cases reviewed.
- c. MDHHS had not established a process to review and monitor the electronic notifications provided to county/district office caseworkers to ensure that the county/district office caseworkers utilized the IEVS information to determine the recipients' eligibility. For 8 (73%) of the 11 IEVS interfaces with electronic notifications, county/district office caseworkers could manually mark electronic notifications as complete without utilizing the IEVS information to determine the recipients' eligibility.
- d. MDHHS did not include all recipients funded by the TANF Cluster adoption subsidies in the IEVS interfaces conducted during the audit period.

Criteria

Federal regulation 7 *CFR* 272.10 requires all state agencies to sufficiently automate their food program operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information. Also, federal regulation 7 *CFR* 272.10(b) states that, in order to meet the requirements, a food stamp system must be automated for certification and meet the requirements of IEVS. In addition, federal regulation 7 *CFR* 273.2(f)(9) permits state agencies to obtain information through IEVS from provider agencies and use it to verify the eligibility and benefit levels of applicants and participating households. Federal regulation 7 *CFR* 273.2(f)(9) also requires the state agency to take action to terminate, deny, or reduce benefits based on information obtained through the IEVS processes. Further, federal regulations 7 *CFR* 272.8(c) and 7 *CFR* 272.8(e) require that the state agency must timely document information obtained through the IEVS both when an adverse action is and is not instituted.

Federal regulations 45 *CFR* 205.55 and 42 *CFR* 435.948 for the TANF and Medicaid Clusters, respectively, require states to request information through IEVS for wages, unemployment compensation, Social Security Administration information, and unearned income from the Internal Revenue Service at the first opportunity following receipt of an application for assistance. Also, federal regulations 45 *CFR* 205.56, 42 *CFR* 435.948, and 42 *CFR* 435.952 require states to timely use the IEVS information to determine an individual's eligibility and the amount of assistance available.

Cause

For part a., MDHHS and DTMB informed us that there were various reasons why they had not established effective controls over Bridges interfaces (see Finding 2015-001, Bridges Interface and Change Controls).

For parts b. and c., MDHHS did not have information available to identify if the IEVS interface information was appropriately utilized in determining recipients' eligibility when county/district office caseworkers marked electronic notifications as complete.

For part d., MDHHS informed us that it met with DTMB to discuss system requirements but had not established a process to include these recipients in the IEVS interfaces.

Effect

MDHHS may have provided SNAP, TANF, and Medicaid Cluster benefits to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendations

We recommend that MDHHS and DTMB request and obtain IEVS information for all recipients.

We also recommend that MDHHS ensure that county/district office caseworkers consider and use IEVS information when making eligibility and benefit level determinations for these programs.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

For part a., MDHHS and DTMB will implement effective interface and change controls for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, and LIHEAP.

For parts b. and c., MDHHS Field Operations Administration (FOA) will continue to educate local office staff on policies, procedures, and required verification needed while determining eligibility at program opening, redetermination, and with ongoing changes. FOA will also create a work group to assess potential system changes for Task and Reminders (T&R) and how the workers view, address, and dispose of the T&R. A work request (WR) will be written when any problematic issues can be clearly identified.

For part d., MDHHS Children's Services Administration identified the data elements that are to be shared between the Michigan Statewide Automated Child Welfare Information System (MiSACWIS) and Bridges for the IEVS match process; however, project requirements have not yet been identified so that WRs can be written and prioritized through the information technology governance process.

Anticipated Completion Date:

- a. July 31, 2019, subject to the pending Medicaid Modernization Project Schedule.
- b. and c. Issuance of the FOA Memo for local office staff education by October 2016. MDHHS expects the work group to be completed by December 2016, with a WR written if needed.
- d. MDHHS expects to have any WRs written and prioritized by December 31, 2016.

Responsible Individual(s):

Terry Beurer, Michigan Department of Health and Human Services
 Steve Yager, Michigan Department of Health and Human Services
 Dawn Ritter, Michigan Department of Health and Human Services
 Veronica Maxson, Michigan Department of Health and Human Services
 Kim Chapin, Michigan Department of Health and Human Services
 Business Integration Center, Michigan Department of Health and Human Services
 Business Relation Management, Department of Technology, Management, and Budget

FINDING 2015-004
ADP Security Program

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Child Support Noncooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-004
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)

Award Identification Number and Year	05-1505MI5MAP 05-1505MI5ADM	10/01/2014 - 09/30/2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Special Tests and Provisions - ADP Risk Analysis and System Security Review	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-004	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Condition

MDHHS and DTMB did not ensure that a comprehensive ADP security program was established for information systems used to administer their federal programs.

For 13 significant systems reviewed, MDHHS and DTMB did not have a disaster recovery plan for 4 (31%) systems.

Criteria

Federal regulation 45 *CFR* 95.621 makes state agencies responsible for security of information systems used to administer federal programs. In part, the regulations require state agencies to establish a security plan and policies and procedures to address disaster recovery. In addition, OMB Circular A-133, Section 300(b) and federal regulation 2 *CFR* 200.303 require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of the federal programs.

Cause

DTMB assists all State departments with their technology needs, including developing security plans and preparing and testing disaster recovery plans. MDHHS and DTMB indicated that they have focused resources on federal and State mandates while also maintaining operational needs and addressing IT security risks highlighted in prior audits. MDHHS and DTMB indicated that limited resources have caused delays in the completion of a comprehensive ADP security program.

Effect

MDHHS cannot demonstrate that it has implemented effective controls to ensure the integrity, availability, and confidentiality of its information systems and, as a result, cannot ensure that it complies with applicable federal compliance requirements, such as the Medicaid Cluster special tests and provisions - ADP risk analysis and system security review requirement. The federal grantor agency could issue sanctions and/or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB ensure that a comprehensive ADP security program is established for information systems used to administer federal programs.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

MDHHS and DTMB will work with the business owners to develop a timeline for completion of all outstanding system ADP security programs and to implement the ADP security programs.

Anticipated Completion Date:

The timeline for completion of the outstanding system ADP security programs will be completed by July 31, 2016. The implementation dates for the specific system ADP security programs will be in accordance with the timeline.

Responsible Individual(s):

Business Integration Center, Michigan Department of Health and Human Services
Business Relationship Managers, Department of Technology, Management, and Budget

FINDING 2015-005

High-Risk Security and Access Controls

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557	
Award Identification Number and Year	2MI700003	10/01/2014 - 09/30/2015
	2MI700013	10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$171,448,620	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-005	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5MAP	10/01/2014 - 09/30/2015
	05-1505MI5ADM	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	

Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP Risk Analysis and System Security Review
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-005
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: <i>CFDA 93.767</i>
Award Identification Number and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1505MI5R21 10/01/2014 - 09/30/2015 05-1505MICECF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls for significant systems used to administer federal programs. Our review of selected security management and access controls disclosed:

- a. DTMB did not fully establish and implement effective security configurations for the Community Health Automated Medicaid Processing System (CHAMPS) and the Michigan Women, Infants, and Children Information System (MI-WIC) databases. The CHAMPS and MI-WIC database management systems contained potentially vulnerable database configurations. Because of the confidentiality of database configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.
- b. MDHHS did not maintain authorization forms or other documentation for all users with the Customer Relationship Management (CRM) system access to support authorization and level of access required for their job responsibilities. The CRM system is used to track service requests, such as Medicaid fraud referrals and complaints.

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer U.S. Department of Health and Human Services (HHS) federal programs. OMB Circular A-133, Section 300(b) and federal regulation 2 *CFR* 200.303 require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws,

regulations, and provisions of contracts or grant agreements that could have a material effect on each of the federal programs. In addition, according to the GAO's FISCAM, security settings should be configured to the most restrictive mode consistent with the agencies' requirements.

Cause

For part a., MDHHS and DTMB informed us that they have focused their available CHAMPS and MI-WIC resources on federal and State mandates, maintaining operational needs, and addressing the IT security risks highlighted in prior audits. Limitations in available resources for MDHHS and DTMB have caused delays in completing the implementation of the specified user access controls and database-security interfaces for CHAMPS and MI-WIC.

For part b., MDHHS informed us that it did not have sufficient processes in place to ensure that proper documentation was retained, which verified authorization and appropriate level of access.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to data.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB establish effective security management and access controls for significant systems used to administer federal programs.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

For part a., MDHHS and DTMB will work with the business owners and vendors to establish and implement effective database security management and access controls over the operating systems for CHAMPS and MI-WIC.

For part b., MDHHS is in the process of migrating CRM to MiLogin. Once that is completed, the approval process will become part of the database security application and all approvals will be handled electronically.

Anticipated Completion Date:

September 30, 2016

Responsible Individual(s):

Business Integration Center, Michigan Department of Health and Human Services
Business Relationship Managers, Department of Technology, Management, and Budget
Application Business Owners, Michigan Department of Health and Human Services

FINDING 2015-006**MiSACWIS Security Management and Access Controls**

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	TANF Cluster: CFDA 93.558	
Award Identification Number and Year	14 02 MI TANF	10/01/2013 - Until Expended
	15 02 MI TANF	10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-006	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)	
Award Identification Number and Year	14 01 MI 1401	10/01/2013 - 09/30/2014
	15 01 MI 1401	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057	
Total ARRA Expenditures	(\$2,457)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-006	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659	
Award Identification Number and Year	1501MIADPT	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-006	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	1501MISOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls over the Michigan Statewide Automated Child Welfare Information System (MiSACWIS). We noted:

- a. MDHHS did not establish effective controls over granting access to MiSACWIS to ensure that granted access was not in excess of the access authorized on the security agreement and that the authorized requestor signed the security agreements.
- b. MDHHS did not implement compensating controls, such as monitoring, for users that had an approved incompatible role exception request form (DHS 1029) completed.
- c. DTMB did not fully establish and implement effective security configurations for the MiSACWIS database. The MiSACWIS database management system contained potentially vulnerable database configurations. Because of the confidentiality of database configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.
- d. DTMB had not fully established and implemented effective security management and access controls over the operating system for MiSACWIS servers. Our review of one judgmentally sampled server that contained MiSACWIS data disclosed potentially vulnerable operating system configurations. Because of the confidentiality of operating system configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

DTMB Administrative Guide policy 1335 requires the establishment of a process for controlling and documenting the allocation of user access rights based on current job responsibilities for State IT resources, including networks, operating systems, data, databases, and applications. The policy also requires that processes be established to ensure that segregation of duties is enforced and that access be managed, controlled, and periodically reviewed to ensure that user access is based on the principle of least privilege. In addition, the GAO's FISCAM recommends that compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties' conflicts exist.

Cause

For part a., MDHHS had not implemented planned corrective action by the end of the audit period. MDHHS informed us that local office security coordinators and security administrators did not follow established policies and procedures regarding granting MiSACWIS access.

For part b., MDHHS had not implemented planned corrective action by the end of the audit period. When MDHHS converted current Services Worker Support System (SWSS) users into MiSACWIS, it had not yet defined incompatible roles in MiSACWIS. Once incompatible roles were established, MDHHS did not review the access granted to MiSACWIS users to determine if any users were given incompatible roles and make changes or implement compensating controls as appropriate.

For part c., DTMB informed us that it had not fully implemented database configuration standards.

For part d., DTMB informed us that some of the operating system weaknesses resulted from default manufacturer configurations and recommendations that required further evaluation. In addition, DTMB had not evaluated and established standards for operating system configurations.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to MiSACWIS. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the confidentiality, integrity, and security of the MiSACWIS application and data used to help determine eligibility and benefits for the TANF Cluster, Foster Care - Title IV-E, Adoption Assistance, Social Services Block Grant, and Chafee Foster Care Independence Program.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB establish effective security management and access controls over MiSACWIS.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

For part a., MDHHS began conducting LOSC monthly webinars in 2014; the MiSACWIS application was included in June 2015. The webinars are hosted by MDHHS Application Security and the purpose is to discuss roles and responsibilities of the LOSCs and system improvements which impact the user roles that potentially impact security granted by the LOSCs. In addition, communications were issued to MDHHS external partners regarding MiSACWIS security forms and user groups.

For part b., MDHHS completed a project review on December 31, 2015 of incompatible roles and ensured that the DHS-1029 (Request for Incompatible Roles) was completed for those who had a business need for the incompatible roles. In addition, MDHHS recently

completed a review of roles that were identified as incompatible after the MiSACWIS rollout. The review disclosed that most incompatible role requests were related to one user group. MDHHS reviewed the system and business processes for that role. MDHHS determined that with the system enhancements that were put in place, the risk of improper authorizations and billings has been mitigated. MDHHS is in the process of updating its policies for incompatible roles for the MiSACWIS application.

For parts c. and d., DTMB believes these issues will be resolved once the database is moved to a Criminal Justice Information Services (CJIS) compliant zone.

Anticipated Completion Date:

- a. and b. November 30, 2016
- c. and d. October 1, 2016

Responsible Individual(s):

Kim Chapin, Michigan Department of Health and Human Services
 Carol Kraklan, Michigan Department of Health and Human Services
 Business Integration Center, Michigan Department of Health and Human Services
 Business Relation Management, Department of Technology, Management, and Budget

Finding 2015-007

CHAMPS Security and Access Controls

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5ADM	10/01/2014 - 09/30/2015
	05-1505MI5MAP	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP Risk Analysis and System Security Review	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-007	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767	
Award Identification Number and Year	05-1505MI1081	10/01/2014 - 09/30/2016
	05-1505MI5021	10/01/2014 - 09/30/2016
	05-1505MI5R21	10/01/2014 - 09/30/2015
	05-1505MICECF	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250	
Total ARRA Expenditures	Not Applicable	

Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

DTMB did not fully establish and implement effective security and access controls over the operating system for CHAMPS servers. Our review disclosed potentially vulnerable operating system configurations. Because of the confidentiality of operating system configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer HHS federal programs. OMB Circular A-133, Section 300(b) and federal regulation 2 *CFR* 200.303 require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of the federal programs.

DTMB Technical Standard 1340.00.03 requires the secure establishment, maintenance, and administration of servers, including the operating system software and data residing on the servers. To achieve a secure operating system, the standard requires that controls be established to protect information and resources from unauthorized access.

Cause

MDHHS and DTMB informed us that they have focused their available CHAMPS resources on federal and State mandates, maintaining operational needs, and addressing the IT security risks highlighted in prior audits. Limitations in available resources for MDHHS and DTMB have caused delays in completing the implementation of security and access controls for the CHAMPS servers.

Effect

DTMB cannot ensure that CHAMPS data and application files are protected from unauthorized modification, loss, or disclosure.

Known Questioned Costs

None.

Recommendation

We recommend that DTMB fully establish and implement effective security and access controls over the operating system for CHAMPS servers.

Management Views and Corrective Action Plan

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

MDHHS and DTMB will work with the business owners and vendor to establish and implement effective security and access controls over the operating system for CHAMPS servers.

Anticipated Completion Date:

October 1, 2016

Responsible Individual(s):

Business Integration Center, Michigan Department of Health and Human Services
Business Relationship Manager, Department of Technology, Management, and Budget

FINDING 2015-008

CHAMPS Claims Edits

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5ADM	10/01/2014 - 09/30/2015
	05-1505MI5MAP	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP Risk Analysis and System Security Review	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-008	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767	
Award Identification Number and Year	05-1505MI1081	10/01/2014 - 09/30/2016
	05-1505MI5021	10/01/2014 - 09/30/2016
	05-1505MI5R21	10/01/2014 - 09/30/2015
	05-1505MICECF	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Condition

As originally reported in our performance audit of Community Health Automated Medicaid Processing System (CHAMPS) Claims Edits, Department of Community Health and Department of Technology, Management, and Budget (391-0525-14), MDHHS and DTMB had not fully established effective logical access and change management controls over CHAMPS claims edits. We conducted follow-up procedures during this audit and identified one reportable condition that continued to impact single audit conclusions related to implementing adequate internal control over the creation of CHAMPS claims alternate edit dispositions (Finding #4, part b.).

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer HHS federal programs. OMB Circular A-133, Section 300(b) and federal regulation 2 *CFR* 200.303 require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of the federal programs.

Cause

MDHHS informed us that it has focused its available CHAMPS resources on federal and state mandates and maintaining operational needs. Limitations in available resources have delayed full implementation of all additional controls over CHAMPS claims edit alternative dispositions to September 2016.

Effect

Control deficiencies over the creation of claims edit dispositions may allow inappropriate edit dispositions to go undetected by management and ultimately impact medical claims payments.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB fully establish effective logical access and change management controls over the CHAMPS claims edit rules application.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has requested that its contractor develop a reporting mechanism that enables managers to verify the appropriateness and accuracy of alternate dispositions entered in CHAMPS and will prioritize development and implementation for the next available CHAMPS release.

Anticipated Completion Date:

September 2016

Responsible Individual(s):

Susan Klein, Michigan Department of Health and Human Services

FINDING 2015-009

MDE, IT Security and Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Nutrition Cluster: <i>CFDA</i> 10.553, 10.555, 10.556, and 10.559
Award Identification Number and Year	2MI300060 10/01/2011 - 09/30/2012 2MI300060 10/01/2012 - 09/30/2013 2MI300060 10/01/2013 - 09/30/2014 2MI300060 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$406,761,784
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-009
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Food Distribution Cluster: <i>CFDA</i> 10.565, 10.568, and 10.569
Award Identification Number and Year	2MI810053 10/01/2013 - 09/30/2014 2MI810053 10/01/2014 - 09/30/2015 2MI430124 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$42,028,604
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-009
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child and Adult Care Food Program: <i>CFDA</i> 10.558
Award Identification Number and Year	2MI300069 10/01/2014 - 09/30/2016 2MI310266 06/06/2014 - 12/15/2015 2MI300060 10/01/2014 - 09/30/2015 2MI300069 10/01/2013 - 09/30/2015 2MI300060 10/01/2013 - 09/30/2014 2MI300069 10/01/2012 - 09/30/2014 2MI300060 10/01/2012 - 09/30/2013

	2MI300060 2MI300060	10/01/2011 - 09/30/2012 10/01/2004 - 09/30/2005
Total Expenditures of Federal Awards	\$66,855,859	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-009	
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173	
Award Identification Number and Year	H027A120110	07/01/2012 - 09/30/2013
	H027A120110-12A	07/01/2012 - 09/30/2013
	H173A120117	07/01/2012 - 09/30/2013
	H027A130144	07/01/2013 - 09/30/2014
	H027A130144-13A	07/01/2013 - 09/30/2014
	H173A130117	07/01/2013 - 09/30/2014
	H027A140110	07/01/2014 - 09/30/2015
	H027A140110-14A	07/01/2014 - 09/30/2015
	H173A140117	07/01/2014 - 09/30/2015
	H027A150110	07/01/2015 - 09/30/2016
	H173A150117	07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$401,195,859	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-009	
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010	
Award Identification Number and Year	S010A090022	07/01/2009 - 09/30/2010
	S010A090022A	07/01/2009 - 09/30/2010
	S010A100022	07/01/2010 - 09/30/2011
	S010A100022A	07/01/2010 - 09/30/2011
	S010A110022	07/01/2011 - 09/30/2012
	S010A110022-11A	07/01/2011 - 09/30/2012
	S010A110022-11B	07/01/2011 - 09/30/2012

	S010A120022	07/01/2012 - 09/30/2013
	S010A120022-12A	07/01/2012 - 09/30/2013
	S010A130022	07/01/2013 - 09/30/2014
	S010A130022-13A	07/01/2013 - 09/30/2014
	S010A140022	07/01/2014 - 09/30/2015
	S010A140022-14A	07/01/2014 - 09/30/2015
	S010A140022-14B	07/01/2014 - 09/30/2015
	S010A150022	07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$515,403,752	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Reporting; Subrecipient Monitoring; and Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-009	
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Twenty-First Century Community Learning Centers: CFDA 84.287	
Award Identification Number and Year	S287C110022	07/01/2011 - 09/30/2012
	S287C110022-11A	07/01/2011 - 09/30/2012
	S287C120022	07/01/2012 - 09/30/2013
	S287C120022-12A	07/01/2012 - 09/30/2013
	S287C130022	07/01/2013 - 09/30/2014
	S287C130022-13A	07/01/2013 - 09/30/2014
	S287C140022	07/01/2014 - 09/30/2015
	S287C150022	07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,299,971	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-009	
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Improving Teacher Quality State Grants: CFDA 84.367	
Award Identification Number and Year	S367A110021	07/01/2011 - 09/30/2012
	S367A110021-11A	07/01/2011 - 09/30/2012

	S367A110021-11B	07/01/2011 - 09/30/2012
	S367A120021	07/01/2012 - 09/30/2013
	S367A120021-12A	07/01/2012 - 09/30/2013
	S367A130021	07/01/2013 - 09/30/2014
	S367A130021-13A	07/01/2013 - 09/30/2014
	S367A140021	07/01/2014 - 09/30/2015
	S367A140021-14A	07/01/2014 - 09/30/2015
	S367A140021-14B	07/01/2014 - 09/30/2015
	S367B100019	07/01/2010 - 09/30/2011
	S367B100019A	07/01/2010 - 09/30/2011
	S367B110019	07/01/2011 - 09/30/2012
	S367B110019-11A	07/01/2011 - 09/30/2012
	S367B110019-11B	07/01/2011 - 09/30/2012
	S367B120019	07/01/2012 - 09/30/2013
	S367B120019-12A	07/01/2012 - 09/30/2013
	S367B130019	07/01/2013 - 09/30/2014
	S367B130019-13A	07/01/2013 - 09/30/2014
	S367B140019	07/01/2014 - 09/30/2015
	S367B140019-14A	07/01/2014 - 09/30/2015
	S367B140019-14B	07/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$93,262,583	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-009	
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget	

Condition

The Michigan Department of Education (MDE) and DTMB did not fully establish effective general controls over the Michigan Electronic Grants System Plus (MEGS+), Cash Management System (CMS), and Food Nutrition System - Fiscal Reporting System (FNS-FRS). Our review of selected general controls disclosed:

- a. MDE established 2 generic privileged user accounts in the FNS-FRS production environment. MDE closed these accounts once notified that they were created in production.
- b. MDE did not have controls in place to restrict MEGS+ users from having multiple accounts, which increases the risk that incompatible roles will be assigned to a single user and allow the user to bypass established system controls. We identified 3 users with multiple roles that would allow them to bypass controls established in the system. In addition, MDE did not have language in its MEGS+ access policy to address multiple roles. MDE removed the conflicting access once notified of this risk.
- c. MDE and DTMB did not monitor the activity of its privileged database users. DTMB informed us that it had established a process for logging the privileged activity and is working on documenting its monitoring activities.

- d. MDE needs to enhance its emergency change control procedures to specify when emergency software changes are warranted; who may authorize emergency changes; how the emergency change is documented; and within what period after implementation the change must be tested and approved.
- e. MDE did not obtain documented approvals from authorized individuals prior to implementing all FNS-FRS Michigan Nutrition Data (MiND) changes. For 3 (50%) of 6 FNS-FRS MiND changes, MDE did not document its approval to implement the change in production.

Criteria

According to the GAO's FISCAM, access to the database management system should be controlled and monitored because direct access to the database management system could allow an individual to bypass application controls* or gain unauthorized access to the operating system. Also, according to FISCAM, entities should apply security policies and procedures addressing user identification and authentication that include the owner identifying the nature and extent of access that should be available for each user and approving user access to the application and data.

Cause

For part a., MDE informed us that these user accounts were supposed to be created in the quality assurance environment for testing purposes, but their security administrator inadvertently created them in the production environment.

For part b., MDE informed us that an oversight in their user access review process allowed these users to be granted multiple user accounts that would allow them to bypass controls.

For part c., MDE and DTMB informed us that they needed to create an automated report to assist in the monitoring of changes to the database by nonsystem accounts.

For part d., MDE informed us that it needed to update its emergency change control procedures to account for the full range of possible situations.

For part e., MDE informed us that for 2 of 3 exceptions it did not follow its change control procedures. In addition, MDE informed us that it needed to update its procedures to ensure that they are comprehensive and address the most common situations.

Effect

Without effective security and access controls, individuals may obtain unauthorized or inappropriate access to MEGS+, CMS, and FNS-FRS. As a result, an increased risk exists that MDE and DTMB cannot ensure the confidentiality, integrity, and security of MEGS+, CMS, and FNS-FRS and their data.

Known Questioned Costs

None.

Recommendation

We recommend that MDE and DTMB fully establish effective general controls over MEGS+, CMS, and FNS-FRS.

* See glossary at end of report for definition.

Management Views and Corrective Action Plan

Management Views:

MDE and DTMB agree with the finding.

Planned Corrective Action:

For part a., MDE maintains a block of Michigan Education Information System accounts that are used for testing purposes. The accounts have been removed from the production database.

For part b., MDE intentionally did not restrict users from having multiple accounts in order to support users that performed several functions per their position description. Controls were in place to review user actions with multiple accounts. In order to comply with the current audit finding, MDE has adopted a "one-user, one-role" policy and will ensure that multiple accounts are disabled. MDE will deny requests for multiple accounts to perform multiple roles. Access controls were updated to prevent the need for users to have two accounts to function in their assigned roles. MDE will annually monitor all user accounts for users with multiple accounts.

For part c., the DTMB database administrator team will monitor database activity weekly. The procedure will include the review of an automated report which logs every time a person, not a system, accesses the databases on production. Only activities which alter data will be reviewed. When resources are available, the report review will be completed by a person that does not have the privileged access (either a manager or another DTMB role).

For part d., DTMB updated the MDE change management policies, modifying the emergency change procedures to address the recommendations in the finding. MDE program staff will work with DTMB staff to ensure that the procedures are followed.

For part e., prior to implementing changes to any FNS-FRS system, program office staff will document approval. As noted in part d., MDE and DTMB updated the change management procedures for all MDE systems, including FNS-FRS. MDE reviewed each of the changes cited in the finding. By updating and following the updated procedures, MDE will be able to ensure that proper documentation is obtained prior to requesting changes to production. DTMB staff will request confirmation of proper documentation prior to promoting any changes to the production environment.

Anticipated Completion Date:

- a. Completed
- b. Completed
- c. The monitoring reporting process was implemented on April 25, 2016. Monitoring by a non-privileged user will be implemented by August 1, 2016.
- d. Completed
- e. Completed

Responsible Individual(s):

- a. Louis Burgess, Michigan Department of Education
- b. Louis Burgess, Michigan Department of Education
- c. Tom Bell, Department of Technology, Management, and Budget
- d. Louis Burgess, Michigan Department of Education
Maria Thomas, Department of Technology, Management, and Budget
- e. Louis Burgess, Michigan Department of Education
Maria Thomas, Department of Technology, Management, and Budget

FINDING 2015-010**MDHHS, PACAP - Accuracy of the PACAP**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Award Identification Number and Year	EBT - 2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$2,539,434,649
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Award Identification Number and Year	H126A140090 10/01/2013 - 09/30/2014 H126A150090 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$97,962,435
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015

Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5MAP	10/01/2014 - 09/30/2015
	05-1505MI5ADM	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-010, part b.	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563	
Award Identification Number and Year	1404MI005	10/01/2013 - 09/30/2014
	1504MICSES	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$165,164,894	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568	
Award Identification Number and Year	G 14 B1 MI LIEA	10/01/2013 - 09/30/2015
	G 14 01 MI LIEA	10/01/2013 - 09/30/2015
	G 15 B1 MI LIEA	10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$169,145,467	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-010, part b.	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)
Award Identification Number and Year	14 01 MI 1401 10/01/2013 - 09/30/2014 15 01 MI FOST 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057
Total ARRA Expenditures	(\$2,457)
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Award Identification Number and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	15 01 MI SOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Federal Agency	Social Security Administration
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001
Award Identification Number and Year	1304MIDI00 10/01/2012 - 09/30/2013 1404MIDI00 10/01/2013 - 09/30/2014 1504MIDI00 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$89,496,771
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency

Known Questioned Costs	\$0
Repeat Finding	2014-010, part b.
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it had an accurate narrative in its amended Public Assistance Cost Allocation Plan (PACAP). We noted for 4 (24%) of 17 sampled cost pools that MDHHS did not accurately indicate the appropriate cost pool coding used in the amended PACAP.

Criteria

Federal regulation 45 *CFR* 95.507 requires MDHHS's PACAP to describe the procedures used to identify all costs to each of its programs. Appendix D of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Appendix VI of federal regulation 2 *CFR* 200 requires MDHHS to promptly submit PACAP amendments to HHS's Division of Cost Allocation.

Federal regulation 45 *CFR* 1356.60(c) requires the State's PACAP to identify which administrative expenditures for Foster Care - Title IV-E assistance will be allocated and claimed.

Cause

MDHHS made a series of adjustments to cost pool codes as a result of organizational changes within the department. MDHHS informed us that the PACAP narratives did not reflect the new codes.

Effect

MDHHS may have used the wrong allocation base to allocate the cost pool expenditures. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that its PACAP includes an accurate narrative.

Management Views and Corrective Action Plan

Management Views:

MDHHS partially agrees with the finding.

MDHHS acknowledges that the appropriate cost pool code may not have been reflected accurately in the amended PACAP for 4 sampled cost pools. The U.S. Department of Health & Human Services does not require states to report the cost pool code in the PACAP narrative. However, the coding methodology used in the narrative must match the coding used in the State's accounting system. MDHHS believes that the allocation methodologies as described in the narrative were correctly used in the State's accounting system in the 4 sampled cost pools, even if the cost pool codes did not match.

Planned Corrective Action:

In March 2016, MDHHS implemented a new Cost Allocation Section within the Bureau of Budget. This centralized unit is intended to enhance the effectiveness and quality of the MDHHS PACAP development, implementation, and maintenance processes. The current staffing of the section includes a manager, two departmental specialist/analyst positions dedicated to the Random Moment Time Studies, a Cost Allocation Plan (CAP) maintenance

analyst, and a CAP implementation analyst. The CAP implementation and maintenance analysts were both hired in late April 2016. The implementation analyst position has lead responsibility for coordinating the development of new account coding and staff recoding to ensure costs are allocated in accordance with the department's CAP. The analyst will also serve as a liaison with the Bureau of Finance and Accounting in the use of cost allocation data for federal reporting purposes. The CAP maintenance analyst position is responsible for the ongoing development and maintenance of the PACAP document. Future plans to round out the CAP section include hiring two financial analysts/specialists. When fully staffed, internal quality control efforts, including ensuring the accuracy of PACAP, will be an integral part of the CAP section work.

Anticipated Completion Date:
October 1, 2016

Responsible Individual(s):
Susan Kangas, Michigan Department of Health and Human Services
Beverly Davenport, Michigan Department of Health and Human Services

FINDING 2015-011

MDHHS, PACAP - Inappropriate PACAP Allocation

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Award Identification Number and Year	EBT - 2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$2,539,434,649
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs	(\$6,611)
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Energy
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Weatherization Assistance for Low-Income Persons: CFDA 81.042
Award Identification Number and Year	DE-EE0006161 09/09/2013 - 06/30/2015
Total Expenditures of Federal Awards	\$12,383,849
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Noncompliance
Known Questioned Costs	\$114,621
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: <i>CFDA</i> 84.126	
Award Identification Number and Year	H126A140090	10/01/2013 - 09/30/2014
	H126A150090	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$97,962,435	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs	Undeterminable	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	TANF Cluster: <i>CFDA</i> 93.558	
Award Identification Number and Year	14 02 MI TANF	10/01/2013 - Until Expended
	15 02 MI TANF	10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs	(\$27,513)	
Repeat Finding	2014-011, part a.	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	CCDF Cluster: <i>CFDA</i> 93.575 and 93.596	
Award Identification Number and Year	G 14 03 MI CCDF	10/01/2013 - 09/30/2014
	G 15 03 MI CCDF	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs	Undeterminable	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5MAP	10/01/2014 - 09/30/2015
	05-1505MI5ADM	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	

Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs	\$49,319
Repeat Finding	2014-011, part a.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563
Award Identification Number and Year	1404MI005 10/01/2013 - 09/30/2014 1504MICSES 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$165,164,894
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Refugee and Entrant Assistance - State Administered Programs: CFDA 93.566
Award Identification Number and Year	1501MIRCMA 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$17,584,257
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Noncompliance
Known Questioned Costs	(\$13,280)
Repeat Finding	2014-011, part a.
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Award Identification Number and Year	G 14 B1 MI LIEA 10/01/2013 - 09/30/2015 G 14 01 MI LIEA 10/01/2013 - 09/30/2015 G 15 B1 MI LIEA 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$169,145,467
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	(\$18,083)
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Community Services Block Grant: CFDA 93.569

Award Identification Number and Year	G-14B1MICOSR G-15B1MICOSR	10/01/2013 - 09/30/2015 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$24,053,952	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Noncompliance	
Known Questioned Costs	(\$96,538)	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)	
Award Identification Number and Year	14 01 MI 1401 15 01 MI FOST	10/01/2013 - 09/30/2014 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057	
Total ARRA Expenditures	(\$2,457)	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs	\$425	
Repeat Finding	2014-011, part a.	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659	
Award Identification Number and Year	15 01 MI ADPT	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs	\$3,071	
Repeat Finding	2014-011, part a.	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667	
Award Identification Number and Year	15 01 MI SOSR	10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs	\$177,644	
Repeat Finding	2014-011, part a.	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	Social Security Administration	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Disability Insurance/SSI Cluster: <i>CFDA</i> 96.001	
Award Identification Number and Year	1304MIDI00	10/01/2012 - 09/30/2013
	1404MIDI00	10/01/2013 - 09/30/2014
	1504MIDI00	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$89,496,771	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs	\$78	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure that it used the appropriate PACAP data and account codes to allocate expenditures to its federal programs for 16 (84%) of 19 cost pools sampled.

- a. For 12 (63%) cost pools, MDHHS used incorrect data to calculate the PACAP percentages.
- b. For 8 (42%) cost pools, MDHHS did not ensure that the vendor calculated the correct PACAP percentages.
- c. For 8 (42%) cost pools, MDHHS did not ensure that the cost allocation system used the correct account codes.

Criteria

Federal regulation 45 *CFR* 95.507, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225), and Appendix VI of federal regulation 2 *CFR* 200 state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 45 *CFR* 92.24 requires that costs used for matching be allowable costs to the federal award.

Cause

MDHHS informed us that it did a high-level review of cost allocation results; however, it did not have a detailed monitoring process in place to review the accuracy of the PACAP quarterly cost allocation documentation.

Effect

MDHHS incorrectly allocated expenditures to various federal programs.

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$345,755 - federal share.
- (\$162,623) - federal share of negative questioned costs.
- \$5,532 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that it uses the appropriate PACAP data and account codes to allocate expenditures to its federal programs.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

In March 2016, MDHHS implemented a new Cost Allocation Section within the Bureau of Budget. This centralized unit is intended to enhance the effectiveness and quality of the MDHHS PACAP development, implementation, and maintenance processes. The current staffing of the section includes a manager, two departmental specialist/analyst positions dedicated to the Random Moment Time Studies, a Cost Allocation Plan (CAP) maintenance analyst, and a CAP implementation analyst. The CAP implementation analyst was hired in late April 2016. This position is responsible for the development and maintenance of the statistical tools needed for cost allocation methodologies and for working with the program areas to ensure they are using the statistical tools to correctly capture and report level-of-effort detail for quarterly cost allocation purposes. In addition, this analyst has lead responsibility for coordinating the development of new account coding and staff recoding to ensure costs are allocated in accordance with the department's CAP. The analyst will review quarterly data for reasonableness and accuracy and serve as a liaison with the Bureau of Finance and Accounting in the use of cost allocation data for federal reporting purposes. Future plans to round out the CAP section include hiring two financial analysts/specialists. When fully staffed, internal quality control efforts, including ensuring the accuracy of PACAP quarterly cost allocation documentation, will be an integral part of the CAP section work.

Anticipated Completion Date:

October 1, 2016

Responsible Individual(s):

Susan Kangas, Michigan Department of Health and Human Services
Beverly Davenport, Michigan Department of Health and Human Services

FINDING 2015-012

MDHHS, PACAP - Inappropriate Expenditures Charged to the PACAP

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558

Award Identification Number and Year	14 02 MI TANF 15 02 MI TANF	10/01/2013 - Until Expended 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	\$24	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5MAP 05-1505MI5ADM	10/01/2014 - 09/30/2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	\$32	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)	
Award Identification Number and Year	14 01 MI 1401 15 01 MI FOST	10/01/2013 - 09/30/2014 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057	
Total ARRA Expenditures	(\$2,457)	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	\$209	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659	
Award Identification Number and Year	15 01 MI ADPT	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	

Known Questioned Costs	\$22
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	15 01 MI SOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$278
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that only allowable payments were charged to the PACAP.

We reviewed a sample of 40 cost allocation expenditures, of which 3 related to private child placing agency administrative expenditures. We noted:

- a. In one instance, MDHHS inappropriately coded Foster Care - Title IV-E direct expenditures to a cost pool. These expenditures were then allocated to various federal programs based on the private child placing agency administrative cost allocation base.
- b. In one instance, MDHHS issued a duplicate Foster Care - Title IV-E payment that was then allocated to various federal programs based on the private child placing agency administrative cost allocation base.

Criteria

Federal regulation 45 *CFR* 95.507, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225), and Appendix VI of federal regulation 2 *CFR* 200 state that costs must be necessary and reasonable for proper and efficient performance and administration of the federal award. Also, federal regulation 45 *CFR* 95.507, Appendix A, and Appendix VI state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 45 *CFR* 92.24 requires that costs used for matching be allowable costs to the federal award.

Cause

For part a., MDHHS stated that this resulted from an error that occurred in MiSACWIS for a certain number of manual payments when the placement end date was entered at the time of manual payment. MiSACWIS incorrectly counted the placement end date.

For part b., MDHHS stated that MiSACWIS does not have system edits in place to identify duplicate services.

Effect

MDHHS incorrectly allocated expenditures to various federal programs.

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the reporting of questioned costs that would likely exceed \$10,000.

- \$565 - federal share.
- \$291 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that only allowable payments are charged to the PACAP.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For part a., MiSACWIS has implemented change control that will not allow payments to include the placement end date.

For part b., recoupment functionality is being built into MiSACWIS that will eliminate duplicate payments and automatically process any recoupments.

Anticipated Completion Date:

June 25, 2016

Responsible Individual(s):

Jenifer Pettibone, Michigan Department of Health and Human Services

FINDING 2015-013

MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Award Identification Number and Year	EBT - 2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$2,539,434,649
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable

Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Award Identification Number and Year	H126A140090 10/01/2013 - 09/30/2014 H126A150090 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$97,962,435
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)

Award Identification Number and Year	05-1505MI5MAP 05-1505MI5ADM	10/01/2014 - 09/30/2015 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	Undeterminable	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563	
Award Identification Number and Year	1404MI005 1504MICSES	10/01/2013 - 09/30/2014 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$165,164,894	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	Undeterminable	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568	
Award Identification Number and Year	G 14 B1 MI LIEA G 14 01 MI LIEA G 15 B1 MI LIEA	10/01/2013 - 09/30/2015 10/01/2013 - 09/30/2015 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$169,145,467	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	Undeterminable	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)	
Award Identification Number and Year	14 01 MI 1401 15 01 MI FOST	10/01/2013 - 09/30/2014 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057	
Total ARRA Expenditures	(\$2,457)	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	

Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Award Identification Number and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	15 01 MI SOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	Social Security Administration
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001
Award Identification Number and Year	1304MIDI00 10/01/2012 - 09/30/2013 1404MIDI00 10/01/2013 - 09/30/2014 1504MIDI00 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$89,496,771
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not allocate federal expenditures for 2 (11%) of 19 cost pools sampled in accordance with its PACAP. We noted:

- a. For one cost pool, MDHHS did not allocate central office facilities expenditures in accordance with the PACAP for each of the quarterly allocations.
- b. For the other cost pool, MDHHS did not allocate business service centers administrative expenditures in accordance with the PACAP for 2 of the quarterly allocations.

Criteria

Federal regulation 45 *CFR* 95.507, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225), and Appendix VI of federal regulation 2 *CFR* 200 state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 45 *CFR* 92.24 requires that costs used for matching be allowable costs to the federal award.

Cause

For part a., MDHHS informed us that it did not have all of the data necessary to follow the cost allocation methodology described in the PACAP.

For part b., MDHHS informed us that it inadvertently used a different cost allocation methodology for the second and third quarters. MDHHS did not have controls in place to ensure it allocated costs to federal programs in accordance with the PACAP.

Effect

MDHHS potentially allocated expenditures to various federal programs for activities not related to those federal programs.

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS allocate federal expenditures in accordance with its PACAP.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

In March 2016, MDHHS implemented a new Cost Allocation Section within the Bureau of Budget. This centralized unit is intended to enhance the effectiveness and quality of the MDHHS PACAP development, implementation, and maintenance processes. The current staffing of the section includes a manager, two departmental specialist/analyst positions

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	TANF Cluster: CFDA 93.558	
Award Identification Number and Year	14 02 MI TANF	10/01/2013 - Until Expended
	15 02 MI TANF	10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596	
Award Identification Number and Year	G 14 03 MI CCDF	10/01/2013 - 09/30/2014
	G 15 03 MI CCDF	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5MAP	10/01/2014 - 09/30/2015
	05-1505MI5ADM	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563	
Award Identification Number and Year	1404MI005	10/01/2013 - 09/30/2014
	1504MICSES	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$165,164,894	
Total ARRA Expenditures	Not Applicable	

Award Identification Number and Year	15 01 MI SOSR	10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	Social Security Administration	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001	
Award Identification Number and Year	1304MIDI00	10/01/2012 - 09/30/2013
	1404MIDI00	10/01/2013 - 09/30/2014
	1504MIDI00	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$89,496,771	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS could improve its monitoring of the operating effectiveness of general controls, such as availability and processing integrity, for the vendor hosting the AlloCAP system.

MDHHS uses the AlloCAP system to process cost allocation expenditures to various federal programs. MDHHS contracts with a third party vendor for the AlloCAP system. This vendor is also responsible for system development and upgrades.

Criteria

OMB Circular A-133, Section 300(b) requires the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the federal programs. According to the GAO's FISCAM, appropriate policies and procedures should be implemented to ensure that activities performed by third parties are appropriately monitored for compliance. This assurance typically is obtained from a specialized internal control audit referred to as a Service Organization Controls (SOC) report.

Cause

A review of the operating effectiveness of general controls for the vendor was not included in MDHHS monitoring activities.

Effect

MDHHS cannot ensure that general controls of a vendor-hosted system are sufficient to ensure the availability and integrity of AlloCAP cost allocation data.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS improve its monitoring of the operating effectiveness of general controls for the vendor hosting the AlloCAP system.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS acknowledges that the department did not contractually require a third party review of the operating effectiveness of general controls for the vendor hosting the AlloCAP systems. The department did obtain and provide to the Office of the Auditor General the vendor's most recent SOC 1 Type 2 report. MDHHS is working with the vendor to ensure that a SOC 2 Type 2 certification will be obtained on an annual basis, with the first one expected to be complete in September 2017.

Anticipated Completion Date:

September 2017

Responsible Individual(s):

Susan Kangas, Michigan Department of Health and Human Services
Beverly Davenport, Michigan Department of Health and Human Services

FINDING 2015-015

MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Foster Care Payments on Behalf of Ineligible Children

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)
Award Identification Number and Year	14 01 MI 1401 10/01/2013 - 09/30/2014 15 01 MI FOST 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057
Total ARRA Expenditures	(\$2,457)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Material Noncompliance
Known Questioned Costs	\$4,336
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	15 01 MI SOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility

Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$1,250
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS made 2 (4%) of 57 foster care maintenance or treatment payments for children who were not eligible for assistance.

We reviewed a sample of 57 Title IV-E foster care maintenance payments, of which 32 also related to Social Services Block Grant (SSBG) payments to child care institutions (CCIs) for treatment. We noted:

- a. In 1 instance, MDHHS did not consider the income of the child's stepparent when determining the child's Aid to Families with Dependent Children (AFDC) eligibility.
- b. In 1 instance, MDHHS made a foster care payment to a CCI for a child who was over the age of 18 and would not complete high school by the age of 19.

Criteria

Federal regulation 45 *CFR* 1355.20(a) states that foster care maintenance payments are payments made on behalf of a child eligible for Title IV-E foster care. Also, federal regulation 45 *CFR* 1356.60(a) allows states to claim federal financial participation for allowable expenditures in the approved Title IV-E State Plan, including expenditures related to foster care maintenance payments. In addition, federal regulation 45 *CFR* 92.24 requires that costs used for matching be allowable costs to the federal award.

Federal regulation 45 *CFR* 233.90(c)(1)(i) requires inclusion of a stepparent's income when determining AFDC eligibility in states with laws of general applicability. MDHHS policy requires the county/district office caseworker to include a stepparent's income in the initial eligibility determination.

Federal regulation 45 *CFR* 233.90(b) allows a state to elect to include in its AFDC program children age 18 who are full-time students in a secondary school, or in the equivalent level of vocational or technical training, and who may reasonably be expected to complete the program before reaching age 19. MDHHS policy allows a child over 18 to remain eligible for Title IV-E if the child is a full-time student in a high school, or in the equivalent level of vocational or technical training, and can be reasonably expected to complete high school or vocational or technical training before reaching age 19.

Further, Title 42, section 1397a(a)(2)(A) of the *United States Code (USC)* indicates that states are entitled to payment for services that meet the goals of SSBG, which include services for children in foster care. The SSBG State Plan states that SSBG will fund foster care services for children who have been abused and/or neglected or who cannot remain in their family homes because they would be at risk of further harm. Federal regulation 45 *CFR* 96.30 requires that MDHHS have fiscal controls and accounting procedures that permit the tracing of SSBG funds to document that MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations.

Cause

MDHHS informed us that internal control and monitoring activities were not sufficient to ensure that county/district office caseworkers did not follow established policies and procedures.

Effect

MDHHS made foster care payments on behalf of foster children who did not qualify for Foster Care - Title IV-E and SSBG federal reimbursement. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the reporting of questioned costs that would likely exceed \$10,000.

- \$4,336 - Foster Care - Title IV-E federal share.
- \$1,250 - SSBG federal share.
- \$2,280 - State share of costs that MDHHS inappropriately used as matching expenditures for Foster Care - Title IV-E funds.

Recommendation

We recommend that MDHHS make foster care maintenance or treatment payments for children who are eligible for assistance.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For part a., consideration of the child's stepparent's income when determining the child's AFDC eligibility is a component of worker training. The cited instance is attributed to worker error. MDHHS recently issued a communication that requires all child welfare funding specialists to have refresher training at least once a year.

For part b., the age eligibility determinations are now pending in MiSACWIS to notify the worker that the payment eligibility requires reevaluation. This review allows the worker to change the service authorization to a secondary fund source when the child no longer qualifies.

The Federal Compliance Division is collaborating with the MiSACWIS team to implement additional controls in the payment eligibility verification process.

Anticipated Completion Date:

June 2017

Responsible Individual(s):

Jenifer Pettibone, Michigan Department of Health and Human Services

FINDING 2015-016

MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking - Foster Care Payments to Ineligible Providers

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)
Award Identification Number and Year	14 01 MI 1401 10/01/2013 - 09/30/2014 15 01 MI FOST 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057
Total ARRA Expenditures	(\$2,457)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$2,658
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	15 01 MI SOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$34
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS made 2 (4%) of 53 foster care maintenance or treatment payments to ineligible providers.

We reviewed a sample of 53 Title IV-E foster care maintenance payments made to providers, of which 32 also related to SSBG payments to CCIs for treatment. We noted:

- a. In 1 instance, MDHHS made a foster care payment to an unlicensed foster family home.
- b. In 1 instance, MDHHS made a foster care payment to an ineligible facility.

Criteria

Federal laws 42 USC 672(b) and 42 USC 672(c) require foster care maintenance payments to be made on behalf of a child in a foster family home or CCI that is licensed by the State. Also, federal regulation 45 CFR 1356.21 states that a provider may receive Title IV-E maintenance payments for a child placed in the provider's care if the foster family home or CCI is eligible to receive Title IV-E funds.

In addition, federal regulation 45 *CFR* 1356.60(a) allows states to claim federal financial participation for allowable expenditures in the approved Title IV-E State Plan, including expenditures related to foster care maintenance payments. Further, federal regulation 45 *CFR* 92.24 requires that costs used for matching be allowable costs to the federal award.

Federal law 42 *USC* 1397a(a)(2)(A) indicates that states are entitled to payment for services that meet the goals of SSBG, which include services for children in foster care. The SSBG State Plan states that SSBG will fund foster care services for children in licensed CCIs. Federal regulation 45 *CFR* 96.30 requires that MDHHS have fiscal controls and accounting procedures that permit the tracing of SSBG funds to document that MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations.

Cause

MDHHS informed us that internal control and monitoring activities in MiSACWIS were not sufficient to ensure that required verification documentation of the foster family home or CCI was uploaded into MiSACWIS.

Effect

MDHHS made foster care payments to ineligible providers who did not qualify for Foster Care - Title IV-E and SSBG federal reimbursement. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the reporting of questioned costs that would likely exceed \$10,000.

- \$2,658 - Foster Care - Title IV-E federal share.
- \$34 - SSBG federal share.
- \$1,398 - State share of costs that MDHHS inappropriately used as matching expenditures for Foster Care - Title IV-E funds.

Recommendation

We recommend that MDHHS make foster care maintenance or treatment payments to eligible providers.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS worked with the MiSACWIS team to implement a change control in MiSACWIS, which pends the payment in instances where a change in foster placement has been made or there is a change in licensure. The suspended payment is reviewed, a reimbursement determination is made, and the stop payment is lifted if applicable. An additional change control was also implemented that will stop Title IV-E contract payments if the contract is not Title IV-E funded.

Anticipated Completion Date:

Completed

Responsible Individual(s):
 Jenifer Pettibone, Michigan Department of Health and Human Services

FINDING 2015-017

MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; Special Tests and Provisions - Payment Rate Setting and Application - Inappropriate Allocation of Foster Care Maintenance Payments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (ARRA)
Award Identification Number and Year	14 01 MI 1401 10/01/2013 - 09/30/2014 15 01 MI FOST 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$130,425,057
Total ARRA Expenditures	(\$2,457)
Compliance Requirement(s)	Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Payment Rate Setting and Application
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Award Identification Number and Year	15 01 MI SOSR 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$126,589,273
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$36
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS incorrectly allocated the maintenance portion of foster care payments to the SSBG Program for 7 (22%) of the 32 payments reviewed.

Criteria

Federal law 42 USC 1397d(a)(2) indicates that SSBG funds may not be used for cash payments for cost of subsistence or for the provision of room and board, other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of social service, or temporary shelter provided as a protective service. Also, federal regulation 45 CFR 96.30 requires that MDHHS have fiscal controls and accounting procedures that permit the tracing of SSBG funds to document that MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations.

Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Subpart E of federal regulation 2 *CFR* 200 state that costs must be necessary and reasonable for proper and efficient performance and administration of the federal award. Also, federal regulation 45 *CFR* 1356.60(a) allows states to claim federal financial participation for allowable expenditures in the approved Title IV-E State Plan, including expenditures related to foster care maintenance payments.

MDHHS's process is to allocate foster care payments between the Foster Care - Title IV-E Program and the SSBG Program.

Cause

MDHHS did not update its CCI allocation spreadsheet to reflect the most recent maintenance and treatment amounts for some of the CCIs.

Effect

MDHHS recorded maintenance expenditures for the Foster Care - Title IV-E Program to the SSBG Program; therefore, expenditures were overstated for the SSBG Program and understated for the Foster Care - Title IV-E Program. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the reporting of questioned costs that would likely exceed \$10,000.

- \$36 - SSBG federal share.

Recommendation

We recommend that MDHHS ensure that foster care payments are correctly allocated between the SSBG Program and the Foster Care - Title IV-E Program.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The MDHHS Office of Contracts and Purchasing (OCP) and the MDHHS Bureau of Audit, Reimbursement & Quality Assurance (BARQA) are working together to ensure the correct allocation of foster care payments between the SSBG Program and the Foster Care Title IV-E Program.

BARQA is receiving and analyzing all annual cost reports from foster care providers. These annual cost reports will be used to calculate and recommend an appropriate allocation of the foster care payments. These calculations will be sent annually to OCP for review and entry into the MiSACWIS system by fiscal year-end.

Anticipated Completion Date:

September 30, 2016

Responsible Individual(s):

Scott Werner, Michigan Department of Health and Human Services
Kelly Kelly, Michigan Department of Health and Human Services
Amanda Borgman, Michigan Department of Health and Human Services

FINDING 2015-018**MDHHS, Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility**

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015 05-1505MI5ADM 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-016
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: <i>CFDA</i> 93.767
Award Identification Number and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1505MI5R21 10/01/2014 - 09/30/2015 05-1505MICECF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain all required disclosures from Prepaid Inpatient Health Plan (PIHP) entities, Medicaid Health Plan (MHP) entities, MI Choice Waiver Program (MI Choice) entities, Dental Health Plan entities, and its pharmacy benefits manager (PBM) during the audit period. In addition, MDHHS did not monitor its Dental Health Plan entities' network of providers to ensure that the providers were licensed, entered into provider agreements, and made required disclosures.

Criteria

Federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106 and 42 *CFR* 457.935 require MDHHS to obtain certain identifying information from medical providers, including PIHP entities, MHP entities, MI Choice entities, Dental Health Plan entities, and its PBM. Disclosures are due when a fiscal agent or managed care entity submits a proposal, upon execution of a contract with the State, upon renewal or extension of the contract, or within 35 days after any change in ownership. These regulations also require MDHHS to obtain information such as identification information of the owners, agents, and managing employees and information on the ownership

and control interest in the provider's subcontractors. In addition, these regulations state that federal assistance is not available to providers who fail to disclose the information. According to its Medicaid State Plan, MDHHS has established procedures for the disclosure of information by providers and fiscal agents as specified in federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106. MDHHS's Medicaid State Plan also states that all providers of medical care are licensed by the appropriate State agency in compliance with State licensing requirements.

Cause

MDHHS stated that it developed a process to obtain MHP entity disclosures in February 2013 and PIHP entity disclosures in December 2013; however, the process was not updated to include submission of all required disclosure elements because of limited resources and multiple priorities. MDHHS also stated that it did not have a mechanism to ensure that all MI Choice and Dental Health Plan entities' disclosures were obtained. In addition, MDHHS stated that it had not developed a single mechanism to ensure that it obtained all required disclosures from its PBM. Further, MDHHS stated that because of retirements, MDHHS did not monitor the Dental Health Plan entities' network of providers in fiscal year 2015.

Effect

MDHHS could potentially reimburse ineligible medical providers for medical services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDHHS obtain all required disclosures from PIHP entities, MHP entities, MI Choice entities, Dental Health Plan entities, and its PBM.

We also recommend that MDHHS monitor its Dental Health Plan entities' network of providers to ensure that providers are licensed, enter into provider agreements, and make required disclosures.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has updated the screening and disclosure form to meet all federal regulations 42 *CFR* 455.104 through 455.106 and includes submission of all required disclosure elements. MDHHS received the screening and disclosure information from MHP entities utilizing the new form following the new contract date in January 1, 2016. The information will be updated in CHAMPS by May 31, 2016. For all remaining providers, MDHHS will utilize a schedule to collect, update and enter in CHAMPS all required disclosures, and monitor as applicable.

Anticipated Completion Date:

September 1, 2016

Responsible Individual(s):

Samantha Rutledge-Wolf, Michigan Department of Health and Human Services
Ashiya Brown, Michigan Department of Health and Human Services

FINDING 2015-019**MDE, Subrecipient Monitoring - Subaward Information**

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173
Award Identification Number and Year	H027A120110 07/01/2012 - 09/30/2013 H027A120110-12A 07/01/2012 - 09/30/2013 H173A120117 07/01/2012 - 09/30/2013 H027A130144 07/01/2013 - 09/30/2014 H027A130144-13A 07/01/2013 - 09/30/2014 H173A130117 07/01/2013 - 09/30/2014 H027A140110 07/01/2014 - 09/30/2015 H027A140110-14A 07/01/2014 - 09/30/2015 H027A140110-14B 07/01/2014 - 09/30/2015 H173A140117 07/01/2014 - 09/30/2015 H027A150110 07/01/2015 - 09/30/2016 H173A150117 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$401,195,859
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010
Award Identification Number and Year	S010A090022 07/01/2009 - 09/30/2010 S010A090022A 07/01/2009 - 09/30/2010 S010A100022 07/01/2010 - 09/30/2011 S010A100022A 07/01/2010 - 09/30/2011 S010A110022 07/01/2011 - 09/30/2012 S010A110022-11A 07/01/2011 - 09/30/2012 S010A110022-11B 07/01/2011 - 09/30/2012 S010A120022 07/01/2012 - 09/30/2013 S010A120022-12A 07/01/2012 - 09/30/2013 S010A130022 07/01/2013 - 09/30/2014 S010A130022-13A 07/01/2013 - 09/30/2014 S010A140022 07/01/2014 - 09/30/2015 S010A140022-14A 07/01/2014 - 09/30/2015 S010A140022-14B 07/01/2014 - 09/30/2015 S010A150022 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$515,403,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Twenty-First Century Community Learning Centers: CFDA 84.287
Award Identification Number and Year	S287C110022 07/01/2011 - 09/30/2012 S287C110022-11A 07/01/2011 - 09/30/2012 S287C120022 07/01/2012 - 09/30/2013 S287C120022-12A 07/01/2012 - 09/30/2013 S287C130022 07/01/2013 - 09/30/2014 S287C130022-13A 07/01/2013 - 09/30/2014 S287C140022 07/01/2014 - 09/30/2015 S287C150022 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,299,971
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Improving Teacher Quality State Grants: CFDA 84.367
Award Identification Number and Year	S367A110021 07/01/2011 - 09/30/2012 S367A110021-11A 07/01/2011 - 09/30/2012 S367A110021-11B 07/01/2011 - 09/30/2012 S367A120021 07/01/2012 - 09/30/2013 S367A120021-12A 07/01/2012 - 09/30/2013 S367A130021 07/01/2013 - 09/30/2014 S367A130021-13A 07/01/2013 - 09/30/2014 S367A140021 07/01/2014 - 09/30/2015 S367A140021-14A 07/01/2014 - 09/30/2015 S367A140021-14B 07/01/2014 - 09/30/2015 S367B100019 07/01/2010 - 09/30/2011 S367B100019A 07/01/2010 - 09/30/2011 S367B110019 07/01/2011 - 09/30/2012 S367B110019-11A 07/01/2011 - 09/30/2012 S367B110019-11B 07/01/2011 - 09/30/2012 S367B120019 07/01/2012 - 09/30/2013 S367B120019-12A 07/01/2012 - 09/30/2013 S367B130019 07/01/2013 - 09/30/2014 S367B130019-13A 07/01/2013 - 09/30/2014 S367B140019 07/01/2014 - 09/30/2015 S367B140019-14A 07/01/2014 - 09/30/2015 S367B140019-14B 07/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$93,262,583
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not report to its subrecipients all subaward information as required by Uniform Administrative Requirements. Our review disclosed:

- a. For fiscal year 2015 grants, MDE did not report the Federal Award Identifying Number (FAIN) on subawards of the Special Education Cluster, Title I Grants to Local Educational Agencies, Twenty-First Century Community Learning Centers (21st CCLC), and Improving Teacher Quality State Grants.
- b. For fiscal year 2016 grants, MDE did not report the FAIN, federal award date, name of federal awarding agency, federal award project description, and total amount of the federal award on subawards of 21st CCLC.

Criteria

Federal regulation 2 *CFR* 200.110 states that these standards become effective once implemented by the federal agency. The U.S. Department of Education (USDOE) required in its fiscal year 2015 federal grant award notifications (GANs) that MDE report the FAIN on the subawards.

Federal regulation 2 *CFR* 200.331(a)(1) requires that all pass-through entities ensure that every subaward includes the FAIN, federal award date, name of federal awarding agency, federal award project description, and total amount of the federal award.

Cause

For part a., MDE did not identify that the USDOE had implemented the FAIN requirement before the effective date of December 26, 2014 on its fiscal year 2015 GANs.

For part b., MDE indicated that it had not implemented the updated process necessary to create the subawards with the required information for 21st CCLC.

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the federal requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE report to its subrecipients all subaward information as required by Uniform Administrative Requirements.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

MEGS+ was modified to display FAIN information in all system generated grant award notifications (GANs) for all grants awarded after December 26, 2014. GANs for all fiscal year 2016 grant awards were able to display FAIN information if the grant was properly configured in MEGS+. The changes are backward compatible. MDE has updated the federal

award information for all fiscal year 2015 grants so that the GANs generated through MEGS+ display the FAIN for all subawards.

The fiscal year 2016 Twenty-First Century Community Learning grant has been properly configured in MEGS+ and is now displaying all required data elements including FAIN, federal award date, federal awarding agency name, federal award project description, and the total amount of the federal award on the GANs. Internal grant policies and procedures have been updated to ensure all grant configurations are checked prior to going live in MEGS+.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Kevin Walters, Michigan Department of Education

FINDING 2015-020

MDE, Subrecipient Monitoring - Function Codes

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: <i>CFDA</i> 84.010
Award Identification Number and Year	S010A090022 07/01/2009 - 09/30/2010 S010A090022A 07/01/2009 - 09/30/2010 S010A100022 07/01/2010 - 09/30/2011 S010A100022A 07/01/2010 - 09/30/2011 S010A110022 07/01/2011 - 09/30/2012 S010A110022-11A 07/01/2011 - 09/30/2012 S010A110022-11B 07/01/2011 - 09/30/2012 S010A120022 07/01/2012 - 09/30/2013 S010A120022-12A 07/01/2012 - 09/30/2013 S010A130022 07/01/2013 - 09/30/2014 S010A130022-13A 07/01/2013 - 09/30/2014 S010A140022 07/01/2014 - 09/30/2015 S010A140022-14A 07/01/2014 - 09/30/2015 S010A140022-14B 07/01/2014 - 09/30/2015 S010A150022 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$515,403,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$20,459
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Improving Teacher Quality State Grants: <i>CFDA</i> 84.367

Award Identification Number and Year	S367A110021	07/01/2011 - 09/30/2012
	S367A110021-11A	07/01/2011 - 09/30/2012
	S367A110021-11B	07/01/2011 - 09/30/2012
	S367A120021	07/01/2012 - 09/30/2013
	S367A120021-12A	07/01/2012 - 09/30/2013
	S367A130021	07/01/2013 - 09/30/2014
	S367A130021-13A	07/01/2013 - 09/30/2014
	S367A140021	07/01/2014 - 09/30/2015
	S367A140021-14A	07/01/2014 - 09/30/2015
	S367A140021-14B	07/01/2014 - 09/30/2015
	S367B100019	07/01/2010 - 09/30/2011
	S367B100019A	07/01/2010 - 09/30/2011
	S367B110019	07/01/2011 - 09/30/2012
	S367B110019-11A	07/01/2011 - 09/30/2012
	S367B110019-11B	07/01/2011 - 09/30/2012
	S367B120019	07/01/2012 - 09/30/2013
	S367B120019-12A	07/01/2012 - 09/30/2013
	S367B130019	07/01/2013 - 09/30/2014
	S367B130019-13A	07/01/2013 - 09/30/2014
	S367B140019	07/01/2014 - 09/30/2015
	S367B140019-14A	07/01/2014 - 09/30/2015
	S367B140019-14B	07/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$93,262,583	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-041	
State Agency	Michigan Department of Education	

Condition

MDE did not ensure that subrecipient budgets included only allowable function codes for 1 (4%) of 25 sampled Title I Grants to Local Educational Agencies subrecipients and 3 (11%) of 27 sampled Improving Teacher Quality State Grants subrecipients. The Title I Grants to Local Educational Agencies subrecipient charged \$20,459 to the unallowable function code.

Criteria

OMB Circular A-133, Section 300(b) requires MDE to maintain internal control over federal programs that provides reasonable assurance that MDE is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

MDE informed us that the use of function codes in budgets helps to ensure that subrecipients do not charge expenditures that are unallowable to a grant.

Cause

MDE informed us that an MDE consultant inadvertently processed the subrecipient budgets with function codes that were either not to be used for these grants or only to be used if the subrecipient was operating a schoolwide program.

Effect

MDE may have paid for activities that were not allowable. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$20,459 - federal share.

Recommendation

We recommend that MDE improve its internal control to ensure that subrecipients' budgeted and actual expenditures include only allowable function codes.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

MDE has improved its internal control to ensure that subrecipients use only allowable function codes when reviewing and approving Title I, Part A and Title II, Part A (Improving Teacher Quality) budget items in the Consolidated Application.

Starting with the 2016-17 Consolidated Application in MEGS+, when a subrecipient chooses to transfer Title II, Part A funds to Title I, Part A, an error message will be automatically generated if the subrecipient fails to answer yes to the transfer question.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Fred Williams, Michigan Department of Education
Paula Daniels, Michigan Department of Education

FINDING 2015-021

Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569, Subrecipient Monitoring - Annual Reviews

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, and 10.569
Award Identification Number and Year	2MI810053 10/01/2013 - 09/30/2014 2MI810053 10/01/2014 - 09/30/2015 2MI430124 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$42,028,604
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not complete 1 (14%) of 7 required annual reviews for The Emergency Food Assistance Program (TEFAP) eligible recipient agencies (ERAs) in fiscal year 2015.

Criteria

Federal regulation 7 *CFR* 251.10(e)(2)(i) requires MDE's monitoring system to include an annual review of at least 25% of all ERAs that have signed an agreement with the State agency pursuant to federal regulation 7 *CFR* 251.2(c), provided that each such agency must be reviewed no less frequently than once every four years.

MDE was required to complete an annual review of 7 (25%) of the 28 ERAs in fiscal year 2015.

Cause

MDE did not replace a scheduled ERA review that was completed in the previous year. MDE informed us that the ERA may not have been replaced because of staff turnover.

Effect

MDE limited its assurance that ERAs were in compliance with federal rules and regulations in fiscal year 2015. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE complete annual reviews of at least 25% of the TEFAP ERAs.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

The TEFAP ERA Review Schedule has been adjusted through fiscal year 2019 to include at least 8 scheduled administrative reviews each fiscal year, meeting the 25% requirement.

The program's Administrative Review Schedule will be reviewed annually by the Food Distribution Supervisor. At that time, adjustments will be made in response to new or inactive agencies joining or leaving TEFAP. The Food Distribution Consultant will check for errors or gaps in scheduled reviews. The Administrative Review Schedule will also be reviewed at the end of the second quarter to ensure MDE is on track to complete all reviews as scheduled. The final version will be revised as needed by the Food Distribution Supervisor and submitted to the Assistant Director for approval.

Anticipated Completion Date:

The review and adjustment of the TEFAP ERA Review Schedule is complete. The annual review and revision of the schedule will be completed after applications are processed.

Responsible Individual(s):

Tom Priest, Michigan Department of Education

Finding 2015-022

Child and Adult Care Food Program, CFDA 10.558, Allowable Costs/Cost Principles and Subrecipient Monitoring - MiND Read-Only User Access

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child and Adult Care Food Program: CFDA 10.558
Award Identification Number and Year	2MI300069 10/01/2014 - 09/30/2016 2MI300060 10/01/2014 - 09/30/2015 2MI300069 10/01/2013 - 09/30/2015 2MI300060 10/01/2013 - 09/30/2014 2MI300069 10/01/2012 - 09/30/2014 2MI310266 06/06/2014 - 12/15/2015 2MI300060 10/01/2012 - 09/30/2013 2MI300060 10/01/2011 - 09/30/2012 2MI300060 10/01/2004 - 09/30/2005
Total Expenditures of Federal Awards	\$66,855,859
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not properly restrict access to the Michigan Nutrition Data (MiND) system for the Child and Adult Care Food Program (CACFP). We determined that MDE had 37 users assigned read-only access who could enter, modify, and save food service income, food service operation costs, and administrative costs in the MiND system.

Criteria

OMB Circular A-133, Section 300(b) requires the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Cause

MDE indicated that an oversight during the testing of MiND resulted in read-only users having more access than intended.

Effect

Without effective access controls, individuals may make unauthorized changes to food service income, food service operation costs, and administrative costs that would go undetected.

Known Questioned Costs

None.

Recommendation

We recommend that MDE properly restrict access to the MiND system for CACFP.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding. Access levels should be properly tested and validated prior to moving them to production. MDE analyzed all possible transactions to determine whether alteration of the data had resulted from the improper access. No data integrity issues were found.

Planned Corrective Action:

MDE will review its processes and ensure all access related tests are cleared by the test team prior to deployment. When notified of the issue with the Child Nutrition Program Level 4 read-only access level on January 26, 2016, a correction was developed, tested, and pushed to production. This correction ensured that the access was read only.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Louis Burgess, Michigan Department of Education

FINDING 2015-023

Fish and Wildlife Cluster, CFDA 15.605, 15.611, and 15.626, Reporting and Special Tests and Provisions - RSS Controls

Federal Agency	U.S. Department of the Interior
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Fish and Wildlife Cluster: CFDA 15.605, 15.611, and 15.626
Award Identification Number and Year	F11AF00200 07/01/2013 - 09/30/2016 F13AF00877 10/01/2013 - 09/30/2015 F13AF01202 10/01/2013 - 09/30/2015 F14AF00809 10/01/2014 - 09/30/2015 F14AF00810 10/01/2014 - 09/30/2015 F14AF00828 10/01/2014 - 09/30/2015 F14AF00909 10/01/2014 - 09/30/2015 F14AF00984 10/01/2014 - 09/30/2015 F14AF00989 10/01/2014 - 09/30/2015 F14AF01147 09/01/2014 - 12/31/2016 F14AF01217 10/01/2014 - 09/30/2015 F14AF01221 10/01/2014 - 09/30/2015 F14AF01229 10/01/2014 - 09/30/2015 F15AF00279 04/20/2015 - 09/30/2015
Total Expenditures of Federal Awards	\$31,021,295
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Reporting and Special Tests and Provisions - Assent Legislation and Diversion of License Revenue
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Department of Natural Resources

Condition

The Department of Natural Resources (DNR) did not obtain a third party review of the operating effectiveness of general controls that covered all of the contractual responsibilities, such as processing integrity, of the vendor hosting the Retail Sales System (RSS).

DNR uses RSS to sell hunting and fishing licenses and permits and to generate license revenue reports related to the Fish and Wildlife Cluster. DNR contracts with a third party vendor that is responsible for operating and maintaining the system as well as system development and upgrades.

Criteria

OMB Circular A-133, Section 300(b) and federal regulation 2 *CFR* 200.303 require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the federal programs. According to the GAO's FISCAM, appropriate policies and procedures should be implemented to ensure that activities performed by third parties are appropriately monitored for compliance. This assurance typically is obtained from a specialized internal control audit referred to as a SOC report.

Cause

DNR obtained a SOC 1, type 2 report* for RSS; however, the report did not include a review of the operating effectiveness of general controls such as logical security and change management or processing integrity of RSS license revenue data.

Effect

DNR cannot ensure that controls of the vendor-hosted system are sufficient to ensure the integrity and reliability of RSS license revenue data.

Known Questioned Costs

None.

Recommendation

We recommend that DNR obtain a third party review of the operating effectiveness of general controls that covers all of the contractual responsibilities of the vendor hosting RSS.

Management Views and Corrective Action Plan

Management Views:

DNR agrees with the finding.

Planned Corrective Action:

DNR will ensure the operating effectiveness of general controls such as logical security, change management, and processing integrity of RSS license revenue data is included in the next SOC 1, type 2 report.

Compensating controls will be implemented by October 31, 2016 and will consist of quarterly reviews of all transactions to the production database and the production application server.

* See glossary at end of report for definition.

Anticipated Completion Date:
December 31, 2017

Responsible Individual(s):
Kristin Phillips, Department of Natural Resources
Tom Weston, Department of Natural Resources
Ross Feldpausch, Department of Natural Resources

FINDING 2015-024

Highway Planning and Construction Cluster, CFDA 20.205, 20.205 (ARRA), and 20.219, MAP Financial Obligation System and Project Accounting and Billing System - Access Controls

Federal Agency	U.S. Department of Transportation
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Highway Planning and Construction Cluster: CFDA 20.205, 20.205 (ARRA), and 20.219
Award Identification Number and Year	Various
Total Expenditures of Federal Awards	\$1,180,975,811
Total ARRA Expenditures	\$62,694
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Performance; Reporting; and Special Tests and Provisions - Project Approvals
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-028
State Agencies	Department of Technology, Management, and Budget and Michigan Department of Transportation

Condition

DTMB had not fully established and implemented effective access controls over the MAP Financial Obligation System (MFOS) and the Project Accounting and Billing System (PAB) database management systems. Our review of selected access controls over the MFOS and PAB databases disclosed that the database administrators* (DBAs) had access to shared accounts with high level privileges and had not implemented an effective monitoring process for privileged activity.

Criteria

OMB Circular A-133, Section 300(b) and federal regulation 2 CFR 200.303 require the auditee to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements. Also, according to DTMB Administrative Guide policy 1335, access must be controlled with secure means of authentication, authorization, and accountability.

Cause

DBAs had access to shared accounts with high level privileges because DTMB determined that this would help the DBAs assist each other with their assigned functions governing

* See glossary at end of report for definition.

accountability over user access. Also, DTMB indicated that a Statewide solution for monitoring privileged database activity had not yet been implemented for the MFOS and PAB databases.

Effect

Without effective access controls over the database management systems, individuals may obtain unauthorized or inappropriate access to MFOS or PAB data. As a result, an increased risk exists that the Michigan Department of Transportation (MDOT) and DTMB cannot ensure the confidentiality, integrity, and security of the MFOS and PAB data used to manage the financing of approved projects and process and maintain accounting and billing records for highway funded projects.

Known Questioned Costs

None.

Recommendation

We recommend that DTMB fully establish and implement effective access controls over the MFOS and PAB database management systems.

Management Views and Corrective Action Plan

Management Views:

DTMB agrees with the finding.

Planned Corrective Action:

DTMB implemented QRadar software in the development environment as of March 2015. DTMB implemented QRadar software for Quality Assurance and Production environments on June 1, 2016.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Scott Wager, Department of Technology, Management, and Budget
 Sharita Hurst, Department of Technology, Management, and Budget

FINDING 2015-025

Clean Water State Revolving Fund Cluster, CFDA 66.458, Cash Management - Inappropriate Funding Technique

Federal Agency	U.S. Environmental Protection Agency
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Clean Water State Revolving Fund Cluster: <i>CFDA</i> 66.458
Award Identification Number and Year	CS-260001-14 10/01/2014 - 09/30/2019 CS-260001-13 10/01/2013 - 09/30/2018 CS-260001-12 10/01/2012 - 09/30/2017 CS-260001-11 10/01/2011 - 09/30/2016
Total Expenditures of Federal Awards	\$140,078,249
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0

Repeat Finding	Not Applicable
State Agency	Department of Environmental Quality

Condition

The Department of Environmental Quality (DEQ) did not make administrative and payroll cash draws for the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) in accordance with the funding technique as required in the Cash Management Improvement Act (CMIA) agreement.

Our review of two sampled administrative and payroll draws disclosed that DEQ made both cash draws for actual expenditures that covered a period greater than one month.

Criteria

The CMIA agreement requires DEQ to use the modified payment schedule monthly funding technique for cash draws related to CWSRF administrative and payroll expenditures. This funding technique requires DEQ to request funds to coincide with the payout of State match funding using an estimate based on the actual funds expended in the prior month. DEQ is required to adjust the estimated draws to actual expenditures at the end of the quarter.

Cause

The State added CWSRF to the CMIA agreement for fiscal year 2015. DEQ did not modify its procedures to draw administrative and payroll expenditures on a monthly basis.

Effect

DEQ was not in compliance with federal requirements for the funding technique required for CWSRF administrative and payroll cash draws.

Known Questioned Costs

None.

Recommendation

We recommend that DEQ make CWSRF administrative and payroll cash draws in accordance with the funding technique as required by the CMIA agreement.

Management Views and Corrective Action Plan

Management Views:

DEQ agrees with the finding. The CWSRF Cluster moves in and out of the CMIA agreement depending on the funding level per fiscal year.

Planned Corrective Action:

DEQ will make CWSRF administrative and payroll cash draws monthly, in accordance with the funding technique as required by the CMIA agreement while also incorporating EPA guidance. Also, DEQ incorporated into its year-end processes a full review of all grants for CMIA eligibility in cooperation with the Department of Treasury.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Sharon Maher, Department of Environmental Quality
 Sharon Roman, Department of Environmental Quality

FINDING 2015-026

Clean Water State Revolving Fund Cluster, CFDA 66.458, Subrecipient Monitoring - Obtaining Subrecipient Single Audit Reports

Federal Agency	U.S. Environmental Protection Agency
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Clean Water State Revolving Fund Cluster: CFDA 66.458
Award Identification Number and Year	CS-260001-14 10/01/2014 - 09/30/2019 CS-260001-13 10/01/2013 - 09/30/2018 CS-260001-12 10/01/2012 - 09/30/2017 CS-260001-11 10/01/2011 - 09/30/2016
Total Expenditures of Federal Awards	\$140,078,249
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Department of Environmental Quality

Condition

DEQ did not obtain 4 (29%) of 14 required CWSRF subrecipient single audit reports.

Criteria

OMB Circular A-133, Section 400(d)(4) requires the State to ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year obtain a single audit.

Cause

In 2 instances, the subrecipients notified DEQ that a single audit was not required. When verifying if the subrecipients were subject to a single audit, DEQ did not consider all CWSRF expenditures and, therefore, incorrectly identified the subrecipients as not requiring a single audit.

In 2 other instances, DEQ did not have a control in place to ensure that DEQ staff continued to follow up with subrecipients that did not respond to DEQ's inquiries.

Effect

DEQ limited the State's assurance that subrecipients complied with grant requirements and implemented corrective action for audit findings to prevent future sanctions or disallowed costs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DEQ obtain required subrecipient single audit reports.

Management Views and Corrective Action Plan

Management Views:

DEQ agrees with the finding. Untimely staff turnover in DEQ's Federal Aid section caused the items to become delayed.

Planned Corrective Action:

DEQ added a review process to ensure that CWSRF loan expenditures are considered when determining whether a subrecipient is required to submit an audit. The Financial Manager will also review the tracking sheet to ensure that staff continues to follow up with subrecipients that did not respond to inquiries as required by federal regulations.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Sharon Maher, Department of Environmental Quality
Sharon Roman, Department of Environmental Quality

FINDING 2015-027

Clean Water State Revolving Fund Cluster, CFDA 66.458, Subrecipient Monitoring - Untimely Management Decisions

Federal Agency	U.S. Environmental Protection Agency
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Clean Water State Revolving Fund Cluster: CFDA 66.458
Award Identification Number and Year	CS-260001-14 10/01/2014 - 09/30/2019 CS-260001-13 10/01/2013 - 09/30/2018 CS-260001-12 10/01/2012 - 09/30/2017 CS-260001-11 10/01/2011 - 09/30/2016
Total Expenditures of Federal Awards	\$140,078,249
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Department of Environmental Quality

Condition

DEQ did not issue management decision letters within six months after the receipt of the audit report for two sampled subrecipient single audit reports.

Criteria

OMB Circular A-133, Section 400(d)(5) requires the pass-through entity to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report. Also, OMB Circular A-133, Section 405(a) states that prior to issuing a management decision, the State may request additional information or documentation from the subrecipient, including a request for auditor assurance related to the documentation.

Cause

DEQ did not have a control in place to ensure that DEQ staff continued to follow up with subrecipients that did not respond to DEQ's requests for additional information. DEQ's single audit report review had noted that one subrecipient's schedule of expenditures of federal awards (SEFA) excluded CWSRF expenditures and the other subrecipient had material weaknesses in its SEFA preparation process. In both instances, DEQ sent an inquiry to the subrecipient for additional information to determine if a management decision letter should be issued. At the time of our review, DEQ had not received responses from or performed any additional follow-up with the subrecipients.

Effect

DEQ limited the State's assurance that subrecipients complied with grant requirements and implemented corrective action for audit findings to prevent future sanctions or disallowed costs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DEQ issue management decisions within six months after receipt of a subrecipient's single audit report.

Management Views and Corrective Action Plan

Management Views:

DEQ agrees with the finding. Untimely staff turnover in DEQ's Federal Aid section caused these items to become delayed.

Planned Corrective Action:

DEQ will issue management decisions within six months after receipt of a subrecipient's single audit report per federal regulations. The process design has been altered to include an additional review of the tracking log. The Federal Aid Coordinator will review the tracking sheet at least monthly to ensure that staff are following up appropriately.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Sharon Maher, Department of Environmental Quality
Sharon Roman, Department of Environmental Quality

FINDING 2015-028

Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Final Expenditure Reports

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173

Award Identification Number and Year	H027A120110 H027A120110-12A H173A120117 H027A130144 H027A130144-13A H173A130117 H027A140110 H027A140110-14A H173A140117 H027A150110 H173A150117	07/01/2012 - 09/30/2013 07/01/2012 - 09/30/2013 07/01/2012 - 09/30/2013 07/01/2013 - 09/30/2014 07/01/2013 - 09/30/2014 07/01/2013 - 09/30/2014 07/01/2014 - 09/30/2015 07/01/2014 - 09/30/2015 07/01/2014 - 09/30/2015 07/01/2015 - 09/30/2016 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$401,195,859	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2014-033	
State Agency	Michigan Department of Education	

Condition

MDE did not ensure that 4 of 4 sampled Special Education Cluster (IDEA) preschool subrecipient final expenditure reports (FERs) were reviewed and approved.

Criteria

OMB Circular A-133, Section 300(b) requires MDE to maintain internal control over federal programs that provides reasonable assurance that MDE is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

MDE staff review and approve FERs to ensure that subrecipient expenditures are consistent with the approved budgets.

Cause

MDE informed us that the lack of review and approval resulted from staff turnover.

Effect

MDE limited its assurance that subrecipients spent federal funds in accordance with their grant agreements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE ensure that the Special Education Cluster (IDEA) preschool subrecipient FERs are reviewed and approved.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding. Because of staff turnover, appropriate training for remaining staff did not occur. This resulted in staff reviewing only FERs in MEGS+ to satisfy the requirement that FERs be reviewed. FERs in the Cash Management System (CMS) that deviated 10% or more also needed to be reviewed and approved in CMS.

Planned Corrective Action:

A report will be run in CMS that identifies all grants with deviations of 10% or more on FERs from approved budgets in MEGS+. All FERs from fiscal year 2014-15 that deviate 10% or more will be reviewed and approved by Office of Great Start staff working with the Early Childhood Special Education program.

Anticipated Completion Date:

June 30, 2016

Responsible Individual(s):

Richard Lower, Michigan Department of Education

FINDING 2015-029

Title I Grants to Local Educational Agencies, CFDA 84.010, Subrecipient Monitoring - Cash Management

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010
Award Identification Number and Year	S010A090022 07/01/2009 - 09/30/2010 S010A090022A 07/01/2009 - 09/30/2010 S010A100022 07/01/2010 - 09/30/2011 S010A100022A 07/01/2010 - 09/30/2011 S010A110022 07/01/2011 - 09/30/2012 S010A110022-11A 07/01/2011 - 09/30/2012 S010A110022-11B 07/01/2011 - 09/30/2012 S010A120022 07/01/2012 - 09/30/2013 S010A120022-12A 07/01/2012 - 09/30/2013 S010A130022 07/01/2013 - 09/30/2014 S010A130022-13A 07/01/2013 - 09/30/2014 S010A140022 07/01/2014 - 09/30/2015 S010A140022-14A 07/01/2014 - 09/30/2015 S010A140022-14B 07/01/2014 - 09/30/2015 S010A150022 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$515,403,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not monitor Title I Grants to Local Educational Agencies subrecipient cash draws to ensure that program costs were incurred prior to reimbursement.

We noted 1 of 25 subrecipients reviewed requested three cash draws that appeared to be in excess of its program needs.

Criteria

OMB Circular A-133, Section 300(b) and federal regulation 2 *CFR* 200.303 require MDE to maintain internal control over federal programs that provides reasonable assurance that MDE is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

MDE informed us that it reviews reports available in the cash management system to determine if the subrecipient cash draws appear reasonable. However, MDE did not review these reports for the Title I Grants to Local Educational Agencies subrecipient cash draws.

Cause

MDE informed us that it had not reviewed subrecipient cash draws in part because of staff turnover.

Effect

MDE limited its assurance that subrecipients spent federal funds in accordance with their grant agreements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE monitor Title I Grants to Local Educational Agencies subrecipient cash draws to ensure that program costs are incurred prior to reimbursement.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

The MDE Office of Field Services (OFS) will create a monitoring report and will monitor beginning November 15 and subsequently each 15th day of the month for December, January, and February. This report will compare the amount budgeted with actual expenditures by local educational agency. Large variances will be addressed individually and followed up by OFS Financial Unit staff when the variance is unacceptable or unexplainable. After February, MDE will reassess the utility of the report.

Anticipated Completion Date:

The report will be designed by September 1, 2016. Monitoring will occur monthly as noted in the planned corrective action.

Responsible Individual(s):

Office of Field Services Financial Unit Staff, Michigan Department of Education

FINDING 2015-030

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management - Incorrect Quarterly Cash Settlement

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Award Identification Number and Year	H126A150090 10/01/2014 - 09/30/2015 H126A140090 10/01/2013 - 09/30/2014
Total Expenditures of Federal Awards	\$97,962,435
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not accurately complete quarterly cash settlements for the Rehabilitation Services - Vocational Rehabilitation Grants to States Program. Our review disclosed that MDHHS incorrectly calculated quarterly cash settlements for each quarter in fiscal year 2015.

Criteria

The CMIA agreement requires MDHHS to use the biweekly modified payment schedule for cash draws related to Rehabilitation Services - Vocational Rehabilitation Grants to States Program expenditures and make quarterly and year-end accounting corrections or adjustments.

Cause

MDHHS's Federal Reporting Section calculates quarterly cash settlements based on differences between total cash draws and total federal expenditures reported on the Rehabilitation Services - Vocational Rehabilitation Grants to States Program quarterly financial report (SF-425). MDHHS informed us that it did not reconcile total cash draws and total federal expenditures as recorded in the accounting system.

Effect

MDHHS could be at risk for incurring overdrafts if quarterly cash settlement reconciliations are not properly completed. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS accurately complete quarterly cash settlements for the Rehabilitation Services - Vocational Rehabilitation Grants to States Program.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Beginning with the first quarter of fiscal year 2016, MDHHS started tracking federal expenditures and program income using separate ledger numbers. This separation will help to ensure that MDHHS completes the quarterly settlement, prior to drawing the applicable federal funds. In addition, settlements have been completed and draws have been adjusted to match quarterly expenditures.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Deborah Christopherson, Michigan Department of Health and Human Services

FINDING 2015-031

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Eligibility - Timeliness of Eligibility Determinations

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Award Identification Number and Year	H126A150031 10/01/2014 - 09/30/2015 H126A140031 10/01/2013 - 09/30/2014
Total Expenditures of Federal Awards	\$97,962,435
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Licensing and Regulatory Affairs

Condition

The Department of Licensing and Regulatory Affairs (LARA) and MDHHS did not timely determine eligibility for vocational rehabilitation services for 11 (20%) of 56 cases reviewed. LARA (which completes eligibility determinations for the visually impaired) was not timely in 4 instances, and MDHHS (which completes eligibility determinations for the physically and mentally impaired) was not timely in 7 instances.

Criteria

Federal regulation 34 CFR 361.41(b)(1) requires that, once an individual has submitted an application for vocational rehabilitation services, an eligibility determination must be made within 60 days, unless:

- (i) Exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time, or
- (ii) An exploration of the individual's abilities, capabilities, and capacity to perform in work situations is carried out in accordance with a trial work plan or extended evaluation.

Cause

LARA and MDHHS informed us that the timeliness issues in determining eligibility were likely due to lower staffing levels caused by employee turnover.

In addition, MDHHS informed us that new site managers had not yet been fully trained regarding internal control and monitoring activities to detect timeliness.

Effect

LARA and MDHHS were not in compliance with the federal requirement for timely determination of eligibility. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that LARA and MDHHS timely determine eligibility for vocational rehabilitation services.

Management Views and Corrective Action Plan

Management Views:

LARA and MDHHS agree with the finding. LARA notes that no services were withheld or denied as a result of the lack of timeliness in the LARA cases and that all individuals in the cited cases were determined to be eligible for services.

Planned Corrective Action:

LARA's Bureau of Services to Blind Persons (BSBP) has filled positions that while temporarily vacated, led to some late eligibility determinations for the visually impaired. In addition, LARA has implemented utilization of technology from its case management system to identify potential future violations of this requirement.

LARA BSBP's case management system has a "dashboard application" that appears when staff log in, which allows both managers and staff to view all cases nearing the 60-day eligibility parameter. In the future, when there is a counselor vacancy, the immediate supervisor is responsible for monitoring the vacant caseload for individuals who may be nearing the 60-day time limit for eligibility determination. All clients identified as nearing such time constraints will be reviewed to establish what is needed to complete the eligibility determination. The BSBP Regional Manager within the Rehabilitation Division is to review this caseload with the Division Director within 10 working days of the staff vacancy.

In addition, both managers and staff will utilize these case management tools to ensure that eligibility is determined within 60 days. When cases need to be extended, these tools can be used to ensure that those cases are identified and extensions are incorporated following all federal requirements.

The LARA BSBP Vocational Rehabilitation Division Director finalized a division policy to implement this internal control.

MDHHS corrective actions include:

1. MDHHS modified agency policy (MRS-PD-16-01) by strengthening monitoring protocols and adding new protocols to ensure that the customer eligibility

assessment, eligibility determination, and eligibility determination extension and plan development meet all federal guidelines. These policy changes also included system enhancements.

2. MDHHS has implemented additional managerial oversight of Accessible Web-Based Activity and Reporting Environment (AWARE) database "Activity Due" reports to monitor application and eligibility time frame compliance. This action will include Site Managers, District Managers, and Division Directors.
3. MDHHS will train/retrain managers, counselors, and rehabilitation assistants on how to obtain and utilize reports in the AWARE system relating to the management of cases moving to eligibility status.
4. MDHHS will enhance counselor support through additional, already approved clerical staff hiring. Support staff will assist with following up with customers to obtain all necessary supporting documentation.

Anticipated Completion Date:

LARA completed and implemented the internal control policy April 15, 2016.

MDHHS Policy Directive MRS-PD-16-01 was implemented on February 24, 2016. Additional managerial oversight, training, and staff hiring will occur during fiscal year 2016.

Responsible Individual(s):

Rehabilitation Services Division Director, Michigan Department of Licensing and Regulatory Affairs
 Regional Managers, Michigan Department of Licensing and Regulatory Affairs
 Rehabilitation Counselors, Michigan Department of Licensing and Regulatory Affairs
 Suzanne Howell, Michigan Department of Health and Human Services
 Tina Fullerton, Michigan Department of Health and Human Services
 Kevin Green, Michigan Department of Health and Human Services

FINDING 2015-032

Twenty-First Century Community Learning Centers, CFDA 84.287, Procurement and Suspension and Debarment - Suspension and Debarment Certification

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Twenty-First Century Community Learning Centers: CFDA 84.287
Award Identification Number and Year	S287C110022 07/01/2011 - 09/30/2012 S287C110022-11A 07/01/2011 - 09/30/2012 S287C120022 07/01/2012 - 09/30/2013 S287C120022-12A 07/01/2012 - 09/30/2013 S287C130022 07/01/2013 - 09/30/2014 S287C130022-13A 07/01/2013 - 09/30/2014 S287C140022 07/01/2014 - 09/30/2015 S287C150022 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,299,971
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency

Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not ensure that 11 subrecipients of fiscal year 2016 grant awards certified that they were not suspended or debarred from receiving federal awards.

Criteria

Federal regulation 2 *CFR* 180.300 requires MDE to verify that the subrecipient with whom it intends to do business is not suspended or debarred. This can be accomplished by checking the federal Web site, collecting a certification, or adding a clause or condition to the covered transaction.

MDE informed us that it verifies that a subrecipient is not suspended or debarred by collecting a certification with the application.

Cause

MDE indicated that a coding error in MEGS+ prevented the certification from including the language that the Office of Great Start entered related to suspension and debarment.

Effect

We did not identify any suspended or debarred subrecipients receiving federal awards; however, without certification from the subrecipient, there is an increased risk that a suspended or debarred subrecipient could receive funds in the future.

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE ensure that subrecipients certify that they are not suspended or debarred from receiving federal awards.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

As part of the quality assurance process for MEGS+ programming, Twenty-First Century Community Learning Centers (21st CCLC) staff will ensure that programming is completed to include federal regulation 2 *CFR* 180.300 requirements within the grant Assurances page of the application.

As an additional quality check, once the MEGS+ application goes live for subrecipients to complete, 21st CCLC staff will review the AAA-Test application to ensure this assurance is included in the MEGS+ production environment. MEGS+ requires all subrecipients to verify Assurances as part of the grant application submission process.

Anticipated Completion Date:

21st CCLC staff completed testing of the grant application programming within MEGS+ on March 1, 2016 for the fiscal year 2016-2017 and specific language related to federal regulation 2 *CFR* 180.300 was included.

21st CCLC staff will review the AAA-Test application by June 30, 2016.

Responsible Individual(s):

Richard Lower, Michigan Department of Education

FINDING 2015-033

TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Lack of Income Eligibility Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and <i>CFDA</i> Number	TANF Cluster: <i>CFDA</i> 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Income Eligibility and Verification System
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	\$680
Repeat Finding	2014-042
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility. Consolidated Inquiry (CI) and/or State Online Query (SOLQ) reviews and results were not documented in accordance with policy for 19 (70%) of 27 sampled TANF Cluster assistance case records.

Criteria

Federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF Cluster assistance and job preparation services. Federal regulations 45 *CFR* 205.51, 45 *CFR* 205.55, and 45 *CFR* 205.56 require states to have an IEVS to request, use, and verify income and benefit information when determining a client's eligibility for assistance. Also, federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance.

MDHHS's policies and procedures require caseworkers to verify client income at the time of application and redetermination through CI and SOLQ matches. Caseworkers are required to document the results of the CI and SOLQ matches in the case comments section of Bridges.

The CI match identifies income sources requested through IEVS, such as child support, unemployment compensation, new hire income, and child day care provider income. The SOLQ match identifies retirement, survivors, and disability insurance; Social Security income; and Medicare benefits requested through IEVS.

Also, federal regulation 45 *CFR* 263.2(b)(3) requires that funds counted as State maintenance of effort (MOE) expenditures, except those expended for certain pro-family activities under the third and fourth purposes of the TANF Cluster, must be expended on needy families.

In addition, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Subpart E of federal regulation 2 *CFR* 200 require that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the State.

Cause

MDHHS informed us that controls were not sufficient to ensure that required verification documentation was appropriately maintained in the client's case record.

Effect

MDHHS may have made payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$680 - federal share.
- \$61 - State share of costs that MDHHS inappropriately used as State MOE.

The following are questioned in Finding 2015-034 and are not reported in this finding:

- \$575 - federal share.
- \$220 - State share of costs that MDHHS inappropriately used as State MOE.

Recommendation

We recommend that MDHHS maintain sufficient income eligibility documentation to support client eligibility for TANF Cluster assistance.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

A CI system enhancement was completed during the March 2016 Bridges release, which allows for auto-storage of the CI results in the Electronic Case File (ECF). A SOLQ system enhancement, for auto-storage results in the ECF, has been built into Bridges, however, implementation is pending Social Security Administration (SSA) final approval. MDHHS recently contacted SSA to request an update.

Anticipated Completion Date:

The CI system enhancement has been completed. The SOLQ system enhancement is scheduled for immediate release, pending SSA approval.

Responsible Individual(s):
 Terry Beurer, Michigan Department of Health and Human Services

FINDING 2015-034

TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Eligibility Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	\$665
Repeat Finding	2014-043
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient case record documentation to support client eligibility for 14 (42%) of 33 sampled TANF Cluster assistance case records.

MDHHS did not maintain documentation such as the assistance eligibility redetermination, support for completion of the Family Self-Sufficiency Plan (FSSP) and the Family Automated Screening Tool (FAST), support for deferral from TANF work requirement, immunization attestation, and verification to support the age and relationship of the child to the adult on the case record in order to demonstrate that the 14 families were in need of TANF Cluster assistance.

In addition, we noted that MDHHS counted all 14 of the case records that did not have documentation to support client eligibility toward the State's MOE requirement.

Criteria

Federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF Cluster assistance and job preparation services. Federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance. MDHHS's policies and procedures require designated forms to be completed at application and redetermination of benefits. MDHHS's policies and procedures also require that documentation used to verify eligibility be maintained in the case file.

Also, federal regulation 45 *CFR* 263.2(b) requires that funds counted as State MOE expenditures, except those expended for certain pro-family activities under the third and fourth purposes of the TANF Cluster, must be expended on needy families.

In addition, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in

accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the State.

Cause

MDHHS informed us that controls were not sufficient to ensure that required verification documentation was maintained in the client's case record.

Effect

MDHHS may have made payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$665 - federal share.
- \$254 - State share of costs that MDHHS inappropriately used as State MOE.

Recommendation

We recommend that MDHHS maintain sufficient case record documentation to support client eligibility for TANF Cluster assistance.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS FOA will continue to educate local office staff on policies, procedures, and required verification needed while determining eligibility at program opening and redetermination, including support for work requirements or deferrals. In addition, MDHHS is in the process of or has implemented the following corrective actions:

- FAST and FSSP - A work request (WR) was completed during the March 2016 Bridges release that addresses reissuing of the FAST and FSSP during reinstatement of cases. However, the WR that was implemented to address the identified issue necessitated an additional WR. This additional WR was written and prioritized as an immediate release; the release is expected by September 2016.
- Immunizations - Ongoing education for the local office staff will take place regarding the importance of case documentation.
- Age and relationship - A completed WR for the Birth Registry enhancement, which identifies an individual's age along with parent's detail, was part of the September 2015 Bridges release.

Anticipated Completion Date:

MDHHS will complete the FOA memo for local office staff education by October 2016. MDHHS anticipates the WR related to FAST and FSSP will be completed by September 2016. The Birth Registry enhancement is complete.

Responsible Individual(s):

Terry Beurer, Michigan Department of Health and Human Services
Dawn Sweeney, Michigan Department of Health and Human Services

FINDING 2015-035

TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$1,341
Repeat Finding	2014-044
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not conduct an annual eligibility redetermination to ensure that the adoptive family met eligibility requirements for 2 (22%) of 9 sampled TANF Cluster-funded adoption subsidy case records.

Criteria

Federal regulation 45 *CFR* 206.10(a)(9) requires MDHHS to redetermine eligibility at a minimum of every 12 months or when a change in the recipient's circumstances occurs.

Also, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, and be in accordance with the relative benefits received by the program.

Cause

MDHHS informed us that control activities were not sufficient to ensure that annual eligibility redetermination documentation was appropriately maintained in the client's case record.

Effect

MDHHS may have made adoption subsidy payments to a family that did not qualify for TANF Cluster-funded adoption subsidy. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that the total questioned costs would exceed \$10,000.

- \$1,341 federal share of payments made for the sampled cases for which MDHHS did not maintain documentation to support client eligibility.

Recommendation

We recommend that MDHHS conduct annual eligibility redeterminations to ensure that adoptive families meet TANF Cluster eligibility requirements.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Effective February 2015, the Adoption and Guardianship Assistance Program established a unit with staff dedicated to tracking and processing all annual reports from the adoptive parent population receiving active adoption assistance. When a report is not received timely from the parent, the payment authorization is temporarily suspended until a report is received and reviewed.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Dawn Ritter, Michigan Department of Health and Human Services

FINDING 2015-036

TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Lack of Documentation to Identify Drug Felony Convictions and Parole/Probation Violations

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-047
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation in 11 (31%) of 36 case records to identify whether the associated individuals were convicted of a drug-related felony after August 22, 1996 and were in violation of probation or parole; were convicted of two or more drug-related felonies; or were in violation of their probation or parole requirements related to any offense.

Criteria

Federal law 21 USC 862a denies TANF Cluster assistance to any individual convicted of a felony for the possession, use, or distribution of a controlled substance but permits MDHHS to provide TANF Cluster assistance to individuals convicted of a drug-related felony if the State

has exempted in State law any individuals from the provisions of federal law 21 *USC* 862a. Section 619 of Public Act 59 of 2013 states that MDHHS will not provide TANF Cluster-funded assistance to individuals convicted of a felony for the possession, use, or distribution of a controlled substance after August 22, 1996 if the individuals are in violation of their probation or parole requirements or if the individuals have been convicted of two or more drug-related felonies.

Federal law 21 *USC* 862a(c) states that a state shall require individuals applying for assistance during the application process, to state, in writing, whether the individual, or any member of the household, has been convicted of a drug-related felony.

Federal law 42 *USC* 608(a)(9)(A) states that a state may not provide assistance to any individual who is violating a condition of probation or parole imposed under federal or State law.

Federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain individual records that contain pertinent facts about each applicant and recipient. The records will include the facts essential for the determination of eligibility.

Cause

MDHHS informed us that it relied on the individuals' self-reporting of the drug-related felony questions and the probation and parole violation questions on their paper or electronic assistance application. However, MDHHS did not ensure that it included questions necessary to rely on self-reporting on all types of applications for TANF Cluster assistance.

MDHHS also informed us that if the individual's answer to these questions is "no" or he or she fails to answer the questions on the electronic application, the answers may not be included in the saved version of the electronic application in Bridges for the caseworker to consider when determining the individual's eligibility.

Effect

MDHHS may have paid TANF Cluster assistance to individuals who were convicted of a drug-related felony after August 22, 1996 and were in violation of their probation or parole requirements; were convicted of two or more drug-related felonies; or were in violation of their probation or parole requirements related to any offense. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS maintain sufficient documentation to identify if individuals receiving TANF Cluster assistance are convicted of a drug-related felony after August 22, 1996 and are in violation of probation or parole; are convicted of two or more drug-related felonies; or are in violation of their probation or parole requirements related to any offense.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS FOA processed a work request that addressed the drug felony and probation or parole questions not listed on the on-line pdf version of the applications and

redeterminations. However, it was subsequently removed from the pdf version in error. Once this error was identified, it was immediately corrected. All necessary questions are asked on all TANF-funded programs, are being requested for every individual listed in the household, and are listed on the pdf version held in the ECF.

Effective February 2015, the Adoption and Guardianship Assistance Program established a unit with staff dedicated to tracking and processing all annual reports from the adoptive parent population receiving active adoption assistance, from any funding source including TANF. When a report is not received timely from the parent, the payment authorization is temporarily suspended until a report is received and reviewed.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Terry Beurer, Michigan Department of Health and Human Services
Dawn Ritter, Michigan Department of Health and Human Services

FINDING 2015-037

TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking and Reporting - MOE New Spending Test

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	2014-050
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS may have inappropriately excluded the Section 31a At-Risk Pupils Program and the Great Start Readiness Program expenditures totaling \$143,147,054 from the new spending test used to meet the State's MOE requirement in fiscal year 2015.

These programs were in operation prior to fiscal year 1995 and were not part of the former AFDC State Plan. In prior years, MDHHS had limited the amount of expenditures in these programs it counted toward TANF Cluster MOE until a private consulting group advised MDHHS that the programs would qualify as new programs.

We reviewed the legislative and contractual changes to these programs to determine if the changes would classify the programs as new programs exempt from the statutory limitations. For example, we noted that some of the programs were expanded to include more services, such as expanding a half-day school readiness program to be available all day and adding additional non-instructional services that could be provided to at-risk students. However, the overall mission and purpose of these programs did not change since fiscal year 1995.

Criteria

Federal regulation 45 *CFR* 263.5 states that expenditures of a state program, that was also operated in fiscal year 1995 and was not authorized under prior AFDC law, can be counted in the state's MOE requirement but are limited to the amount of current year state expenditures paid on behalf of eligible families in excess of the state expenditures in fiscal year 1995.

Neither the federal regulations nor the TANF Cluster Funding Guide define or include guidance on what types of changes would classify a program as being new and, therefore, exempt from the statutory limitations.

Cause

A hired private consulting group advised MDHHS that the program would qualify as new programs that would be exempt from the TANF Cluster statutory limitation because any change to a program in operation prior to fiscal year 1995 would qualify that program as a new program.

Effect

MDHHS may not have met its annual State MOE requirement in fiscal year 2015 because it did not have other State expenditures to replace these potentially unallowable MOE expenditures. In addition, MDHHS may not have accurately reported required State MOE information in its TANF Financial Report (ACF-196) and Annual Report on State Maintenance of Effort Programs (ACF-204). The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS continue to seek guidance from HHS to ascertain whether these programs are exempt from the new spending test.

Management Views and Corrective Action Plan

Management Views:

MDHHS disagrees with the finding.

The 1995 new spending limitation in 45 *CFR* 263.5 applies unless there has been a change in the program since 1995. ACF has indicated that the new spending test applies where an "apples to apples" comparison can be made between current expenditures and fiscal year 1995 expenditures. If a State or local program has undergone any changes to its mission, purpose, costs, procedures, etc., then the "apples to apples" comparison is not possible. If a State or local program operating since fiscal year 1995 has undergone any changes in its operational components, it is reasonable to conclude that the program is no longer a pre-existing program, and therefore, it is not necessary to apply the new spending test to the program.

The legislation and funding allocation of Michigan School Aid Act Section 31a has continuously changed since 1995 in regards to activities that constitute allowable use of the funds. For example, there is expanded flexibility for the districts for using the Section 31a funds which greatly increases the scope of services that can be supported with the program funding, early childhood and reading programs were introduced, as well as other changes.

The Great Start Readiness is a new program initiated in fiscal year 2009 (Public Act 268 of 2008). A prior program, known as the Michigan School Readiness Program, was in

existence from 1985 to 2008. The new program has new program standards including comprehensive developmental screening as described in the Early Childhood Standards of Quality Pre-Kindergarten. Since 1995, the once exclusively part-day program has expanded to include full-day awards, a majority of children served by the program are in a full day program which did not exist in the base year. The Great Start Readiness program includes a part day award of \$3,400 whereby the Michigan School Readiness program had an original part day award of \$2,500. Therefore, the Great Start Readiness program was not funded in 1995 because an "apples to apples" comparison is not possible which means the program is not subject to the new spending test.

Planned Corrective Action:

MDHHS will continue to seek guidance from the HHS to ascertain whether these programs are exempt from the new spending test by sending a follow-up letter to HHS.

Anticipated Completion Date:

October 1, 2016

Responsible Individual(s):

Susan Kangas, Michigan Department of Health and Human Services

FINDING 2015-038

TANF Cluster, CFDA 93.558, Special Tests and Provisions - Penalty for Refusal to Work and Adult Custodial Parent of Child Under Six When Child Care Not Available

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Award Identification Number and Year	14 02 MI TANF 10/01/2013 - Until Expended 15 02 MI TANF 10/01/2014 - Until Expended
Total Expenditures of Federal Awards	\$674,804,752
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Special Tests and Provisions - Penalty for Refusal to Work and Adult Custodial Parent of Child Under Six When Child Care Not Available
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it appropriately documented good cause exceptions in 6 (16%) of 38 cases reviewed.

Criteria

Federal regulation 45 CFR 261.14 requires MDHHS to reduce or terminate assistance of those recipients who refuse to engage in work and are not subject to good cause exceptions established by MDHHS. Also, federal regulation 45 CFR 261.15(a) prohibits MDHHS from reducing or terminating assistance based on an individual's refusal to engage in work if the individual is a single custodial parent caring for a child under age six who has a demonstrated inability to obtain needed child care.

MDHHS's TANF State Plan states that if a person fails at application to participate in employment-related activities without good cause, the family is ineligible for assistance and, if a recipient fails to participate in employment-related activities without good cause, the family loses its eligibility for assistance for a minimum of up to three calendar months. Also, MDHHS policy BEM 233A requires that a claim of good cause, including inability to obtain needed child care, must be verified and documented in Bridges.

Cause

MDHHS informed us that internal control and monitoring activities were not sufficient to ensure that good cause exceptions were documented in the client's Bridges case record.

Effect

MDHHS may have inappropriately paid TANF Cluster funds to individuals who were ineligible because of failure to comply with work requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that it appropriately documents good cause exceptions.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will continue to educate workers on policy and verification requirements. MDHHS FOA will issue correspondence outlining the fiscal year 2015 single audit findings, so that they can be adequately addressed. Additional trainings and documentation examples will be provided to the Projects for Assistance in Transition from Homelessness (PATH) Coordinators during monthly PATH calls. In addition, the Office of Quality Assurance and Internal Control and policy staff will continue ongoing case reads to help ensure compliance.

Anticipated Completion Date:

FOA will issue correspondence by October 2016. PATH coordination will be completed by July 2016. Case reads are ongoing.

Responsible Individual(s):

Terry Beurer, Michigan Department of Health and Human Services
Dawn Sweeney, Michigan Department of Health and Human Services
Heidi Norfleet, Michigan Department of Health and Human Services
Janet Brooks, Michigan Department of Health and Human Services

FINDING 2015-039

CCDF Cluster, CFDA 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	\$1,572
Repeat Finding	2014-053
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Condition

MDE and MDHHS did not maintain sufficient documentation to support client and/or child eligibility, client need for the number of hours authorized, and/or the proper authorization of providers to render services. During our review of 60 sampled CCDF Cluster child care payments, which included payments to 50 licensed providers and 10 unlicensed providers, we noted:

- a. MDHHS did not maintain case record documentation to support client and/or child eligibility for 5 (8%) of the 60 sampled CCDF Cluster child care payments. We noted incomplete supporting documentation related to the client's categorical or income eligibility and the client's need reason for child care services.
- b. MDHHS did not maintain case record documentation to support client eligibility for the Temporary Assistance for Needy Families (TANF) - Family Independence Program (FIP). MDE's CCDF State Plan allows MDHHS county/district office caseworkers to determine financial eligibility for child care services based on the client's or child's eligibility determination for TANF - FIP. We noted that 20% of the total CCDF Cluster child care payments that MDE made during fiscal year 2015 were on behalf of TANF - FIP eligible clients or children. During our review of the TANF Program, we noted that MDHHS did not maintain sufficient case record documentation to support client eligibility for 13 (39%) of 33 TANF - FIP payments sampled for fiscal year 2015. We were unable to determine the impact of known questioned costs on CCDF Cluster child care payments in regard to these TANF - FIP eligibility errors.
- c. MDHHS did not maintain documentation to support the client's need for the number of hours of child care MDHHS authorized in Bridges for 9 (15%) of the 60 sampled CCDF Cluster child care payments. MDHHS authorized hours of care in Bridges that exceeded the client's documented need for hours of child care services.
- d. MDHHS did not maintain documentation to support that MDHHS appropriately authorized the provider to render services for a client's child prior to payment for 6 (10%) of the 60 sampled CCDF Cluster child care payments.

Criteria

Federal law 42 USC 9858c(c)(2)(A) allows MDE to use CCDF Cluster funds for child care services in the form of certificates, grants, or contracts on behalf of eligible children and providers. Federal regulation 45 CFR 98.20 provides eligibility requirements for child care services and permits MDE to establish eligibility requirements in addition to those outlined in the section as long as the additional requirements are not in violation of the regulation. Federal

regulation 45 *CFR* 98.16(g)(5) requires that MDE identify additional eligibility requirements in its CCDF State Plan. MDE's CCDF State Plan Sections 2.3 and 3.1 provide specific requirements for client, child, and provider eligibility. Also, CCDF program policy requires the MDHHS county/district office caseworker to verify the children in child care, the date the child care began, where the child care is provided, and the provider's relationship to the children on the child care provider verification form in order to establish a certificate for the use of CCDF Cluster funds. CCDF program policy also requires documentation of need for the hours of child care in the case record, including the calculations used to determine the hours needed and the source of the information used in the determination.

In addition, CCDF program policy requires provider enrollment prior to payment, which includes an application, age verification, and background checks for all unlicensed providers and adult household members. Also, CCDF program policy deems clients to be categorically eligible if they participate in certain other programs such as TANF.

Further, federal regulation 45 *CFR* 98.67 requires that MDE's fiscal control and accounting procedures permit the tracing of CCDF Cluster funds to document that MDE did not use CCDF Cluster funds in violation of the restrictions and prohibitions of CCDF Cluster laws and federal regulations. Federal regulation 45 *CFR* 98.53 allows states to claim expenditures to be matched at the federal medical assistance percentage rate for allowable activities, as described in the approved State Plan. In order to receive federal matching funds for a fiscal year, states must also expend an amount of nonfederal funds for child care activities in the state that is at least equal to the state's share of expenditures for fiscal years 1994 or 1995 (whichever is greater) under Sections 402(g) and 402(i) of the Social Security Act as these sections were in effect before October 1, 1995 and the expenditures must be for allowable services or activities, as described in the approved State Plan.

Cause

MDHHS informed us that its internal control and monitoring activities were not sufficient to ensure that MDHHS maintained the required verification documentation in the client's case record to support eligibility, to support the client's need for the number of hours of child care that MDHHS authorized in Bridges, and/or to support that the provider was appropriately authorized to render services for a client's child.

Effect

MDE may have made payments that do not qualify for the CCDF Cluster. In addition, based on the exceptions noted, it is possible that MDE did not meet the CCDF Cluster match requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$1,572 - federal share.
- \$826 - State share of costs that MDE inappropriately used as matching expenditures for CCDF Cluster funds.

The questioned costs represent the amount of sampled CCDF Cluster payments for which MDHHS did not maintain documentation to support client and/or child eligibility, client need for the number of hours authorized, and/or proper authorization of providers to render services.

Recommendation

We recommend that MDE and MDHHS maintain sufficient documentation to support client and/or child eligibility, client need for the number of hours authorized, and/or the proper authorization of providers to render services.

Management Views and Corrective Action Plan

Management Views:

MDE and MDHHS agree with the finding.

Planned Corrective Action:

MDHHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. MDHHS FOA will issue an updated communication reiterating the need to obtain and retain verifications in the case file, such as the assistance application/redetermination form, the Child Development and Care Provider Verification form, and the hours of care authorized. This memorandum will reiterate Web-based training that is available and encourage staff to review. Local office management will review the communication with staff.

MDE will continue to complete random case reads and provide review results monthly to MDHHS FOA and the business service centers for corrective action and to identify any resulting trends. Business service centers will review any trends identified and determine any necessary training needs and will follow up with local office management as needed.

Anticipated Completion Date:

October 1, 2016

Responsible Individual(s):

Lisa Brewer-Walraven, Michigan Department of Education

Terry Beurer, Michigan Department of Health and Human Services

FINDING 2015-040

CCDF Cluster, CFDA 93.575 and 93.596, Cash Management - Cash Management Process

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-055
State Agency	Michigan Department of Education

Condition

MDE did not have a process in place to ensure the accuracy of the information used to reconcile the amount of federal revenue previously drawn.

Criteria

The CMIA agreement requires MDE to request reimbursement for administrative expenditures based on the amount of expenditures recorded for administrative costs since the last request for funds. The CMIA agreement also requires MDE to request reimbursement for provider payroll expenditures based on the sum of payments issued in the series of disbursements since its last draw.

Also, MDE is required to inform the Michigan Department of Treasury when MDE overdraws federal funds so that the Michigan Department of Treasury can calculate federal interest liabilities.

Cause

MDE included fiscal year 2014 draws in its fiscal year 2015 cash management analysis for the CCDF Cluster, as well as in its excess draw analysis for the Michigan Department of Treasury. MDE did not establish sufficient controls to timely detect the resulting federal revenue understatement.

Effect

MDE did not make cash draws for the CCDF Cluster administrative and provider payroll expenditures in accordance with the CMIA agreement.

In addition, MDE incorrectly reported an overdrawn amount for the CCDF Cluster in its annual report to the Michigan Department of Treasury, resulting in \$678 of interest liability to the federal government.

Known Questioned Costs

None.

Recommendation

We recommend that MDE implement a process to ensure the accuracy of the information used to reconcile the amount of federal revenue previously drawn.

Management Views and Corrective Action Plan

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

MDE is currently analyzing the process for reconciling CCDF expenditures and drawing funds for the CCDF program. MDE is creating a monitoring tool that will be used at least monthly to verify and adjust the amounts to be drawn to maintain compliance with CMIA requirements.

Anticipated Completion Date:

September 30, 2016

Responsible Individual(s):

Brandon Reed, Michigan Department of Education
Rose Zuker, Michigan Department of Education

FINDING 2015-041

CCDF Cluster, CFDA 93.575 and 93.596, Eligibility - Disqualification of Clients and Providers

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Background

In accordance with the interagency agreement between MDE and MDHHS, MDHHS was responsible for conducting intentional program violation (IPV) investigations of child care clients and providers and referring IPV cases to MDE. MDE was responsible for reviewing, approving, and entering the IPV cases in Bridges for child care program disqualification.

Condition

MDE did not consider for disqualification from the CCDF Cluster 3 (8%) of 36 sampled clients and providers who were determined by MDHHS to have committed an IPV.

Criteria

Federal regulation 45 *CFR* 98.20 provides eligibility requirements for child care services and permits MDE to establish eligibility requirements in addition to those outlined in the section as long as the additional requirements are not in violation of the regulation. Federal regulation 45 *CFR* 98.16(g)(5) requires that MDE identify additional eligibility requirements in its CCDF State Plan. MDE's CCDF State Plan Sections 1.3, 2.3, and 3.1 provide specific requirements for client, child, and provider eligibility, as well as disqualification. Also, *Michigan Administrative Code* R 400.5001 - 400.5020 and CCDF program policy require that MDHHS refer IPV cases to MDE for disqualification review and entry into Bridges if appropriate.

Cause

MDE and MDHHS did not perform a reconciliation to ensure that all IPV cases identified by MDHHS were referred to MDE and that MDE subsequently reviewed the IPV cases for client and provider disqualification.

Effect

MDE and MDHHS increased the risk that clients and providers determined to have committed an IPV continued to receive program benefits. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE consider for disqualification from the CCDF Cluster the clients and providers who are determined by MDHHS to have committed an IPV.

Management Views and Corrective Action Plan

Management Views:

MDE and MDHHS agree with the finding.

Planned Corrective Action:

MDHHS reconciles closed cases that have a Child Development and Care (CDC) component on a quarterly basis. The following reports are generated and forwarded to a Recoupment Specialist (RS) for reconciliation:

- CDC Reconciliation Report
- CDC Disqualification (DQ) Monitoring Report

Upon receiving the CDC Reconciliation Report, the RS queries the Bridges "Benefit Recovery" section and complete a claim search either by MDHHS case number or CDC provider identification number. This search will identify if the monetary amounts in Bridges match the reported amounts and if the recoupment process has begun with the correct claim status applied.

Upon receiving the DQ Monitoring Report, the RS identifies any investigations that do not have a Final Disqualification Period listed on the report and follows up to make sure the packets were sent to MDE for consideration of Client and/or Provider disqualification.

MDE will work with MDHHS to identify a report that can be used to reconcile referrals.

Anticipated Completion Date:

Reconciliation of closed cases with a CDC component will continue on a quarterly basis. MDE anticipates identification of a report for reconciling referrals by September 30, 2016.

Responsible Individual(s):

Kelly Silker, Michigan Department of Health and Human Services
Travis Dykman, Michigan Department of Health and Human Services
Lisa Brewer Walraven, Michigan Department of Education

FINDING 2015-042

CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Fraud Detection and Repayment

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Award Identification Number and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$122,512,504
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Special Tests and Provisions - Fraud Detection and Repayment

Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-056
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Background

In accordance with the interagency agreement between MDE and MDHHS for fiscal year 2015, MDHHS was responsible for working with MDE to recoup funds from any provider or client that had an outstanding financial obligation. MDE and MDHHS identified child care payments for repayment during the IPV review process. If certain criteria were met, this process may have led to the conviction of child care clients and providers on fraud charges.

Condition

MDE and MDHHS did not have a process to routinely send automated notices to providers and clients that were late in remitting payment for IPV's. In addition, MDE and MDHHS did not regularly submit delinquent client claims to the Michigan Department of Treasury for additional collection efforts.

Criteria

Federal regulation 45 *CFR* 98.60 requires MDE to recover child care payments that are the result of fraud from the individual responsible for committing the fraud.

Cause

MDE and MDHHS informed us that a delinquency date for collections was not programmed into the Bridges Benefit Recovery System (BRS) to allow for automated tracking of delinquent claims. MDHHS also informed us that it lacked adequate staffing to perform referrals to the Michigan Department of Treasury on a regular basis.

Effect

MDE and MDHHS increased the risk that fraudulent child care payments may not be recovered. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE and MDHHS develop and implement sufficient processes to help ensure that they pursue repayment efforts for child care IPV's.

Management Views and Corrective Action Plan

Management Views:

MDE and MDHHS agree with the finding.

Planned Corrective Action:

Previous work requests (WRs) were initiated by the former Department of Human Services; however, due to information technology resource limitations, both were subsequently closed. MDHHS and MDE's 2015 interdepartmental performance agreement pertaining to Audits and Data Systems Technology outlined MDE's role of managing the identification of a time period for implementing CDC systems changes via DTMB. MDE has submitted new

WRs applicable to Setting of Delinquency Date and Minimum Cash Payments Requirements; both are currently open and pending prioritization.

MDHHS will continue to collaborate with MDE for involvement in design development and testing of Bridges WRs required to address automation of both debtor minimum repayment monitoring and claim delinquency setting. The prerequisite requirement pertaining to write-off of aged client CDC claims was completed in January 2016.

Anticipated Completion Date:

Completion is contingent upon prioritization and commitment of DTMB resources.

Responsible Individual(s):

Lisa Brewer-Walraven, Michigan Department of Education

Robert Drake, Michigan Department of Health and Human Services

FINDING 2015-043

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Transitional Medicaid Eligibility

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	\$3,352,808
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Bridges and CHAMPS contained the appropriate termination date for beneficiaries receiving transitional Medicaid coverage.

Criteria

In accordance with federal regulation 42 CFR 435.10, MDHHS's Medicaid State Plan specifies that it provides extended medical coverage to families with dependent children terminated solely because of earnings, hours of employment, or loss of earned income disregards. MDHHS developed policies and procedures related to the "transitional Medicaid coverage" eligibility group that provides coverage for up to 12 months.

Cause

MDHHS indicated that there were several contributing factors, including staff actions, system changes, and potential system issues.

Effect

MDHHS paid Medicaid providers \$5,115,749 during fiscal year 2015 on behalf of 9,009 beneficiaries in the transitional Medicaid eligibility group for medical services provided after the allowed 12-month transitional period had expired. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$3,352,862 - federal share of payments made to providers on behalf of beneficiaries, of which \$54 is questioned in Finding 2015-044.
- \$1,762,887 - State share of costs that MDHHS inappropriately used as matching, of which \$28 is questioned in Finding 2015-044.

Recommendation

We recommend that MDHHS ensure that Bridges and CHAMPS contain the appropriate termination date for beneficiaries receiving transitional Medicaid coverage.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS determined that the majority of these cases were a result of the State's implementation of Affordable Care Act system changes. The State will review individuals receiving Transitional Medical Assistance coverage to ensure that eligibility periods do not exceed the 12-month limit.

Anticipated Completion Date:

November 2016

Responsible Individual(s):

Logan Dreasky, Michigan Department of Health and Human Services
Dan Ridge, Michigan Department of Health and Human Services

FINDING 2015-044

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Beneficiary Eligibility

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking

Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	\$10,003
Repeat Finding	2014-057, parts a. and b.
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for Medicaid services for 14 (23%) of 60 Medicaid cases. Our review disclosed:

- a. MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 3 (5%) of 60 cases reviewed.
- b. MDHHS did not maintain case file documentation to support beneficiary eligibility for 5 (8%) of 60 cases reviewed.
- c. MDHHS did not determine beneficiary eligibility using modified adjusted gross income (MAGI) for 6 (10%) of 60 cases reviewed. These six cases received benefits under MAGI aid categories.

Criteria

Federal regulation 42 *CFR* 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries. Federal regulation 42 *CFR* 435.914 requires that case record documentation be maintained to support the eligibility decision. Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that MDHHS meets all requirements for processing applications, determining eligibility, and furnishing Medicaid.

Federal regulation 42 *CFR* 435.603 requires MDHHS to apply MAGI financial methodologies when determining the financial eligibility of all individuals for Medicaid, effective January 1, 2014. MDHHS received a federal waiver to delay eligibility redeterminations using MAGI until September 30, 2014.

Cause

For part a., MDHHS indicated that it did not properly consider all available beneficiary information when determining beneficiary eligibility because of system issues and staff actions.

For part b., MDHHS indicated that internal control was not always sufficient to ensure that documentation was retained.

For part c., MDHHS indicated that system issues prevented the use of MAGI methodologies in determining financial eligibility.

Effect

MDHHS cannot demonstrate compliance with established eligibility policies and procedures and, therefore, MDHHS cannot ensure that payments were made on behalf of eligible individuals. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$10,003 - federal share of payments made to providers on behalf of beneficiaries for the sampled dates of service.
- \$5,259 - State share of costs that MDHHS inappropriately used as matching.

Recommendations

We recommend that MDHHS properly consider Medicaid eligibility documentation in accordance with eligibility requirements.

We also recommend that MDHHS maintain documentation to support that beneficiary eligibility was determined in accordance with eligibility requirements.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For parts a. and b., MDHHS will develop a worker training module addressing the importance of utilizing available documentation when determining eligibility as well as the importance of maintaining copies of documentation used in the case file.

For part c., MDHHS will conduct a review of the eligibility determination system (MAGI rules engine and Bridges case maintenance system) to ensure that MAGI budgets are being properly run, utilized in eligibility determinations, and stored appropriately.

Anticipated Completion Date:

January 2017

Responsible Individual(s):

Logan Dreasky, Michigan Department of Health and Human Services
Dan Ridge, Michigan Department of Health and Human Services

FINDING 2015-045

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Under Age 21 Eligibility Group

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance

Known Questioned Costs	\$35,791
Repeat Finding	2014-058
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Bridges and CHAMPS contained the appropriate termination date for beneficiaries in the "under age 21" Medicaid eligibility group.

Criteria

In accordance with federal regulation 42 *CFR* 435.10, MDHHS's Medicaid State Plan specifies that it provides Medicaid coverage for financially eligible individuals who are under the age of 21. MDHHS policies and procedures related to the "under age 21" eligibility group require, when possible, MDHHS to consider eligibility for all other Medicaid categories at least 90 days before a beneficiary reaches age 21. Further, federal regulation 42 *CFR* 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries.

Cause

MDHHS and DTMB indicated that there were several contributing factors, including staff actions and potential system issues.

Effect

MDHHS paid Medicaid providers \$54,610 during fiscal year 2015 on behalf of 64 beneficiaries in the "under age 21" Medicaid eligibility group for medical services provided after the beneficiaries' 21st birthday. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$35,791 - federal share of payments made to providers on behalf of beneficiaries.
- \$18,819 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that Bridges and CHAMPS contain the appropriate termination date for beneficiaries in the "under age 21" Medicaid eligibility group.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will continue to review and monitor beneficiaries in the "under age 21" Medicaid eligibility group on a monthly basis to ensure the cases are redetermined when an individual ages out.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Carol Gates, Michigan Department of Health and Human Services

FINDING 2015-046

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible Payments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015 05-1505MI5ADM 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$2,257
Repeat Finding	2014-061
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Home Help Program (HHP) clients met HHP eligibility criteria prior to paying for HHP services. We noted:

- a. MDHHS allowed 3 clients, who did not have an assessment score of 3 or higher in at least one activity of daily living (ADL) such as eating, toileting, bathing, grooming, dressing, transferring, or mobility, to inappropriately start or continue to receive services. The inappropriate payments totaled \$1,317.
- b. MDHHS overpaid for 11 (73%) of 15 sampled clients who were hospitalized. The overpayments for the 11 hospitalized clients totaled \$906.
- c. MDHHS overpaid for 4 (27%) of 15 sampled clients who were in a nursing facility. The overpayments for the 4 clients totaled \$1,220.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the Adult Services Manual (ASM) to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 105 requires eligible individuals to have an assessment score of 3 or higher in at least one ADL. An assessment score of 3 or higher signifies that the individual requires some direct physical assistance and/or assistive technology to complete the ADL.

ASM 135 prohibits payment for HHP services on days that a client is admitted to a hospital and for all subsequent days of hospitalization, excluding the day of discharge.

ASM 150 prohibits payment for HHP services on days that a client is admitted to a nursing facility and for all subsequent days of stay, excluding the day of discharge.

Cause

MDHHS informed us that it implemented a system edit in March 2014 to check for the appropriate ADLs prior to allowing a payment authorization; however, additional modifications to the edit were necessary in April 2015 to include complex care needs. MDHHS also informed us that it implemented a post-payment review process to identify providers who were reimbursed when clients were hospitalized or admitted to nursing facilities; however, the post-payment review process is complicated by the lag time (up to one year) associated with MDHHS receiving and processing hospital and nursing facility claims and delays in changes to clients' level of care.

Effect

MDHHS paid a total of \$3,443 for ineligible services from October 1, 2014 through September 30, 2015 for individuals who did not qualify for them because they did not have an ADL assessment score of 3 or higher, were hospitalized, or were in a nursing facility. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$2,257 - federal share of amounts paid for HHP services for clients who did not have an ADL assessment score of 3 or higher from October 1, 2014 through September 30, 2015 and sampled clients who were either hospitalized or in a nursing facility during that same time period.
- \$1,186 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that HHP clients meet HHP eligibility criteria prior to paying for HHP services.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The ADL cases identified in part a. were for assessment errors and adjustments made to allow for proper payments following a case closure. These conditions will be addressed through ongoing staff training and monitored through the case read process conducted by local county supervision and MDHHS's monitoring vendor.

Related to parts b. and c., MDHHS produces point-in-time monthly reports that identify home help payments in conjunction with client hospitalizations or nursing facility stays. These reports are forwarded to the local office adult services staff for analysis and applicable recoupment, if necessary. However, due to the potential lag time for claim submission, these point-in-time reports are sometimes not capturing all overlapping services. Therefore, MDHHS will periodically conduct queries with a longer look-back period in order to identify any potential overlapping services that may not have been captured during previous reporting periods.

Anticipated Completion Date:

Training and case read monitoring is ongoing. MDHHS anticipates applying the longer look-back period in Home Help payment reports by September 30, 2016.

Responsible Individual(s):

Michael Daeschlein, Michigan Department of Health and Human Services

FINDING 2015-047

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Benefit Reduction and Certification of Medical Needs

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015 05-1505MI5ADM 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$64
Repeat Finding	2014-060
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it made required client benefit reductions and timely obtained client certifications of medical need. Our review disclosed:

- a. Adult services workers (ASWs) did not reduce the number of hours authorized for instrumental activities of daily living (IADLs) for 1 (10%) of 10 clients who shared a residence with another adult and who did not meet criteria exempting the clients from reduction. Failure to reduce the number of hours for IADLs resulted in additional monthly costs for the 1 client.
- b. ASWs did not obtain or timely obtain an annual certification of medical need for 10 (71%) of 14 clients. Failure to obtain or timely obtain the certifications of medical need could result in clients receiving services that they are not eligible to receive.

Criteria

Federal regulation 42 CFR 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 120 requires ASWs to reduce the assessed hours for IADLs by 50% when there are other adults sharing a residence with the client.

ASM 115 requires most HHP clients to obtain certification from a Medicaid-enrolled medical professional of the clients' medical need for services before initially qualifying for services and annually thereafter to continue to be eligible to receive services.

Cause

MDHHS informed us that the reason for the lapses in applying procedure and obtaining appropriate documentation is likely due to large ASW caseloads.

Effect

These deficiencies could potentially result in overpayments to providers and untimely services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$64 - federal share of amount overpaid from October 1, 2014 through September 30, 2015 for the sampled client who shared a residence with another adult.
- \$34 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that it makes required client benefit reductions and timely obtains client certifications of medical need.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS provided guidance to the Adult Services Workers on requirements such as prorating IADLs and obtaining the Medical Needs form (DHS-54A). Policy allows for exceptions to prorating, but those circumstances should have been identified in the record. In addition, MDHHS has reviewed department policy regarding the DHS-54A and is testing changes to make its use more effective and efficient. Currently, there are obstacles to obtaining the DHS-54A that are beyond the Adult Services specialists' control. MDHHS is considering policy changes to minimize the obstacles and improve documentation compliance.

Anticipated Completion Date:

December 2016

Responsible Individual(s):

Michael Daeschlein, Michigan Department of Health and Human Services

FINDING 2015-048

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - ASW Contact With Clients and Providers

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015 05-1505MI5ADM 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-059
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that ASWs timely completed six-month reviews and annual redeterminations for their assigned clients and providers. Our review disclosed:

- a. ASWs did not complete 1 (7%) of 15 required six-month reviews with clients. Also, ASWs did not timely complete 3 (20%) of 15 required six-month reviews with clients. ASWs completed the untimely six-month reviews between 1 month and 2 months late.
- b. ASWs did not complete 3 (20%) of the 15 required six-month reviews with service providers. Also, ASWs did not timely complete 3 (20%) of the 15 required six-month reviews with service providers. ASWs completed the untimely six-month reviews between 1 month and 2 months late.
- c. ASWs did not complete required face-to-face or telephone contacts with service providers for 2 (25%) of 8 client annual redeterminations.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 155 requires ASWs to meet face-to-face with clients in their homes six months after each client's initial assessment and annual reassessments to review the quality of and client satisfaction with the services provided and the continued appropriateness of the client's comprehensive individualized service plan.

ASM 155 also requires ASWs to complete a face-to-face or telephone contact with the providers for each of their clients at the client's six-month review and annual redetermination to verify that the providers delivered the required services.

Cause

MDHHS informed us that high ASW caseloads precluded many ASWs from completing all required contacts. MDHHS also informed us that a lack of staffing likely contributed to most of the late or uncompleted contacts.

Effect

MDHHS could not ensure that clients timely received the most appropriate type and quantity of services for their conditions. Also, because ASWs did not ensure that providers continued to deliver services to their clients, there is an increased risk of client and provider fraud. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that ASWs timely complete six-month reviews and annual redeterminations for their assigned clients and providers.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

In October 2014, MDHHS implemented changes in the payment system that reduced the authorization period from 13 months to 6 months and allows payment only if there is a current review/redetermination date in the Adult Services Comprehensive Assessment Program (ASCAP). The authorization can only be posted following a face-to-face visit with the client. These changes tie together the home visits, authorizations, and payments in a way that decreases the likelihood of untimely home visits.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Michael Daeschlein, Michigan Department of Health and Human Services

FINDING 2015-049

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Health Services and Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$62,454
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in our performance audit of Home Health Services, Michigan Department of Health and Human Services (391-0700-15), located at www.audgen.michigan.gov, MDHHS did not ensure that home health agencies (HHAs) always obtained the necessary approvals prior to providing services and that HHAs always maintained appropriate documentation (Finding #1).

Our review of 11 HHAs' documentation of services provided to beneficiaries and our analysis of all fee-for-service home health claims paid during the period October 1, 2014 through April 30, 2015 disclosed:

- a. HHAs did not always obtain the necessary approvals prior to providing services:
 - (1) HHAs provided services to 21 (44%) of 48 beneficiaries prior to having the required signed or verbal physician orders.
 - (2) HHAs provided unallowed intermittent nurse visits on behalf of 15 beneficiaries who were concurrently receiving private duty nursing services.
 - (3) HHAs provided services to 1 (2%) of 48 beneficiaries prior to having a required signed plan of care.
- b. HHAs did not always maintain appropriate documentation:
 - (1) Beneficiaries' plans of care did not include all required elements for all 48 beneficiaries reviewed. Some of the missing elements included specific circumstances, conditions, or situations that require services to be provided in the home and not in a physician's office or outpatient clinic; a full description of the reason(s) that initial and/or continued home care is needed; and environment status. Beneficiaries' plans of care did not include documentation that 2 (4%) of 48 beneficiaries had a required face-to-face encounter with their physician.
 - (2) Beneficiaries did not have documentation of prior authorization for 302 physical and occupational therapy services provided to 16 (84%) of 19 beneficiaries.

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of home health services for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid home health fee-for-service claims. In addition, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Subpart E of federal regulation 2 *CFR* 200 require that costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award.

Cause

The noted exceptions may have been a result of the following:

- a. The home health chapter of MDHHS's Medicaid Provider Manual did not provide clear guidance related to some home health services requirements, such as plans of care and nursing services.
- b. MDHHS issues home health policy changes, clarifications, and reminders on an as-needed basis to providers who have subscribed to the electronic notification service (Listserv). Some HHAs providing home health services had not subscribed to the Listserv and did not receive notification of the private duty nursing services policy reminder issued during the audit period.

Effect

MDHHS did not ensure that HHAs obtained necessary approvals prior to providing services and maintained appropriate documentation to support payments made to the HHAs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$62,454 - federal share of payments made on behalf of sampled beneficiaries without approval and documentation to support services received from October 1, 2014 through April 30, 2015.
- \$32,836 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that HHAs obtain the necessary approvals prior to providing services and that HHAs maintain appropriate documentation.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will reiterate the requirement for obtaining documentation of physician orders (written or verbal) prior to providing care or services. Subsequent to implementation of enhanced claim edits in December 2015, MDHHS recouped payments associated with inappropriate intermittent nurse visits in January 2016.

The Medicaid Provider Manual HHA chapter will be reviewed for areas that may benefit from additional guidance on documentation requirements and updated as necessary.

MDHHS will reiterate to HHAs their obligation to abide by all Medicare Conditions of Participation and policies in the Medicaid Provider Manual. In addition, providers are contractually responsible for being informed of all Medicaid updates. The MDHHS Listserv is offered as a means to communicate changes directly to providers. However, an HHA provider may choose to forgo this option and instead manually obtain updates through the MDHHS Web site. Communication will be sent to all HHAs via the HHAs' addresses listed in CHAMPS reminding providers of their contractual obligation to be informed of all Medicaid updates.

Anticipated Completion Date:
October 1, 2016

Responsible Individual(s):
Anne Baker, Michigan Department of Health and Human Services

FINDING 2015-050

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Emergency Services Only - Pharmacy Payments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$778
Repeat Finding	2014-057, part c.
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS paid for pharmacy services that did not appear directly related to an emergency condition for 10 (67%) of 15 undocumented aliens reviewed.

Criteria

Federal law 8 USC 1611 allows all aliens who otherwise meet Medicaid eligibility requirements to receive care and services that are necessary for the treatment of an emergency medical condition.

Cause

MDHHS indicated that questions about whether a medication is necessary to prevent or treat an urgent/emergency or life-threatening condition are evaluated on a post-payment sample basis.

Effect

MDHHS cannot ensure that pharmacy payments made on behalf of beneficiaries eligible for emergency services only were directly related to an emergency service. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$778 - federal share of payments made to pharmacy providers on behalf of the beneficiaries for the sampled dates of service.

- \$409 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS provide eligible undocumented aliens with pharmacy services directly related to only an emergency condition.

Management Views and Corrective Action Plan

Management Views:

MDHHS partially agrees with the finding.

MDHHS agrees that an Emergency Services Only (ESO) pharmacy claim is limited to those medications directly related to an emergency condition, but this should not be interpreted to mean a corresponding medical claim is required. Having a medical service claim paid prior to an ESO prescription is not a policy requirement. However, MDHHS acknowledges that it is sometimes difficult to determine emergency condition status on an ESO pharmacy stand-alone claim.

Planned Corrective Action:

As a follow-up to the prior audit finding, the Pharmacy Management Division has initiated the following corrective actions:

- 1) Implementing point-of-sale coding to deny and require a beneficiary medication specific prior authorization for medications in select drug classes for ESO beneficiaries.
- 2) Sending an MDHHS Office of Inspector General referral for targeted post-payment audit prescription claims paid for ESO beneficiaries for products in drug classes the MDHHS Office of Medical Affairs identified as warranting individual clinical/medical necessity review to verify treatment or prevention of a potential life-threatening emergency in accordance with policy.

Anticipated Completion Date:

June 30, 2016

Responsible Individual(s):

Trish O'Keefe, Michigan Department of Health and Human Services
Helen Walley, Michigan Department of Health and Human Services

FINDING 2015-051

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Provider Log Documentation

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Award Identification Number and Year	05-1505MI5MAP	10/01/2014 - 09/30/2015
	05-1505MI5ADM	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	

Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-062
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not timely obtain sufficient documentation, including provider service logs and provider and client verification, to ensure that providers had delivered the services paid for through a preauthorized payment process. Our review disclosed:

- a. MDHHS did not ensure that both the client and provider signed 3 (20%) of 15 provider service logs that it received verifying that the services were delivered by providers for 15 monthly provider payments.
- b. MDHHS did not ensure that the provider log was received timely for 4 (27%) of 15 provider service logs that it received verifying that the services were delivered by providers for 15 monthly provider payments. The untimely logs were received between 1 month and 5 months late. In addition, we could not determine if 1 (7%) of 15 provider logs was received timely.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 135 requires providers to prepare and submit a service log or invoice within 10 days of the last service date for each quarterly period and requires the providers and the clients to sign the provider service log to verify that the services approved for payment were delivered.

Cause

During fiscal year 2015, ASWs preauthorized monthly payments for up to 6 months for most HHP individual providers and monthly for agency providers. Also, beginning in June 2015, MDHHS allowed individual providers to electronically submit a service log in CHAMPS each month in lieu of a paper log. The provider electronically signs the service log as part of the submission process; however, there currently is not a client verification process in place. Also, MDHHS informed us that it has encountered considerable difficulties during this conversion process with the providers and clients; therefore, MDHHS has not yet linked payment to service log submission.

Effect

Failure to follow the established control process limits MDHHS's ability to ensure that the client actually received the approved services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS timely obtain sufficient documentation, including provider service logs and provider and client verification, to ensure that providers have delivered the services paid for through a preauthorized payment process.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

In July 2015, MDHHS implemented a Web-based system for electronic service verification, as well as a paper service verification alternative for providers unable to use or access the Internet. This system was designed to aid in the timely reporting by providers. Starting in November 2016, payment issuance will be linked to the submission of the service log.

An Explanation of Benefits process will be implemented, in which a sample of clients will receive a record of services reported and will be asked to report any discrepancies with services received.

Anticipated Completion Date:

November 2016

Responsible Individual(s):

Richard Miles, Michigan Department of Health and Human Services

FINDING 2015-052

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Practitioner Reimbursement

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$1,490,338
Repeat Finding	2014-068
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in our performance audit of Medicaid Practitioner Fee-for-Service Reimbursement, Department of Community Health (391-0713-13), located at www.audgen.michigan.gov, MDHHS did not ensure proper payment of practitioner fee-for-service claims. We conducted follow-up procedures during this audit and identified one reportable condition that continued to impact single audit conclusions related to fee-for-service claims paid for beneficiaries simultaneously enrolled in a Medicaid Health Plan (MHP).

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of practitioner services for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid practitioner fee-for-service claims. In addition, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Subpart E of federal regulation 2 *CFR* 200 require that costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award.

Cause

MDHHS stated that CHAMPS correctly made payments to Medicaid providers based on the beneficiary's eligibility at the time of payment; however, subsequent to those payments, CHAMPS eligibility was retroactively modified by Bridges (the source system for Medicaid eligibility). This resulted in monthly capitation payments to MHPs for the same months in which fee-for-service payments were made.

Effect

Based on follow-up procedures conducted during the fiscal year 2015 single audit, we determined that MDHHS made improper fee-for-service practitioner payments of \$2,273,937 from October 1, 2014 through September 30, 2015. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$1,490,338 - federal share of improper payments made to providers from October 1, 2014 through September 30, 2015.
- \$783,599 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure proper payment of practitioner fee-for-service claims for the Medicaid Cluster.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will perform an analysis of the identified payments and recover as appropriate.

Anticipated Completion Date:

December 2016

Responsible Individual(s):

Susan Klein, Michigan Department of Health and Human Services

Samantha Rutledge-Wolf, Michigan Department of Health and Human Services

FINDING 2015-053

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Agency Provider Overpayments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015 05-1505MI5ADM 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$214,688
Repeat Finding	2014-065
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that agency providers met the requirements to receive the higher agency pay rate. Individual provider pay rates ranged from \$8.15 to \$11.00 per hour, whereas agency provider pay rates ranged from \$13.50 to \$15.50 per hour. Our review disclosed:

- a. MDHHS did not obtain the required supporting documentation to meet fiscal year 2015 policy requirements for 1 (7%) of 15 agencies that were on MDHHS's list of approved agencies. MDHHS paid the agency \$128,991 at the agency rate during fiscal year 2015, an amount that exceeded the individual rates by \$53,667.
- b. MDHHS did not remove nonresponding agencies from its list of provisionally approved agencies and reduce the nonresponding agencies' pay rate to the individual provider pay rate. Of the 6 agencies on the provisionally approved list, 1 (17%), 1 (17%), 1 (17%), 1 (17%), and 2 (33%) have been listed since fiscal years 2010, 2011, 2012, 2013, and 2014, respectively. MDHHS paid these agencies \$618,066 at the agency rate during fiscal year 2015, an amount that exceeded the individual rates by \$262,305.
- c. MDHHS did not have an automated control in the Adult Services Comprehensive Assessment Program (ASCAP) to prevent ASWs from authorizing payments at the agency pay rate for agencies that were not on MDHHS's list of approved agencies. MDHHS paid 5 (33%) of 15 providers \$67,887 at the agency rate during fiscal year 2015, an amount that exceeded the individual rates by \$11,596.

Criteria

Federal regulation 42 CFR 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 136 requires an agency provider to either be a current Medicaid-enrolled home health agency or provide MDHHS with the agency's federal employment identification number and evidence that the agency either employed or subcontracted with two individuals, excluding the

owner, to receive the agency pay rate. ASM 136 also states that, after an agency is on the approved provider list, an ASW can authorize payment to the agency at the applicable agency pay rate. Prior to appearing on the approved provider list, ASW can only authorize agencies to be paid at the applicable individual provider pay rate.

Cause

MDHHS informed us that the cited conditions were caused by systems limitations, outdated policies, and limited staff resources.

Effect

MDHHS overpaid agencies \$327,568 during fiscal year 2015. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$214,688 - federal share of the payments made to providers.
- \$112,880 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that agency providers meet the requirements to receive the higher agency pay rate.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS reviewed the application documentation for all agencies on the approved list. Letters were sent to agencies with incomplete records requiring them to provide the documentation necessary for approval. Multiple efforts were made to contact agencies that did not reply. Final letters were sent to the agencies that had not complied informing them that their rates would be reduced to the individual provider rates. MDHHS is in the process of replacing the ASCAP application, and additional payment controls will be implemented as part of that process.

Anticipated Completion Date:

ASCAP implementation is expected in early fiscal year 2017.

Responsible Individual(s):

Michael Daeschlein, Michigan Department of Health and Human Services

FINDING 2015-054

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Improper DMEPOS Payments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)

Award Identification Number and Year	05-1505MI5MAP	10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216	
Total ARRA Expenditures	\$59,852,314	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs	\$63,611	
Repeat Finding	2014-066	
State Agency	Michigan Department of Health and Human Services	

Condition

As originally reported in our performance audit of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS), Department of Community Health (391-0717-12), located at www.audgen.michigan.gov, MDHHS did not ensure proper payment of DMEPOS. We conducted follow-up procedures during this audit and identified two reportable conditions that continued to impact single audit conclusions related to duplicate payments and claims paid for beneficiaries in nursing facilities (Findings #2 and #3).

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of DMEPOS for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid DMEPOS claims. In addition, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) and Subpart E of federal regulation 2 *CFR* 200 require that costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award.

Cause

Specific causes for each finding can be found in the performance audit of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies, Department of Community Health.

Effect

Based on follow-up procedures conducted during the fiscal year 2015 single audit, we determined that MDHHS made improper DMEPOS payments of \$97,057 for dates of service from October 1, 2014 through September 30, 2015. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$63,611 - federal share of improper payments made to providers for dates of service from October 1, 2014 through September 30, 2015.
- \$33,446 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure proper payment of DMEPOS for the Medicaid Cluster.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will research options for preventing duplicate payments for Medicare-submitted crossover claims and provider-submitted claims. MDHHS will process recoveries for the impacted claims.

MDHHS will not seek recovery of the payments for beneficiaries in nursing facilities because when the claim adjudicated, the beneficiary eligibility record indicated that the beneficiary was not in a nursing facility for the date of service.

Anticipated Completion Date:

July 2016

Responsible Individual(s):

Susan Klein, Michigan Department of Health and Human Services

FINDING 2015-055

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Beneficiaries With Multiple Medicaid Identification Numbers

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$10,969
Repeat Finding	2014-064
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS's internal control did not prevent or detect and correct payments made on behalf of beneficiaries who were assigned more than one Medicaid identification number.

Criteria

According to its Medicaid Provider Manual, MDHHS pays MHPs a fixed capitated rate per month for the healthcare services that it provides to each enrolled Medicaid beneficiary regardless of the frequency, extent, or kind of services provided to each Medicaid beneficiary. In addition, Appendix A of OMB Circular A-87 (federal regulation 2 CFR 225) and Subpart E of federal regulation 2 CFR 200 require that costs be necessary and reasonable for the performance of federal awards.

Cause

MDHHS stated that it has an automated edit in CHAMPS to identify possible duplicate Medicaid identification numbers on the incoming Bridges eligibility file; however, MDHHS noted that the edit does not cover all scenarios to ensure that all duplicate identification numbers are identified.

Effect

MDHHS issued multiple monthly capitated payments to MHPs for the same beneficiary totaling \$16,736 from October 1, 2014 through September 30, 2015. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$10,969 - federal share of improper monthly capitated payments issued to MHPs from October 1, 2014 through September 30, 2015.
- \$5,767 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS implement internal control to prevent or detect and correct payments made on behalf of beneficiaries who were assigned more than one Medicaid identification number.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will research additional options for preventing the creation of multiple Medicaid identification numbers for the same beneficiary. MDHHS will also develop a monitoring process to identify and correct any potential multiple Medicaid identification numbers that are assigned to the same beneficiary. In addition, MDHHS will develop a process to recover any potential improper payments.

Anticipated Completion Date:

October 2016

Responsible Individual(s):

Dan Ridge, Michigan Department of Health and Human Services

FINDING 2015-056

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - MI Choice Overpayments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015 05-1505MI5ADM 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$28,158

Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that payments to a long-term care provider were terminated for a beneficiary no longer eligible to receive services.

Criteria

Federal regulation 42 *CFR* 456.22 requires MDHHS to have procedures for the ongoing evaluation, on a sample basis, of the need for and the quality and timeliness of Medicaid services. As part of this process, MDHHS contracted for the performance of long-term care reviews to ensure that long-term care providers are providing services only to beneficiaries who meet MDHHS's medical and functional nursing facility level-of-care criteria.

Cause

MDHHS informed us that it did not properly recoup funds paid to the provider due to a system error.

Effect

MDHHS overpaid a MI Choice provider \$42,963 during fiscal year 2015. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$ 28,158 - federal share of the payments made to the provider.
- \$14,805 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that payments to long-term care providers are terminated for beneficiaries no longer eligible to receive services.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS staff entered the correct level of care and the correct range of service dates, which should have triggered an automatic recoupment of the payments. However, a system defect prevented that from occurring. MDHHS has manually recouped the funds. MDHHS will work with the system contractor to determine which release the system defect will be addressed in.

Anticipated Completion Date:

October 2016

Responsible Individual(s):

Richard Miles, Michigan Department of Health and Human Services

FINDING 2015-057

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles - Third Party Liability - Pregnancy and Birthing-Related Costs

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Award Identification Number and Year	05-1505MI5MAP 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$12,383,305,216
Total ARRA Expenditures	\$59,852,314
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2014-063
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not report all pregnancy and birthing-related Medicaid costs to the Friend of the Court (FOC) or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support. MDHHS's Third Party Liability Division reported \$145.9 million of pregnancy and birthing-related Medicaid costs; however, it did not report \$4.2 million of additional pregnancy and birthing-related costs during the audit period.

Criteria

Federal regulation 42 *CFR* 433.138 requires MDHHS to develop a methodology for identifying third parties, determining third party liabilities, and recovering reimbursement from third parties for services paid for under the Medicaid State Plan. Also, Section 722.712 of the *Michigan Compiled Laws* allows for the father of a child not born to a marriage to be charged for up to 100% of the mother's pregnancy and birthing-related Medicaid costs.

Cause

MDHHS indicated that it determined which services would be incorporated and which services would be specifically excluded from its pregnancy and birthing-related cost recovery methodology and has consistently followed that methodology.

Effect

MDHHS did not report \$4.2 million of pregnancy and birthing-related Medicaid costs to the FOC or the local prosecuting attorney offices for their consideration in determining court-ordered child support obligations. Although court-ordered child support obligations may not include all of these identified costs, by not reporting all costs, the FOC and the local prosecuting attorney offices did not have the opportunity to consider the cost for inclusion in court-ordered child support obligations and MDHHS could not pursue reimbursement of those costs because they were not part of a court-ordered obligation. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS report all pregnancy and birthing-related Medicaid costs to the FOC or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

In February 2016, system changes were implemented within MDHHS's Paternity Casualty Recovery System. This enabled MDHHS to include Maternal Infant Health Program (formerly Maternal Support Services/Infant Support Services) claims within future requests for considering court-ordered child support obligations.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Dan Voss, Michigan Department of Health and Human Services

FINDING 2015-058

Refugee and Entrant Assistance - State Administered Programs, CFDA 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Assistance to Ineligible Refugees

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Refugee and Entrant Assistance - State Administered Programs: CFDA 93.566
Award Identification Number and Year	1501MIRCMA 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$17,584,257
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Noncompliance
Known Questioned Costs	\$18,248
Repeat Finding	2014-075
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not redetermine the eligibility of 9 (69%) of 13 sampled cases with clients receiving refugee medical assistance for expanded Medicaid when the State's expanded Medicaid went into effect April 1, 2014.

Criteria

Federal regulation 45 CFR 400.100 limits refugee medical assistance to refugees who are ineligible for Medicaid.

Also, Office of Refugee Resettlement State Letter 13-10 states that every effort shall be made by states to redetermine eligibility as Medicaid expands, even if the client is close to the 8-month eligibility limit and, when appropriate, transition the client from refugee medical assistance to Medicaid.

In addition, Appendix A of OMB Circular A-87 (federal regulation 2 *CFR* 225) requires that costs charged to federal programs be necessary and reasonable for the administration of the federal award and be in accordance with the relative benefits received by the program.

Cause

MDHHS did not implement an automated process in Bridges to systematically redetermine all refugee medical assistance clients' eligibility for expanded Medicaid on April 1, 2014. MDHHS also did not instruct county/district caseworkers to manually initiate the redetermination in Bridges for all refugee medical assistance clients as an alternative to a systemic process.

Effect

MDHHS charged Refugee and Entrant Assistance - State Administered Programs (REAP) and paid for refugee medical assistance services on behalf of clients who were not eligible for REAP because they were eligible for expanded Medicaid. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$18,248 - federal share of medical services costs incurred and charged to REAP in fiscal year 2015.

Recommendation

We recommend that MDHHS redetermine the eligibility of all clients receiving refugee medical assistance for expanded Medicaid.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will develop a query to identify claims for beneficiaries that are retroactively enrolled in Medicaid subsequent to claim adjudication. These claims will be voided/reprocessed, so they are appropriately charged to Medicaid instead of REAP.

Anticipated Completion Date:

September 30, 2016

Responsible Individual(s):

Terry Beurer, Michigan Department of Health and Human Services
Al Horn, Michigan Department of Health and Human Services

FINDING 2015-059

Low-Income Home Energy Assistance, CFDA 93.568, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Incorrect Eligibility Determinations

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Award Identification Number and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 14 B1 MI LIEA 10/01/2013 - 09/30/2015 G 14 01 MI LIEA 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$169,145,467
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	\$1,036
Repeat Finding	2014-077
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not always ensure that clients were eligible for LIHEAP-funded State Emergency Relief (SER) energy payments. We reviewed 31 sampled SER energy payments and noted:

- a. MDHHS did not document or consider all client assets or income in 2 (6%) of 31 SER energy payments made on behalf of clients who disclosed these on their SER application, potentially resulting in an incorrect eligibility determination.
- b. MDHHS improperly paid 2 (12%) of 17 SER energy payments made on behalf of households that were required to make a client contribution to the energy provider prior to MDHHS making the payment. Client contributions may be required for households that include disqualified group members, that have assets in excess of minimum thresholds, that have a required payment shortfall, or that have exceeded their fiscal year cap total for energy assistance.

Criteria

Federal law 42 *USC* 8624 requires that the State expend funds in accordance with the LIHEAP State Plan and allows MDHHS to use LIHEAP funds to intervene in energy-related crisis situations and assist eligible households to meet the costs of home energy.

MDHHS policy requires county/district office caseworkers to verify and include certain assets or income of SER group members to determine eligibility for SER energy services. MDHHS policy states that both payment authorization and verification that the client has paid any shortfall and/or client contribution must be obtained prior to the MDHHS payment being issued. MDHHS policy also states that required payments must be met and verified for all eligible clients.

Also, federal regulation 45 *CFR* 96.30 requires that MDHHS's fiscal control and accounting procedures permit the tracing of LIHEAP funds to document that MDHHS did not use LIHEAP funds in violation of restrictions and prohibitions of LIHEAP laws and federal regulations.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure that county/district office caseworkers adhered to established policies and procedures.

Effect

MDHHS made payments to clients who were ineligible according to the LIHEAP State Plan and MDHHS policy. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$1,036 - federal share.

Recommendation

We recommend that MDHHS ensure that clients receiving LIHEAP-funded SER energy payments are eligible.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For part a., MDHHS will continue worker education in regards to policy and required verification. Also, the Office of Quality Assurance and Internal Control has recently pulled a case read sample on SER energy payments. SER reads are done on a monthly basis. The results are shared with LIHEAP program policy staff to identify potential issues.

For part b., MDHHS implemented a work request in February 2016 that requires verification for any required client contribution prior to making payment.

Anticipated Completion Date:

- MDHHS worker education and case reads are ongoing.
- Completed

Responsible Individual(s):

Terry Beurer, Michigan Department of Health and Human Services
Tammy Bair, Michigan Department of Health and Human Services
Josh Larsen, Michigan Department of Health and Human Services

FINDING 2015-060

Low-Income Home Energy Assistance, CFDA 93.568, Allowable Costs/Cost Principles and Eligibility - Home Heating Credit Payment Errors

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Award Identification Number and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 14 B1 MI LIEA 10/01/2013 - 09/30/2015 G 14 01 MI LIEA 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$169,145,467
Total ARRA Expenditures	Not Applicable

Compliance Requirement(s)	Allowable Costs/Cost Principles and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs	(\$21)
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Treasury

Condition

MDHHS and the Department of Treasury did not properly calculate payments to individuals claiming the home heating credit (HHC) for 2 (7%) of 29 sampled HHC payments.

Criteria

Federal law 42 USC 8624 requires that the State expend funds in accordance with the LIHEAP State Plan and allows MDHHS to issue State tax credits to energy suppliers or low-income households.

Also, MDHHS's interagency agreement states that the Department of Treasury shall determine eligibility and issue the HHC to eligible applicants in accordance with applicable State law and LIHEAP terms and conditions.

Cause

MDHHS and Department of Treasury's internal control and monitoring activities were not sufficient to detect errors in the Department of Treasury's manual calculations of the HHC.

Effect

MDHHS and the Department of Treasury paid incorrect amounts to eligible individuals claiming the Michigan HHC. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$187 - federal share.
- (\$208) - federal share of negative questioned costs.

Recommendation

We recommend that MDHHS and the Department of Treasury ensure that they properly calculate payments to individuals claiming the HHC.

Management Views and Corrective Action Plan

Management Views:

MDHHS and the Michigan Department of Treasury agree with the finding. The Department of Treasury notes that it identified and corrected a system error related to exemption amounts very early in the 2014 tax processing season, prior to processing the majority of the credits for the tax year.

Planned Corrective Action:

MDHHS will work with the Michigan Department of Treasury to establish a review protocol that ensures reasonable assurance that payments are properly calculated.

Anticipated Completion Date:
October 1, 2016

Responsible Individual(s):
Terry Beurer, Michigan Department of Health and Human Services
Jeff Sanford, Michigan Department of Health and Human Services
Tom Sharpe, Michigan Department of Treasury

FINDING 2015-061

Low-Income Home Energy Assistance, CFDA 93.568, Subrecipient Monitoring - Lack of Information

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Award Identification Number and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 14 B1 MI LIEA 10/01/2013 - 09/30/2015 G 14 01 MI LIEA 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$169,145,467
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Licensing and Regulatory Affairs

Condition

LARA did not ensure that its LIHEAP subrecipients receiving grants through the Michigan Energy Assistance Program (MEAP) were notified of the required federal award information at the time of the subaward. For all 4 subrecipient grant agreements sampled, LARA did not notify the subrecipient of the required federal award information.

Criteria

OMB Circular A-133, Section 400(d) requires the granting agency to inform each subrecipient of the CFDA title and number, award name and number, award year, and name of federal agency.

Cause

LARA's MEAP grant agreements were not designed to ensure that they included the required federal award information.

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the LIHEAP compliance requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that LARA ensure that its LIHEAP subrecipients receiving grants through MEAP are notified of the required federal award information at the time of the subaward.

Management Views and Corrective Action Plan

Management Views:

LARA agrees with the finding.

Planned Corrective Action:

LARA will ensure that its LIHEAP subrecipients receiving grants through MEAP are notified of the required federal award information at the time of the subaward.

Anticipated Completion Date:

September 30, 2016 for all fiscal year 2017 funded awards

Responsible Individual(s):

Susan Corbin, Department of Licensing and Regulatory Affairs
LeAnn Droste, Department of Licensing and Regulatory Affairs

FINDING 2015-062

Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed and Eligibility - Determination of Eligibility for Children Adopted Prior to July 2009

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Award Identification Number and Year	1501MIADPT 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Activities Allowed or Unallowed and Eligibility
Type of Finding	Material Noncompliance
Known Questioned Costs	Undeterminable
Repeat Finding	2014-082
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that adoption subsidy payments made on behalf of children who were adopted prior to July 2009, and whose eligibility for adoption subsidy was based on the former AFDC eligibility and judicial determinations, were eligible for the adoption subsidy.

Adoption subsidy payments begin at the time of a child's adoption and, in most cases, are continuous until the child reaches 18 years of age. As a result, the adoption subsidy payments MDHHS makes in any given year are primarily on behalf of children whose eligibility for the adoption subsidy was determined in previous years. During the period October 1, 2014 through September 30, 2015, MDHHS's federal adoption subsidy payments totaled approximately \$100.9 million. MDHHS made an estimated 60% of those payments on behalf of children whose eligibility determinations were made prior to July 2009.

Prior to July 2009, MDHHS Adoption Assistance Program staff relied on the Foster Care - Title IV-E Program eligibility determination information recorded within the Services Worker Support System for Foster Care, Adoption, and Juvenile Justice (SWSS-FAJ*) to determine a

* See glossary at end of report for definition.

child's eligibility for adoption subsidy under the Adoption Assistance Program. In July 2009, MDHHS discontinued relying upon the eligibility determination information recorded within SWSS-FAJ for new adoption subsidy cases. At that time, Adoption Assistance Program staff began determining and documenting the eligibility for all new adoption subsidy cases.

Our reviews of MDHHS's Foster Care - Title IV-E Program eligibility determinations for periods from October 1, 2000 through June 30, 2009 concluded that, on average, 10.7% of the eligibility determinations did not meet eligibility requirements related to AFDC eligibility and judicial determinations.

Criteria

Federal law 42 *USC* 673(a)(1)(B) states that MDHHS may make adoption subsidy payments to adoptive parents on behalf of eligible children. Federal law 42 *USC* 673(a)(2)(A) indicates that a child must meet one of three financial based criteria to be eligible for the Adoption Assistance Program. The criterion used for approximately 86% of all Adoption Assistance Program participants is that the child was, or would have been, eligible for the former AFDC Program, including a requirement that the child's removal from the home must have been a result of a voluntary placement agreement or a judicial determination that removal from the home was in the child's best interest.

Cause

In response to our Finding 2013-087, MDHHS performed procedures on a test basis to determine the level of noncompliance in the population of children adopted prior to July 2009. In February 2014, MDHHS submitted its test results to the U.S. Department of Health and Human Services (HHS) and had not received a response or guidance on how to proceed as of September 30, 2015.

Effect

During the period October 1, 2014 through September 30, 2015, MDHHS made federal adoption subsidy payments of approximately \$52.6 million to children whose eligibility was determined prior to July 2009. Because MDHHS relied on the Foster Care - Title IV-E Program eligibility determination information recorded within SWSS-FAJ for AFDC eligibility and judicial determinations when determining a child's eligibility for the Adoption Assistance Program prior to July 2009, it is likely that MDHHS made adoption subsidy payments on behalf of children who were not eligible during the current audit period. Our review of Adoption Assistance Program eligibility determinations made during the current audit period (October 1, 2014 through September 30, 2015) did not disclose any errors. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS continue to work with HHS to obtain a resolution concerning the funding of adoption subsidies for children adopted prior to July 2009 and whose eligibility for adoption subsidy was based on former AFDC eligibility and judicial determinations.

Management Views and Corrective Action Plan

Management Views:

MDHHS partially agrees with the finding.

Planned Corrective Action:

MDHHS agrees that adoption subsidy payments were made largely on determinations made prior to 2009; however, MDHHS does not necessarily agree that 10.7% of the pre-2009 determinations do not meet eligibility requirements. Therefore, as noted in the finding, MDHHS sought guidance from HHS and since 2013 has continued to attempt to work with HHS to resolve this finding. In April 2016, MDHHS again reached out to HHS Region 5 and it has committed to helping MDHHS receive an administrative determination letter from the HHS commissioner.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Steve Yager, Michigan Department of Health and Human Services
Wendy Campau, Michigan Department of Health and Human Services
Dawn Ritter, Michigan Department of Health and Human Services

FINDING 2015-063

Adoption Assistance, CFDA 93.659, Matching, Level of Effort, and Earmarking and Reporting - Annual Adoption Savings Calculation and Accounting Report

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Award Identification Number and Year	1501MIADPT 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$119,058,509
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure the accuracy of the savings reported to HHS on the Annual Adoption Savings Calculation and Accounting Report.

Criteria

Federal law 42 USC 673(a)(8)(A) requires MDHHS to calculate savings realized as a result of applying revised eligibility requirements during the fiscal year.

Federal law 42 USC 673(a)(8)(D)(i) requires MDHHS to spend an amount equal to the calculated savings on any service provided to children of families under Part B or E of Title IV of the Social Security Act.

Federal law 42 USC 673(a)(8)(B)(ii) and (iii) require MDHHS to report annually to HHS the savings realized and how the savings were spent on the Annual Adoption Savings Calculation and Accounting Report.

Cause

MDHHS informed us that it has worked with the federal government to develop a query to calculate the savings; however, inaccurate query criteria was not always detected.

Effect

MDHHS may have improperly calculated savings and inaccurately reported the information to HHS. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure the accuracy of the savings reported to HHS and track the expenditure savings to ensure compliance with federal requirements.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The savings report is a new process implemented by HHS; MDHHS has been actively engaged with HHS as it continues to revise and refine the Annual Adoption Savings Calculation and Accounting Report. MDHHS will continue to pursue HHS guidance to identify the elements that are required to complete an accurate query to correctly identify annual savings. In addition, MDHHS will create specific appropriations coding to distinguish how annual savings are dispersed and appropriated for future reporting to HHS.

Anticipated Completion Date:

September 30, 2016

Responsible Individual(s):

Dawn Ritter, Michigan Department of Health and Human Services
Cathe Hoover, Michigan Department of Health and Human Services

FINDING 2015-064

Children's Health Insurance Program, CFDA 93.767, Eligibility - Beneficiary Eligibility

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Award Identification Number and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1505MI5R21 10/01/2014 - 09/30/2015 05-1505MICECF 10/01/2014 - 09/30/2015
Total Expenditures of Federal Awards	\$250,165,250
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Eligibility
Type of Finding	Material Weakness and Material Noncompliance

Known Questioned Costs	\$3,777
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for CHIP services for 20 (80%) of 25 CHIP cases. Our review disclosed:

- a. Case file documentation to support beneficiary eligibility was not maintained for 10 (40%) of 25 cases reviewed.
- b. Beneficiary eligibility was not determined in accordance with head of household identity verification requirements for 7 (28%) of 25 cases reviewed.
- c. Beneficiary eligibility was not determined in accordance with MAGI eligibility requirements for 3 (12%) of 25 cases reviewed.

Criteria

Federal regulation 42 *CFR* 457.965 requires that case record documentation be maintained to support eligibility decisions.

Federal regulation 42 *CFR* 457.305 requires MDHHS to specify in its State Plan the standards used to determine eligibility of children covered under the State Plan. MDHHS's CHIP State Plan states that funds provided under Title XXI will be for obtaining coverage that meets the requirements for a separate child health program and for providing expanded benefits under the State's Medicaid Plan. MDHHS's MiChild eligibility manual, effective through December 31, 2015, requires that the identity of the head of household be verified.

Federal regulation 42 *CFR* 457.315 and 42 *CFR* 435.603 require MDHHS to apply MAGI methodologies when determining the financial eligibility of all individuals for CHIP, effective January 1, 2014. MDHHS received a federal waiver to delay eligibility redeterminations using MAGI until September 30, 2014.

Cause

For part a., MDHHS indicated that internal control was not always sufficient to ensure that documentation was retained.

For part b., MDHHS indicated that it did not always follow published policies in effect at the time when determining eligibility.

For part c., MDHHS indicated that system issues prevented the use of MAGI methodologies in determining financial eligibility.

Effect

MDHHS cannot demonstrate compliance with established eligibility policies and procedures and, therefore, MDHHS cannot ensure that payments were made on behalf of eligible individuals. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

OMB Circular A-133 requires the auditor to report known questioned costs that are less than \$10,000 if it is likely that total questioned costs would exceed \$10,000.

- \$3,777 - federal share of payments made to providers on behalf of the beneficiaries for the sampled dates of service.

Recommendations

We recommend that MDHHS maintain documentation to support that beneficiary eligibility was determined in accordance with eligibility requirements.

We also recommend that MDHHS determine eligibility in accordance with eligibility requirements.

Management Views and Corrective Action Plan

Management Views:

MDHHS partially agrees with the finding. MDHHS agrees with parts a. and c. and partially agrees with part b.

Planned Corrective Action:

For part a., MDHHS believes that the migration of MiChild cases to State MDHHS caseloads will help to solve issues related to missing documentation. MDHHS has implemented an electronic document management (EDM) system that allows for records to be stored electronically, which has greatly reduced inadequate case file documentation issues with other aid categories.

For part b., MDHHS partially agrees. MDHHS acknowledges that it did not follow its policy in place at the time with its MiChild eligibility broker; however, MDHHS was following existing Bridges policy and federal regulations. The MiChild manual became obsolete with the conversion of the program to full Medicaid Expansion and the conversion of MiChild cases from MDHHS's vendor to State staff. Until all cases could be converted to State staff, MDHHS instructed its vendor to follow current Bridges practice, which prohibits verification of head of household identity for determining the child's eligibility. MDHHS relied on federal regulation 42 *CFR* 435.907(e) - Limits on information (1), which states "The agency may only require an applicant to provide the information necessary to make an eligibility determination or for a purpose directly connected to the administration of the State plan" and therefore provided guidance to the contractor not to obtain verification of the head of household's identity.

For part c., as part of the conversion to the Affordable Care Act, if a beneficiary's eligibility was not up for redetermination for another year, MDHHS froze the beneficiary's type of assistance (TOA). This precluded any MAGI driven case changes to be temporarily suspended until annual redetermination. However, MDHHS acknowledges that Bridges did not always appropriately unfreeze the TOA at redetermination. MDHHS subsequently identified any cases where the TOA was frozen and has forwarded them to the local offices for processing.

Anticipated Completion Date:

January 2017

Responsible Individual(s):

Logan Dreasky, Michigan Department of Health and Human Services
Dan Ridge, Michigan Department of Health and Human Services

FINDING 2015-065

Block Grants for Community Mental Health Services, CFDA 93.958, Matching, Level of Effort, and Earmarking - Level of Effort for Aggregate State Expenditures

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958
Award Identification Number and Year	15B1MICMHS 10/01/2014 - 09/30/2016 14B1MICMHS 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$11,381,112
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs	\$0
Repeat Finding	2014-085
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not meet the fiscal year 2015 level of effort requirement by approximately \$68 million.

Criteria

Federal law 42 USC 300x-4 states that the State must maintain State expenditures for Block Grants for Community Mental Health Services (BGCMS) at a level that is not less than the average level of such expenditures maintained by the State for the two-year period preceding the fiscal year for which the State is applying for the grant.

Cause

The percentage used in the calculation was determined in fiscal year 2004 and has not been updated since that time. MDHHS informed us that it is researching whether this percentage should be updated.

MDHHS also informed us that General Fund appropriations for BGCMS were reduced with the implementation of the Healthy Michigan program (i.e., Michigan's expansion of the Medicaid program) in April 2014. The General Fund appropriation was cut again in fiscal year 2015. MDHHS stated that this reduction contributed to the shortfall in its level of effort requirement.

Further, MDHHS informed us that a material compliance determination will be requested from the Substance Abuse and Mental Health Services Administration (SAMHSA) because of the shortfall. A material compliance determination from SAMHSA for fiscal year 2014 level of effort was granted on April 12, 2016.

Effect

The federal grantor agency could issue sanctions, disallowances, and/or future reductions of federal awards related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS comply with federal regulations regarding level of effort.

Management Views and Corrective Action Plan

Management Views:

MDHHS agrees it could not document compliance with the limited expenditure criteria cited above; however, MDHHS believes that it is currently complying with federal regulations regarding maintenance of effort. SAMHSA's process for determining whether maintenance of effort requirements are met is much more in-depth than the criteria identified above and is not limited to a simple calculation of annual expenditures over the two preceding years. States that do not meet the expenditure threshold can also request a waiver of maintenance of effort requirements based on economic criteria. States can also request a finding of material compliance with maintenance of effort requirements where they provide additional information and data, such as changes in service levels over the last five years, expenditure history, and future funding commitments to providing services.

Planned Corrective Action:

A request for a finding of material compliance was also submitted to SAMHSA by MDHHS for fiscal year 2015.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Tom Renwick, Michigan Department of Health and Human Services

FINDING 2015-066

Block Grants for Community Mental Health Services, CFDA 93.958, Procurement and Suspension and Debarment - Procurement Procedures

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958	
Award Identification Number and Year	15B1MICMHS	10/01/2014 - 09/30/2016
	14B1MICMHS	10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$11,381,112	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Procurement and Suspension and Debarment	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs	\$188,103	
Repeat Finding	2014-019	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not procure services in accordance with State policies and procedures. Our review of 4 procurements for the BGCMS program noted that MDHHS:

- Procured services for amounts in excess of its delegated authority without DTMB approval for 3 procurements.
- Did not use a competitive bidding process for 2 procurements.
- Did not receive preapproval from the Michigan Civil Service Commission for services provided by an independent contractor for 2 procurements.

Criteria

Federal regulation 45 *CFR* 96.30 states that, except where otherwise required by federal law or regulation, a state shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds.

DTMB Administrative Guide procedure 0510.30 establishes procedures for procurements of purchases above the departmental delegated authority. State agencies can request special delegated authority on a project basis, which DTMB authorizes in writing. In addition, DTMB Administrative Guide procedure 0510.01 requires approval from the DTMB Procurement director to use a procurement method other than competitive bidding to establish fair and reasonable pricing. Further, this procedure states the disbursement of funds to pay for services performed by an independent contractor must have the prior approval of the Michigan Civil Service Commission.

Cause

The contracts, which provided training and consulting services such as presentations, conferences, on-line surveys, and seminars for the BGCMS program, ranged from \$74,670 to \$917,676. MDHHS informed us that it considered these procurements to be grant awards to subrecipients and therefore not subject to DTMB procurement requirements or under Michigan Civil Service Commission jurisdiction.

Effect

MDHHS made payments to vendors for services that were not procured in accordance with State policies and procedures. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$188,103 - BGCMS federal share.

Recommendation

We recommend that MDHHS procure services in accordance with State policies and procedures.

Management Views and Corrective Action Plan

Management Views:

MDHHS disagrees with the finding.

Planned Corrective Action:

The agreements reviewed in the audit represent a subrecipient relationship where MDHHS passed through federal grant dollars to accomplish activities of a federal program. These grant agreements are not subject to state procurement or the CS-138 process. MDHHS acknowledges that the agreements were inappropriately classified as contractor relationships. MDHHS is in the process of developing guidance for the program areas in appropriately determining contractor versus subrecipient relationships.

Anticipated Completion Date:

September 30, 2016

Responsible Individual(s):

Christine Sanches, Michigan Department of Health and Human Services

FINDING 2015-067

Block Grants for Community Mental Health Services, CFDA 93.958, Subrecipient Monitoring - During-the-Award Monitoring

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958
Award Identification Number and Year	15B1MICMHS 10/01/2014 - 09/30/2016 14B1MICMHS 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$11,381,112
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that quarterly narrative reports for 2 (22%) of 9 sampled subrecipients were obtained and reviewed, documenting MDHHS's during-the-award subrecipient monitoring.

Criteria

OMB Circular A-133, Section 300(b) requires MDHHS to maintain internal control over federal programs that provides reasonable assurance that MDHHS is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. In addition, MDHHS's grant agreements with subrecipients require that the subrecipient submit quarterly narrative reports to MDHHS.

Cause

Our review determined that although MDHHS maintained logs for tracking the receipt of subrecipient quarterly reports, either the logs did not include all subrecipients or the logs noted receipt of a subrecipient's quarterly narrative report when the report was not in the file. In addition, MDHHS periodically sent e-mails to inform program staff of subrecipients with missing quarterly narratives; however, these e-mails did not always include a complete list of missing quarterly narratives.

Although MDHHS indicated that it made frequent telephone and e-mail contacts with the subrecipients, this does not preclude the subrecipients' reporting requirement to provide quarterly narratives, which provide the subrecipients' status on meeting programmatic goals.

Effect

MDHHS limited its assurance that subrecipients spent federal funds in accordance with their grant agreements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that quarterly narrative reports are obtained and reviewed, documenting MDHHS's during-the-award subrecipient monitoring.

Management Views and Corrective Action Plan

Management Views:

MDHHS disagrees with the finding.

Planned Corrective Action:

During fiscal year 2015, the BGCMS subrecipients were converted to the Electronic Grants Administration and Management System. This conversion caused many difficulties with subrecipients in submitting all quarterly progress reports. However, the quarterly progress report was not the only method utilized by staff to monitor subrecipients. MDHHS staff were in contact monitoring its subrecipients throughout fiscal year 2015 via e-mail, monthly meetings, financial status reports, and ongoing contact. MDHHS acknowledges that it did not obtain the quarterly narrative reports for all of the pertinent quarters for 2 projects; however, subrecipients are monitored through various methods and MDHHS does not believe that missing some of the reports applicable for a subrecipient means that a subrecipient was not monitored appropriately for the entire award or that adequate monitoring was not conducted. MDHHS believes the monitoring activities performed provide reasonable assurance that federal awards were managed in compliance with laws, regulations, and provisions of contracts or grant agreements.

Anticipated Completion Date:

Not applicable

Responsible Individual(s):

Karen Cashen, Michigan Department of Health and Human Services
Jennifer Stentoumis, Michigan Department of Health and Human Services

FINDING 2015-068

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Special Tests and Provisions - Independent Peer Reviews

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959

Award Identification Number and Year	3B08T1010026-15S1 2B08T1010026-15 3B08T1010023-14S2	10/01/2014 - 09/30/2016 10/01/2014 - 09/30/2016 10/01/2013 - 09/30/2015
Total Expenditures of Federal Awards	\$46,312,198	
Total ARRA Expenditures	Not Applicable	
Compliance Requirement(s)	Special Tests and Provisions - Independent Peer Reviews	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS could not demonstrate that at least 5% of substance abuse and prevention service providers obtained accreditation.

Criteria

Federal law 42 USC 300x-53(a) requires states to provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the state to individuals under the program involved and ensure that, in the conduct of such peer review, not fewer than 5% of the entities providing services in the state under such program are reviewed. States may satisfy this independent peer review requirement by demonstrating that at least 5% of substance abuse and prevention service providers obtained accreditation, during the fiscal year, from a private accreditation body.

Cause

In MDHHS's contracts with prepaid inpatient health plans (PIHPs), it required PIHPs to contract with only service providers that are licensed and accredited; however, MDHHS did not have a process in place to verify that accreditation was, in fact, obtained for at least 5% of service providers during the fiscal year.

Effect

Without these reviews, MDHHS cannot be assured of the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS develop a process to demonstrate that at least 5% of substance abuse and prevention service providers obtained accreditation.

Management Views and Corrective Action Plan

Management Views:

MDHHS partially agrees with the finding.

MDHHS contracts with the Prepaid Inpatient Health Plans (PIHPs), which requires them to ensure that all substance abuse treatment providers in Michigan are both licensed and accredited. Federal law 42 USC 300x-53(a) requires that a minimum of 5% be reviewed for compliance. Accordingly, MDHHS's position is that the underlying contractual requirements

performed by the PIHPs have surpassed the federal requirement that 5% of substance abuse and prevention service providers have undergone an independent peer review process. During the audit, MDHHS reached out to its federal contact and she confirmed that MDHHS fully complies with the independent peer review requirements of the Substance Abuse Block Grant. However, MDHHS acknowledges that during the audit period it relied solely on the monitoring completed at the PIHP level.

Planned Corrective Action:

Site review protocols for fiscal year 2016 will be more comprehensive.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Tom Renwick, Michigan Department of Health and Human Services

FINDING 2015-069

Home Investment Partnerships Program, CFDA 14.239

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2015, Finding 2015-002.

FINDING 2015-070

Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2015, Finding 15-01.

FINDING 2015-071

Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2015, Finding 15-02.

OTHER SCHEDULE

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2015

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 3131210
Initial Year Written: Fiscal Year 2008
Finding Title: Early Intervention Services (IDEA) Cluster, *CFDA* 84.181 and 84.393 (ARRA)

Finding: The Michigan Department of Education's (MDE's) internal control over the Early Intervention Services (IDEA) Cluster did not ensure its compliance with federal laws and regulations regarding matching, level of effort, and earmarking.

Current Status: MDE partially corrected the deficiencies noted in the finding.

Additional training regarding level of effort reporting was provided throughout the State during spring 2013 Early On system updates. Webinar training and a question and answer document were also made available to intermediate school districts (ISDs) to explain the new level of effort reporting procedure.

ISDs are required to report actual spending for early intervention when completing reports in the Financial Information Database (FID) in November of each year. MDE analyzes the information to determine Michigan's total Statewide spending from State and local funds for early intervention. Ongoing work is being done to increase the completeness and accuracy of this reporting.

ISDs are required to report each year with the July Michigan Electronic Grants System Plus (MEGS+) application the total of State and local funds being budgeted for the upcoming program year for spending on early intervention. These amounts are aggregated to come up with Michigan's total Statewide budgeting from State and local funds for early intervention. This requirement has been in place since July 2013 and all ISDs have adhered to the requirement.

Each year after the aggregated total Statewide budgeting from State and local funds for early intervention (as reported in the July MEGS+ application) is calculated and the aggregated Statewide spending from State and local funds for early intervention as reported in the previous November FID is calculated, the two aggregated totals will be compared to determine whether the budgeted total is equal to or greater than the actual spending total. The federal test for Individuals with Disabilities Education Act Part C level of effort is to compare the Statewide budgeted funds to the most recent available data on actual Statewide spending from State and local funds.

MDE continues to collect level of effort budgeting information as part of the annual application for funds process. All ISDs continue to comply with this reporting requirement.

MDE also collects level of effort expenditure information as part of the FID reporting process. Through review of the data collected in the November 2014 FID, it was determined that additional work needs to take place in order to ensure complete and accurate data are being collected. MDE is working with the Center for Educational Performance and Information (CEPI) to provide more guidance and support to ISDs around this reporting requirement in order to improve the quality of the data being collected.

When November 2015 FID data becomes available, the data will be reviewed to determine the level of accuracy and the need for additional guidance and support to ISDs. If the data is determined to be accurate, then the aggregated total Statewide budgeting from State and local funds for early intervention (as reported in the July 2016 MEGS+ application) will be compared to the aggregated Statewide spending from State and local funds for early intervention as reported in the November 2015 FID to determine whether the budgeted total is equal to or greater than the actual spending total.

Since it takes a full year to complete the comparison cycle, the next possible comparison of data cannot take place until August 2016.

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 5911105
Initial Year Written: Fiscal Year 2009
Finding Title: Monitoring of Subrecipient Single Audit Reports

Finding: The Michigan Department of Transportation's (MDOT's) internal control over the Federal Transit Cluster, the Transit Services Programs Cluster, and the Formula Grants for Other Than Urbanized Areas Program did not ensure compliance with federal laws and regulations regarding monitoring of subrecipients' single audit reports.

Current Status: MDOT corrected the deficiencies noted in the finding in May 2015.

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 7511206
Initial Year Written: Fiscal Year 2004
Finding Title: Outdoor Recreation - Acquisition, Development and Planning, CFDA 15.916

Finding: The Department of Natural Resources' (DNR's) internal control over the Outdoor Recreation - Acquisition, Development and Planning Program did not ensure compliance with federal laws and regulations regarding reporting.

Current Status: DNR did not correct the deficiencies noted in the finding.

DNR has worked with the National Park Service (NPS) to verify outstanding projects. DNR has developed and is implementing a process to complete the backlog of delinquent post-completion inspections through a self-certification process. This process was reviewed and is approved for use by NPS.

DNR began this process in November 2012 and has complied with federal laws and regulations regarding the reporting of post-completion inspections in 79 of the 83 counties in Michigan. Inspections are also being completed by DNR land managing divisions on sites where they have received grants. DNR Grants Management staff will also continue to complete inspections of projects to ensure compliance with NPS requirements. The updated, targeted date for completion is June 2016.

Audit Period: October 1, 2009 through September 30, 2011

Finding Number: 7611203

Initial Year Written: Fiscal Year 2008

Finding Title: Air Pollution Control Program Support, *CFDA* 66.001

Finding: The Department of Environmental Quality's (DEQ's) internal control over Air Pollution Control Program Support did not ensure compliance with federal laws and regulations regarding matching, level of effort, and earmarking.

Current Status: The audit finding does not warrant further action.

Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.

The U.S. Environmental Protection Agency is not currently following up with DEQ on the audit finding and a management decision was not issued.

Audit Period: October 1, 2009 through September 30, 2011

Finding Number: 7611205

Initial Year Written: Fiscal Year 2010

Finding Title: State Public Water System Supervision, *CFDA* 66.432

Finding: DEQ's internal control over the State Public Water System Supervision Program did not ensure compliance with federal laws and regulations regarding activities allowed or unallowed; allowable costs/cost principles; and matching, level of effort, and earmarking.

Current Status: The audit finding does not warrant further action.

Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.

The U.S. Environmental Protection Agency is not currently following up with DEQ on the audit finding and a management decision was not issued.

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 7611207
Initial Year Written: Fiscal Year 2008
Finding Title: Nonpoint Source Implementation Grants, *CFDA* 66.460

Finding: DEQ's internal control over the Nonpoint Source Implementation Grants Program did not ensure compliance with federal laws and regulations regarding matching, level of effort, and earmarking and subrecipient monitoring.

Current Status: The audit finding does not warrant further action.

Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.

The U.S. Environmental Protection Agency is not currently following up with DEQ on the audit finding and a management decision was not issued.

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 7611210
Initial Year Written: Fiscal Year 2010
Finding Title: Performance Partnership Grants, *CFDA* 66.605

Finding: DEQ's internal control over the Performance Partnership Grants Program did not ensure compliance with federal laws and regulations regarding activities allowed or unallowed; allowable costs/cost principles; and matching, level of effort, and earmarking.

Current Status: The audit finding does not warrant further action.

Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.

The U.S. Environmental Protection Agency is not currently following up with DEQ on the audit finding and a management decision was not issued.

Audit Period: October 1, 2012 through September 30, 2013
Finding Number: 2013-004
Initial Year Written: Fiscal Year 2013
Finding Title: Adoption Subsidy, Adult Services Comprehensive Assessment Program (ASCAP), and Services Worker Support System (SWSS) Security Management and Access Controls

Finding: The Department of Human Services (DHS) and the Department of Technology, Management, and Budget (DTMB) had not established effective security management and access controls over the Adoption Subsidy, ASCAP, and SWSS systems.

Current Status: The deficiencies noted for Adoption Subsidy and SWSS are no longer applicable. The Adoption Subsidy and SWSS systems were frozen as of April 24, 2014 and were replaced by the Michigan Statewide Automated Child Welfare Information System (MiSACWIS).

MDHHS and DTMB partially corrected the deficiencies noted for ASCAP. MDHHS local offices monitor their staff and the Office of Aging and Adult Services monitors central office users to ensure that ASCAP access is appropriate. DTMB is creating a query to track Oracle database activity and it will be monitored using Oracle Audit Vault. DTMB is developing a corrective action plan to address security and access controls over the operating systems.

Audit Period: October 1, 2012 through September 30, 2013
Finding Number: 2013-030
Initial Year Written: Fiscal Year 2013
Finding Title: Airport Improvement Program, *CFDA* 20.106, Reporting - Accuracy of Reports

Finding: MDOT did not prepare Standard Form 271 (SF-271) and Standard Form 425 (SF-425) reports in accordance with the reports' instructions.

Current Status: MDOT corrected the deficiencies noted in the finding.

Audit Period: October 1, 2012 through September 30, 2013
Finding Number: 2013-031
Initial Year Written: Fiscal Year 2013
Finding Title: High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, *CFDA* 20.319 and 20.319 (ARRA), Matching, Level of Effort, and Earmarking and Reporting - Meeting Matching Requirements

Finding: MDOT did not ensure that match expenditures reported to the Federal Railroad Administration were for activities allowed and allowable costs.

Current Status: MDOT corrected the deficiencies noted in the finding in fiscal year 2014.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-001
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Interface and Change Controls

Finding: MDHHS and DTMB did not ensure that effective interface and change controls were implemented for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Refugee and Entrant Assistance - State Administered Programs, and Low-Income Home Energy Assistance Program (LIHEAP).

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding for the programs included in Finding 2015-001 and the Refugee and Entrant Assistance Program. The departments corrected part a. of Finding 1. See corrective action for Finding 2015-001.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-002
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Security Management and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls over privileged and high-risk Bridges users.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding for the programs included in Finding 2015-002 and the Refugee and Entrant Assistance Program. MDHHS corrected part a. and part d. is no longer applicable due to changes in staff duties. See corrective action for Finding 2015-002.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-003
Initial Year Written: Fiscal Year 2011
Finding Title: Income Eligibility and Verification System

Finding: MDHHS and DTMB did not request and obtain Income Eligibility and Verification System (IEVS) information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of the finding. See corrective action for Finding 2015-003.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-004
Initial Year Written: Fiscal Year 2008
Finding Title: ADP Security Program

Finding: MDHHS and DTMB did not ensure that a comprehensive ADP security program was established for information systems used to administer their federal programs.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. The departments corrected the deficiencies related to security plans. The departments did not correct the deficiencies related to disaster recovery plans for the programs included in Finding 2015-004 and for one application related to the Maternal and Child Health Services Block Grant. See corrective action for Finding 2015-004.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-005
Initial Year Written: Fiscal Year 2013
Finding Title: High-Risk Security and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls for significant systems used to administer federal programs.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. The departments corrected part b. of the finding as of September 2015. The departments did not correct the remaining deficiencies noted in the finding for the programs included in Finding 2015-005, the Refugee and Entrant Assistance Program (part a.), and the Maternal and Child Health Services Block Grant (parts a. and c.). For parts a. and d., see corrective action for Finding 2015-005.

For part c., MDHHS had been working with its security office to develop the appropriate access documentation utilizing the database security application (DSA); however, implementation had been delayed due to the implementation of Michigan Identity, Credential and Access Management (MiCAM) to replace Single Sign On. During a subsequent meeting, the department decided that it was not necessary to move to DSA because of the upcoming migration of the Children's Special Health Care Services to Electronic Medicaid Eligibility Determination Systems/Community Health Automated Medicaid Processing System (CHAMPS).

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-006
Initial Year Written: Fiscal Year 2014
Finding Title: MiSACWIS Security Management and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls over MiSACWIS.

Current Status: MDHHS and DTMB did not correct the deficiencies noted in the finding for the programs included in Finding 2015-006 and the Chafee Foster Care Independence Program. See corrective action for Finding 2015-006.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-007
Initial Year Written: Fiscal Year 2013
Finding Title: CHAMPS Security and Access Controls

Finding: DTMB did not fully establish and implement effective security and access controls over the operating system for CHAMPS servers.

Current Status: DTMB did not correct the deficiencies noted in the finding for the programs included in Finding 2015-007, the Refugee and Entrant Assistance Program, and the Maternal and Child Health Services Block Grant. See corrective action for Finding 2015-007.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-008
Initial Year Written: Fiscal Year 2014
Finding Title: CHAMPS Claims Edits

Finding: MDHHS and DTMB had not fully established effective logical access and change management controls over CHAMPS claims edits.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding for the programs included in Finding 2015-008, the Refugee and Entrant Assistance Program, and the Maternal and Child Health Services Block Grant. The departments corrected the performance audit Findings 1, 2, and 3 in April 2015, January 2015, and June 2015, respectively. MDHHS did not correct Finding 4. See corrective action for Finding 2015-008.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-009
Initial Year Written: Fiscal Year 2013
Finding Title: MDE IT Security and Controls

Finding: MDE and DTMB had not established effective security and access controls for privileged and high-risk users in MEGS+, Cash Management System (CMS), and Food Nutrition System - Fiscal Reporting System (FNS-FRS).

Current Status: MDE and DTMB partially corrected the deficiencies noted in the finding for the programs included in Finding 2015-009, the School Improvement Grants Cluster, and the Career and Technical Education.

Finding 1 - MDE corrected the outstanding deficiencies related to restricting development staff from privileged access to production data for MEGS+ and CMS (part a.), assigning and authorizing access to data (part d.), and establishing an effective process to monitor user access (part e.). MDE did not correct the deficiencies related to MEGS+ users having multiple accounts (part b.(1)).

Finding 2 - The departments corrected the outstanding deficiencies related to maintaining and reviewing audit logs of high-risk events (part d.). The departments did not correct the deficiencies related to monitoring the activity of privileged database users for MEGS+, CMS, and FNS-FRS (part c.).

Finding 4 - The departments corrected the outstanding deficiencies related to segregation of duties for the change control process (part a.) and identifying unauthorized program and database changes (part b.(2)). MDE did not correct the deficiencies related to emergency change control procedures for MEGS+ and FNS-FRS (part b.(1)). MDE partially corrected the deficiencies related to obtaining documented approvals prior to implementing program and database changes (part b.(3)).

See corrective action for Finding 2015-009.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-010
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Completeness and Accuracy of the PACAP

Finding: MDHHS did not ensure that it had a complete and accurate narrative in its new and amended Public Assistance Cost Allocation Plan (PACAP).

Current Status: MDHHS partially corrected the deficiencies noted in the finding for the programs included in Finding 2015-010 and the Refugee and Entrant Assistance Program. MDHHS corrected part a. of the finding as of January 2015. See corrective action for Finding 2015-010.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-011
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Allowable Costs/Cost Principles - Inappropriate PACAP Allocation

Finding: MDHHS did not ensure that it correctly calculated and used the appropriate PACAP percentages to allocate expenditures to its federal programs for 8 (15%) of 54 quarterly allocations sampled.

Current Status: MDHHS partially corrected the deficiencies noted in the finding for the programs included in Finding 2015-011 and the Refugee and Entrant Assistance Program. MDHHS corrected parts b. and c. of the finding. See corrective action for Finding 2015-011.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-012
Initial Year Written: Fiscal Year 2014

Finding Title: MDHHS, Unreasonable Allocation Base for Private Child Placing Agency Administrative Expenditures

Finding: MDHHS did not use a reasonable cost allocation base for private child placing agency administrative expenditures to accurately reflect the relative benefits received by the TANF Cluster, Medicaid Cluster, Foster Care - Title IV-E, Adoption Assistance, and Social Services Block Grant (SSBG).

Current Status: MDHHS corrected the deficiencies noted in the finding in October 2014.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-013
Initial Year Written: Fiscal Year 2013
Finding Title: MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Foster Care Payments on Behalf of Ineligible Children

Finding: MDHHS made 3 (8%) of 39 foster care maintenance or treatment payments on behalf of ineligible children when the children were no longer in the foster family home or in a child care institution (CCI).

Current Status: MDHHS corrected the deficiencies noted in the finding in May 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-014
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, Allowable Costs/Cost Principles - Pharmacy Pricing Validations

Finding: MDHHS did not adequately validate pharmacy pricing to ensure that the pharmacy benefits manager (PBM) utilized the lowest cost pricing.

Current Status: MDHHS corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-015
Initial Year Written: Fiscal Year 2014
Finding Title: MDE, Allowable Costs/Cost Principles and Subrecipient Monitoring - FNS-FRS Claim System Reimbursement Rate Approval

Finding: MDE could not document that it reviewed the accuracy of reimbursement rates for the Child and Adult Care Food Program (CACFP) and the Child Nutrition Cluster prior to submission into the FNS-FRS claim systems.

Current Status: MDE corrected the deficiencies noted in the finding in February 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-016
Initial Year Written: Fiscal Year 2008
Finding Title: MDHHS, Allowable Costs/Cost Principles and Special Tests and Provisions - Entity Disclosures

Finding: MDHHS did not obtain all required disclosures from Prepaid Inpatient Health Plan (PIHP) entities, Medicaid Health Plan (MHP) entities, MI Choice Waiver Program (MI Choice) entities, and its PBM during the audit period.

Current Status: MDHHS did not correct the deficiencies noted in the finding for the programs included in Finding 2015-018 and the Maternal and Child Health Services Block Grant. See corrective action for Finding 2015-018.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-017
Initial Year Written: Fiscal Year 2013
Finding Title: MDE, Level of Effort - MOE

Finding: MDE did not exclude capital outlay and unrestricted federal expenditures in its fiscal year 2012 maintenance of effort (MOE) calculation for 203 (24%) of the 858 local educational agencies.

Current Status: MDE corrected the deficiencies noted in the finding in May 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-018
Initial Year Written: Fiscal Year 2014
Finding Title: DTMB, Procurement and Suspension and Debarment - Completion of Contract File Review Checklists

Finding: DTMB did not complete 3 of 6 contract file review checklists during the procurement process.

Current Status: DTMB corrected the deficiencies noted in the finding as of September 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-019
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, Procurement and Suspension and Debarment - Procurement Procedures

Finding: MDHHS procured services for amounts in excess of its delegated authority without DTMB approval for 4 of 4 procurements reviewed for the Block Grants for Community Mental Health Services program. Also, we noted 1 procurement for the Medicaid Cluster that was in excess of

MDHHS's delegated authority and not approved by DTMB. MDHHS did not use a competitive bidding process when it procured the services for all 5 procurements.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS subsequently used a competitive bidding process for one of the cited procurements. See corrective action for finding 2015-066.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-020

Initial Year Written: Fiscal Year 2012

Finding Title: MDE, Reporting - FFATA Reporting

Finding: MDE did not ensure that it accurately and timely reported all subaward information as required by the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

Current Status: MDE corrected the deficiencies noted in the finding as of September 2015.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-021

Initial Year Written: Fiscal Year 2012

Finding Title: MDHHS, Reporting - FFATA Reporting - Timeliness and Accuracy

Finding: MDHHS did not ensure that it timely and accurately reported all subaward information as required by FFATA.

Current Status: MDHHS corrected the deficiencies noted in the finding in July 2015.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-022

Initial Year Written: Fiscal Year 2013

Finding Title: MDHHS, Special Tests and Provisions - Pharmacy Provider State License Monitoring

Finding: MDHHS did not monitor the status of all pharmacy providers' State licenses.

Current Status: MDHHS corrected the deficiencies noted in the finding in April 2015.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-023

Initial Year Written: Fiscal Year 2013

Finding Title: MDHHS, Special Tests and Provisions - PIHP, MHP, and PBM Network Monitoring

Finding: MDHHS did not monitor pharmacy providers, its PIHP entities' network of providers, or its MHP entities' network of providers to ensure that providers entered into provider agreements and made all required disclosures.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-024
Initial Year Written: Fiscal Year 2013
Finding Title: Child and Adult Care Food Program, *CFDA* 10.558, Allowable Costs/Cost Principles and Subrecipient Monitoring - Claims in Excess of Authorized Capacity

Finding: MDE reimbursed the Child and Adult Care Food Program (CACFP) center sponsors for meals served in excess of the authorized capacity of the sponsors' independent centers, adult day care facilities, or child care facilities (institutions).

Current Status: MDE corrected the deficiencies noted in the finding in March 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-025
Initial Year Written: Fiscal Year 2014
Finding Title: Child and Adult Care Food Program, *CFDA* 10.558, Eligibility - Monitoring

Finding: MDE reimbursed meal claims for CACFP sponsors that did not meet eligibility requirements.

Current Status: MDE corrected the deficiencies noted in the finding in September 2014.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-026
Initial Year Written: Fiscal Year 2014
Finding Title: Child and Adult Care Food Program, *CFDA* 10.558, Reporting - Internal Control

Finding: MDE did not ensure that all federal reports were appropriately reviewed and approved prior to submission to the federal agency.

Current Status: MDE corrected the deficiencies noted in the finding in March 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-027
Initial Year Written: Fiscal Year 2014
Finding Title: WIA Cluster, *CFDA* 17.258, 17.259, 17.278, Reporting - Internal Control

Finding: The Michigan Strategic Fund (MSF) did not ensure that 9 (41%) of 22 sampled federal reports were appropriately reviewed and approved prior to submission to the federal agency.

Current Status: MSF corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-028
Initial Year Written: Fiscal Year 2013
Finding Title: Highway Planning and Construction Cluster, *CFDA* 20.205, 20.205 (ARRA), and 20.219, Map Financial Obligation System and Project Accounting and Billing System - Access Controls

Finding: DTMB had not fully established and implemented effective access controls over the Map Financial Obligation System and the Project Accounting and Billing System database management systems.

Current Status: DTMB partially corrected the deficiencies noted in the finding for the program included in Finding 2015-024 and the Airport Improvement Program. See corrective action for Finding 2015-024.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-029
Initial Year Written: Fiscal Year 2014
Finding Title: Highway Planning and Construction Cluster, *CFDA* 20.205, 20.205 (ARRA), and 20.219, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis-Bacon Act; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Construction Pay Estimate Reports Not Properly Approved

Finding: MDOT's project engineers did not sign and date construction pay estimate reports prior to paying construction contractors for 3 (4%) of 67 construction pay estimate reports reviewed.

Current Status: MDOT corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-030
Initial Year Written: Fiscal Year 2014
Finding Title: High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, *CFDA* 20.319 (ARRA), Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds - Maintaining Documentation

Finding: MDOT did not maintain documentation to support whether it reviewed a vendor's monthly batch of invoices for 2 (40%) of 5 months randomly sampled for the Dearborn to Kalamazoo: Service Development Program federal award.

Current Status: MDOT corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-031
Initial Year Written: Fiscal Year 2013
Finding Title: High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, *CFDA* 20.319 (ARRA), Reporting - Accuracy of Reports

Finding: MDOT did not submit accurate reports to the Federal Railroad Administration.

Current Status: MDOT corrected the deficiencies noted in the finding in May 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-032
Initial Year Written: Fiscal Year 2011
Finding Title: High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, *CFDA* 20.319 (ARRA), Subrecipient Monitoring - Monitoring of Subrecipient Single Audits

Finding: MDOT did not fully establish and implement a process to review subrecipient single audit reports.

Current Status: MDOT corrected the deficiencies noted in the finding in May 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-033
Initial Year Written: Fiscal Year 2014
Finding Title: Special Education Cluster (IDEA), *CFDA* 84.027 and 84.173, Subrecipient Monitoring - Final Expenditure Reports

Finding: MDE did not ensure that 5 of 9 sampled Special Education Cluster (IDEA) subrecipient final expenditure reports (FERs) were reviewed and approved.

Current Status: MDE partially corrected the deficiencies noted in the finding during fiscal year 2015. MDE corrected the deficiencies for *CFDA* 84.027. See corrective action for Finding 2015-028.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-034
Initial Year Written: Fiscal Year 2014
Finding Title: Special Education Cluster (IDEA), *CFDA* 84.027 and 84.173, Subrecipient Monitoring - Program Fiscal Reviews

Finding: MDE did not ensure that 5 (8%) of 61 Special Education Cluster (IDEA) subrecipients were included in its program fiscal review schedule.

Current Status: MDE corrected the deficiencies noted in the finding in July 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-035
Initial Year Written: Fiscal Year 2014
Finding Title: School Improvement Grants Cluster, *CFDA* 84.377 and 84.388 (ARRA), Subrecipient Monitoring - SAM Registration

Finding: MDE did not ensure that its subrecipients receiving American Recovery and Reinvestment Act of 2009 (ARRA) funding maintained current registrations in the System for Award Management (SAM).

Current Status: The deficiencies noted are no longer applicable. All ARRA funding expired on September 30, 2014, and there are no longer subrecipients receiving ARRA funds subject to this requirement.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-036
Initial Year Written: Fiscal Year 2014
Finding Title: Career and Technical Education - Basic Grants to States, *CFDA* 84.048, Eligibility and Reporting - MCCNet General Controls

Finding: MSF did not obtain a third party review of the operating effectiveness of general controls for the vendor hosting the Michigan Community College Network (MCCNet).

Current Status: The Workforce Development Agency (WDA) corrected the deficiencies noted in the finding in July 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-037
Initial Year Written: Fiscal Year 2014
Finding Title: Career and Technical Education - Basic Grants to States, *CFDA* 84.048, Eligibility, Reporting, and Subrecipient Monitoring - Data Validation

Finding: MSF's on-site review process did not include the validation of the accuracy of student data.

Current Status: WDA corrected the deficiencies noted in the finding in July 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-038
Initial Year Written: Fiscal Year 2014

Finding Title: Rehabilitation Services - Vocational Rehabilitation Grants to States, *CFDA* 84.126, Cash Management - Inappropriate Funding Technique

Finding: MDHHS did not make cash draws for the Rehabilitation Services - Vocational Rehabilitation Grants to States program in accordance with the funding technique as required in the Cash Management Improvement Act (CMIA) agreement. Also, MDHHS did not complete quarterly cash settlements as required by the CMIA agreement funding technique.

Current Status: MDHHS corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-039

Initial Year Written: Fiscal Year 2014

Finding Title: Twenty-First Century Community Learning Centers, *CFDA* 84.287, Eligibility - Data Sheets

Finding: MDE did not ensure that 2 (8%) of 26 sampled projects included data sheets documenting MDE's review of subrecipient eligibility.

Current Status: MDE did not correct the deficiencies noted in the finding. MDE did not conduct a grant application and award process for this program during fiscal year 2015 that required MDE to complete data sheets to document its review of subrecipient eligibility. MDE initiated corrective action by conducting a Program staff meeting in June 2015 to review the finding and the expectation that all data sheets related to competitive grants be filed and maintained within the central filing system according to the Twenty-First Century Community Learning Center (21st CCLC) Audit Process - Controls Over Compliance document. The expectation was also established that communication with other staff members needs to occur when an original file is removed from the central filing location. It was also communicated that original files are never to be taken out of the office.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-040

Initial Year Written: Fiscal Year 2014

Finding Title: Twenty-First Century Community Learning Centers, *CFDA* 84.287, Subrecipient Monitoring - FER Review

Finding: MDE did not ensure that subrecipient FERs with budget-to-actual variances over 10% were reviewed.

Current Status: MDE corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-041

Initial Year Written: Fiscal Year 2013

Finding Title: Improving Teacher Quality State Grants, *CFDA* 84.367, Subrecipient Monitoring - Function Codes

Finding: MDE did not ensure that 3 (11%) of 27 sampled Improving Teacher Quality State Grants subrecipient budgets included only allowable function codes.

Current Status: MDE did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-020.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-042

Initial Year Written: Fiscal Year 2014

Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Lack of Income Eligibility Documentation

Finding: MDHHS did not maintain sufficient income eligibility documentation to support client eligibility for 24 (65%) of 37 sampled TANF Cluster assistance case records.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-033.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-043

Initial Year Written: Fiscal Year 2011

Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Eligibility Documentation

Finding: MDHHS did not maintain sufficient case record documentation to support client eligibility for 21 (55%) of 38 sampled TANF Cluster assistance case records.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-034.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-044

Initial Year Written: Fiscal Year 2014

Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Finding: MDHHS did not conduct an annual eligibility redetermination to ensure that the adoptive family met eligibility requirements for 1 (10%) of 10 sampled TANF Cluster-funded adoption subsidy case records.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-035.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-045
Initial Year Written: Fiscal Year 2011
Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Unallowable Juvenile Justice Expenditures

Finding: MDHHS may not have appropriately excluded juvenile justice expenditures from TANF Cluster claims.

Current Status: MDHHS continues to disagree with the finding. MDHHS followed up with the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF) in its letter dated October 8, 2015 asking HHS ACF to clarify whether the services provided meet the requirements for TANF claims. MDHHS also reached out to ACF for further clarification of its October 2015 TANF Program Instruction (TANF-ACF-PI-2015-02) related to the Prohibition on use of federal TANF and State MOE funds for juvenile justice services.

However, MDHHS is anticipating making the necessary changes to come into compliance with the ACF clarification letter by the July 1, 2016 deadline included in the Program Instruction, pending additional clarification from ACF.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-046
Initial Year Written: Fiscal Year 2014
Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Ineligible Emergency Foster Care Assistance

Finding: MDHHS claimed TANF Cluster funds on behalf of children ineligible for emergency foster care assistance.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-047
Initial Year Written: Fiscal Year 2007
Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Lack of Documentation to Identify Drug Felony Convictions and Probation/Parole Violations

Finding: MDHHS did not maintain sufficient documentation in 19 (40%) of 47 case records to identify whether the associated individuals were

convicted of a drug-related felony after August 22, 1996 and were in violation of probation or parole; were convicted of two or more drug-related felonies; or were in violation of their probation or parole requirements related to any offense.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-036.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-048
Initial Year Written: Fiscal Year 2013
Finding Title: TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Reporting - Unallowable Juvenile Justice MOE Expenditures

Finding: MDHHS counted \$7,859,578 of expenditures toward TANF Cluster laws and regulations for MOE for one county's programs that provided services to adjudicated and pre-adjudicated juveniles.

In addition, of the \$7,859,578 counted by MDHHS, \$1,136,182 may have been inappropriately double counted toward both TANF Cluster and State MOE (Finding 2014-45).

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-049
Initial Year Written: Fiscal Year 2012
Finding Title: TANF Cluster, *CFDA* 93.558, Matching, Level of Effort, and Earmarking - Time on Assistance Earmark

Finding: MDHHS did not ensure that it appropriately counted each month of federally funded cash assistance received by a household toward the 60-month federal time limit counter.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-050
Initial Year Written: Fiscal Year 2009
Finding Title: TANF Cluster, *CFDA* 93.558, Matching, Level of Effort, and Earmarking and Reporting - MOE New Spending Test

Finding: MDHHS may have inappropriately excluded the Section 31a At-Risk Pupils Program and the Great Start Readiness Program expenditures totaling \$151,652,615 from the new spending test used to meet the State's MOE requirement in fiscal year 2014.

Current Status: MDHHS did not correct the deficiencies noted because MDHHS disagreed with the finding. See management views and corrective action plan for Finding 2015-037.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-051
Initial Year Written: Fiscal Year 2001
Finding Title: TANF Cluster, *CFDA* 93.558, Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Child Support Noncooperation

Finding: MDHHS did not appropriately and timely sanction TANF Cluster families who did not cooperate with establishing paternity and child support orders.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-052
Initial Year Written: Fiscal Year 2011
Finding Title: TANF Cluster, *CFDA* 93.558, Subrecipient Monitoring - Untimely Management Decision

Finding: MDHHS did not issue a management decision within the six-month required time frame after receipt of 1 of 9 subrecipient single audit reports.

Current Status: MDHHS corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-053
Initial Year Written: Fiscal Year 2005
Finding Title: CCDF Cluster, *CFDA* 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Documentation

Finding: MDE and MDHHS did not maintain documentation to support client and/or child eligibility, provider eligibility, client need for the number of hours authorized, proper authorization of providers to render services, and/or the provider's rate of pay.

Current Status: MDE and MDHHS partially corrected the deficiencies noted in the finding. MDE corrected part e. of the finding. See corrective action for Finding 2015-039.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-054
Initial Year Written: Fiscal Year 2014

Finding Title: CCDF Cluster, *CFDA* 93.575 and 93.596, Cash Management - CMIA Funding Technique

Finding: MDE did not make cash draws for the CCDF Cluster administrative expenditures in accordance with the funding technique as required in the CMIA agreement.

Current Status: MDE corrected the deficiencies noted in the finding in November 2014.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-055

Initial Year Written: Fiscal Year 2014

Finding Title: CCDF Cluster, *CFDA* 93.575 and 93.596, Cash Management - Expenditure Reclassification

Finding: MDE did not have a process in place to timely identify overdrawn federal revenue for expenditures that were reclassified to a State funding source.

Current Status: MDE partially corrected the deficiencies noted in the finding. MDE created a process to review expenditure activity and revenue collections on a monthly basis and reported excess cash draws to the Department of Treasury on the annual CMIA reports for fiscal year 2015. See corrective action for Finding 2015-040.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-056

Initial Year Written: Fiscal Year 2011

Finding Title: CCDF Cluster, *CFDA* 93.575 and 93.596, Special Tests and Provisions - Fraud Detection and Repayment

Finding: MDE and MDHHS did not have sufficient processes to ensure that they initiated and pursued repayment efforts for all fraudulent child care payments.

Current Status: MDE and MDHHS partially corrected the deficiencies noted in the finding. The departments corrected part a. of the finding in March 2015. See corrective action for Finding 2015-042.

Audit Period: October 1, 2013 through September 30, 2014

Finding Number: 2014-057

Initial Year Written: Fiscal Year 2008

Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Beneficiary Eligibility

Finding: MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for Medicaid services for 4 (6%) of 65 Medicaid cases.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-044 and Finding 2015-050.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-058
Initial Year Written: Fiscal Year 2012
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Under Age 21 Eligibility Group

Finding: MDHHS did not ensure that beneficiaries in the "under age 21" Medicaid eligibility group were appropriately end dated in Bridges and CHAMPS.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-045.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-059
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - ASW Contact With Clients and Providers

Finding: MDHHS did not ensure that adult services workers (ASWs) timely completed six-month reviews, annual redeterminations, and other required monitoring contacts for their assigned clients and providers.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of the finding. See corrective action for Finding 2015-048.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-060
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Benefit Reduction and Certification of Medical Needs

Finding: MDHHS did not ensure that it made required client benefit reductions and timely obtained client certifications of medical need.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-047.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-061
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible Payments

Finding: MDHHS did not ensure that Home Help Program (HHP) clients met HHP eligibility criteria prior to paying for HHP services.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-046.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-062
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Provider Log or Invoice Documentation

Finding: MDHHS did not obtain or timely obtain sufficient documentation, including provider service logs or invoices and provider and client verification, to ensure that providers had delivered the services paid for through a preauthorized payment process.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part a. of the finding. See corrective action for Finding 2015-051.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-063
Initial Year Written: Fiscal Year 2006
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles - Third Party Liability - Pregnancy and Birthing-Related Costs

Finding: MDHHS did not report all pregnancy and birthing-related Medicaid costs to the Friend of the Court (FOC) or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-057.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-064
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Beneficiaries With Multiple Medicaid Identification Numbers

Finding: MDHHS's internal control did not prevent, detect, or correct payments made on behalf of beneficiaries who were assigned more than one Medicaid identification number.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-055.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-065
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Agency Provider Overpayments

Finding: MDHHS did not ensure that agency providers met the requirements to receive the higher agency pay rate.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part d. of the finding. See corrective action for Finding 2015-053.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-066
Initial Year Written: Fiscal Year 2012
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Improper DMEPOS Payments

Finding: MDHHS did not ensure proper payment of durable medical equipment, prosthetics, orthotics, and supplies.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-054.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-067
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - MI Choice Annual Cost Reconciliations

Finding: MDHHS did not perform 67 (66%) of 101 annual cost reconciliations during fiscal year 2014 for MI Choice Waiver Program (MI Choice) payments for fiscal years 2009 through 2013. Of the 34 cost reconciliations completed during fiscal year 2014, 34 (100%) were not performed timely.

Current Status: MDHHS corrected the deficiencies noted in the finding in April 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-068
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Practitioner Fee-for-Service Reimbursement

Finding: MDHHS did not ensure proper payment of practitioner fee-for-service claims.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected the deficiencies related to the place of service edit (Finding #1 of the performance audit) as of July 2015. See corrective action for Finding 2015-052.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-069
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - PACE Program Recoveries

Finding: MDHHS did not recover all overpayments identified by its contracted quality improvement organization for the Program of All-Inclusive Care for the Elderly (PACE). In addition, MDHHS did not refund the federal share of all known identified PACE overpayments within one year of discovery.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-070
Initial Year Written: Fiscal Year 2014
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Cash Management - Early Benefit Payments Draw

Finding: MDHHS did not request federal reimbursement in accordance with the required funding technique for 9 Medical Assistance Program cash draws.

Current Status: MDHHS corrected the deficiencies noted in the finding as of November 2014.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-071
Initial Year Written: Fiscal Year 2014
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Policies and Procedures

Finding: MDHHS did not have comprehensive written program integrity policies and procedures.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-072
Initial Year Written: Fiscal Year 2014
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Contract Monitoring

Finding: MDHHS did not ensure that all 1,648 provider long-term care determinations identified by MDHHS were reviewed by the contractor.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-073
Initial Year Written: Fiscal Year 2014
Finding Title: Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Quarterly Certifications

Finding: MDHHS did not obtain quarterly certifications from the Attorney General - Medicaid Fraud Control Unit to warrant continuation of suspending Medicaid payments to providers with fraud allegations during fiscal year 2014.

Current Status: MDHHS corrected the deficiencies noted in the finding in February 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-074
Initial Year Written: Fiscal Year 2013
Finding Title: Child Support Enforcement, *CFDA* 93.563, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, and Subrecipient Monitoring - E-GrAMS Security Management and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls over the Electronic Grants Administration and Management System (E-GrAMS).

Current Status: MDHHS and DTMB corrected the deficiencies noted in the finding as of March 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-075
Initial Year Written: Fiscal Year 2014
Finding Title: Refugee and Entrant Assistance - State Administered Programs, *CFDA* 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Assistance to Ineligible Refugees

Finding: MDHHS did not redetermine the eligibility of 15 (83%) of 18 sampled cases with clients receiving refugee medical assistance for expanded Medicaid when the State's expanded Medicaid went into effect April 1, 2014.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-058.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-076
Initial Year Written: Fiscal Year 2009
Finding Title: Refugee and Entrant Assistance - State Administered Programs, *CFDA* 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - REAP Documentation

Finding: MDHHS did not maintain documentation to support client eligibility and/or did not limit REAP eligibility to a period of less than 8 months as required by HHS's Office of Refugee Resettlement for refugee cash assistance and refugee medical assistance.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-077
Initial Year Written: Fiscal Year 2012
Finding Title: Low-Income Home Energy Assistance, *CFDA* 93.568, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Incorrect Eligibility Determinations

Finding: MDHHS did not always ensure that clients were eligible for LIHEAP-funded State Emergency Relief (SER) energy payments.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of the finding. See corrective action for Finding 2015-059.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-078
Initial Year Written: Fiscal Year 2013
Finding Title: Low-Income Home Energy Assistance, *CFDA* 93.568, Allowable Costs/Cost Principles - Propriety of LIHEAP-Funded Payments

Finding: MDHHS did not ensure the propriety of LIHEAP-funded SER energy payments.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-079
Initial Year Written: Fiscal Year 2014
Finding Title: Foster Care - Title IV-E, *CFDA* 93.658 and 93.658 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - AFDC Eligibility

Finding: MDHHS did not determine the child's Aid to Families with Dependent Children (AFDC) eligibility based on the month of the child's removal from the home of the specified relative for 1 (3%) of the 39 sampled foster care maintenance payments.

Current Status: MDHHS corrected the deficiencies noted in the finding in May 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-080
Initial Year Written: Fiscal Year 2013
Finding Title: Foster Care - Title IV-E, *CFDA* 93.658 and 93.658 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Foster Child U.S. Citizenship Documentation

Finding: MDHHS did not maintain documentation that verified the foster child's U.S. citizenship for 4 (10%) of 39 sampled foster care maintenance payments.

Current Status: MDHHS corrected the deficiencies noted in the finding in June 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-081
Initial Year Written: Fiscal Year 2014

Finding Title: Foster Care - Title IV-E, *CFDA* 93.658 and 93.658 (ARRA), Special Tests and Provisions - Child Care Institution Maintenance Payment Rates

Finding: MDHHS needs to amend the Title IV-E State Plan to include its procedures for periodic review of child care institution (CCI)

maintenance payment rates. In addition, MDHHS did not review CCI maintenance payment rates in accordance with its procedures to ensure the continued appropriateness of the payment rates.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-082
Initial Year Written: Fiscal Year 2003
Finding Title: Adoption Assistance, *CFDA* 93.659, Activities Allowed or Unallowed and Eligibility - Determination of Eligibility for Children Adopted Prior to July 2009

Finding: MDHHS did not ensure that adoption subsidy payments made on behalf of children who were adopted prior to July 2009, and whose eligibility for adoption subsidy was based on the former AFDC eligibility and judicial determinations, were eligible for the adoption subsidy.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. See corrective action for Finding 2015-062.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-083
Initial Year Written: Fiscal Year 2014
Finding Title: Chafee Foster Care Independence Program, *CFDA* 93.674, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Inappropriate Allocation of Payroll Expenditures

Finding: MDHHS did not allocate Chafee Foster Care Independence Program (CFCIP) payroll expenditures in accordance with the Public Assistance Cost Allocation Plan (PACAP) for 12 (75%) of 16 quarterly allocations.

Current Status: MDHHS corrected the deficiencies noted in the finding as of September 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-084
Initial Year Written: Fiscal Year 2003
Finding Title: Chafee Foster Care Independence Program, *CFDA* 93.674, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Propriety of CFCIP Funded Payments

Finding: MDHHS did not ensure the propriety of CFCIP funded payments.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-085
Initial Year Written: Fiscal Year 2014
Finding Title: Block Grants for Community Mental Health Services, *CFDA* 93.958, Matching, Level of Effort, and Earmarking - Level of Effort for Aggregate State Expenditures

Finding: MDHHS could not document compliance with federal regulations regarding level of effort.

Current Status: MDHHS did not correct the deficiencies noted in the finding. See corrective action for Finding 2015-065.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-086
Initial Year Written: Fiscal Year 2014
Finding Title: Maternal and Child Health Services Block Grant to the States, *CFDA* 93.994, Allowable Costs/Cost Principles and Eligibility - Beneficiary Eligibility

Finding: MDHHS did not ensure or demonstrate compliance with Children's Special Health Care Services program eligibility requirements for 2 (6%) of 33 cases.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-087
Initial Year Written: Fiscal Year 2013
Finding Title: Maternal and Child Health Services Block Grant to the States, *CFDA* 93.994, Matching, Level of Effort, and Earmarking - Improper Identification of Expenditures

Finding: MDHHS did not have controls in place to properly identify expenditures used toward meeting its minimum preventive and primary care services for children earmarking requirement.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-088
Initial Year Written: Fiscal Year 2014

Finding Title: Disability Insurance/SSI Cluster, *CFDA* 96.001, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Lack of Payroll Certifications

Finding: MDHHS did not timely complete semiannual certifications for 3 (19%) of 16 employees' payroll costs charged solely to the Disability Insurance/SSI Cluster.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-089
Initial Year Written: Fiscal Year 2013
Finding Title: Disability Insurance/SSI Cluster, *CFDA* 96.001, Cash Management - Inappropriate Funding Technique

Finding: MDHHS did not make cash draws within the appropriate number of days for the funding technique as required in the Cash Management Improvement Act (CMIA) agreement for the Disability Insurance/SSI Cluster.

Current Status: MDHHS corrected the deficiencies noted in the finding in November 2014.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-090
Initial Year Written: Fiscal Year 2014
Finding Title: Disability Insurance/SSI Cluster, *CFDA* 96.001, Reporting - Accuracy of Reports

Finding: MDHHS did not report the correct number of hours that the Disability Insurance/SSI Cluster employees worked in its fiscal year 2014 fourth quarter Time Report of Personnel Services for Disability Determination Services (SSA-4514).

Current Status: MDHHS corrected the deficiencies noted in the finding in April 2015.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-091
Initial Year Written: Fiscal Year 2014
Finding Title: Section 8 Project-Based Cluster, *CFDA* 14.182 and *CFDA* 14.856

Finding: See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2014, Finding 2014-004.

Current Status: MSHDA corrected the deficiencies noted in the finding. See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2015, Summary Schedule of Prior Audit Findings, Prior Year Finding Number 2014-004.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-092

Initial Year Written: Fiscal Year 2013
Finding Title: Home Investment Partnerships Program, *CFDA* 14.239

Finding: See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2014, Finding 2014-003.

Current Status: MSHDA corrected the deficiencies noted in the finding. See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2015, Summary Schedule of Prior Audit Findings, Prior Year Finding Number 2014-003.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-093
Initial Year Written: Fiscal Year 2014
Finding Title: Unemployment Insurance, *CFDA* 17.225 and 17.225 (ARRA)

Finding: See Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2014, Finding 14-01.

Current Status: The Unemployment Insurance Agency corrected the deficiencies noted in the finding. See Talent Investment Agency, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2015, Summary Schedule of Prior Audit Findings, Finding 14-01.

GLOSSARY

LIST OF ABBREVIATIONS

ACF	HHS's Administration for Children and Families.	DBA	database administrator.
ADL	activity of daily living.	DEQ	Department of Environmental Quality.
ADP	automated data processing.	DHS-54A	Medical Needs form.
AFDC	Aid to Families with Dependent Children.	DMEPOS	durable medical equipment, prosthetics, orthotics, and supplies.
ARRA	American Recovery and Reinvestment Act of 2009.	DNR	Department of Natural Resources.
ASCAP	Adult Services Comprehensive Assessment Program.	DQ	Disqualification.
ASM	Adult Services Manual.	DSA	database security application.
ASW	adult services worker.	DTMB	Department of Technology, Management, and Budget.
AWARE	Accessible Web-Based Activity and Reporting Environment.	ECF	Electronic Case File.
BARQA	Bureau of Audit, Reimbursement & Quality Assurance.	ERA	eligible recipient agency.
BGCMHS	Block Grants for Community Mental Health Services.	ESO	Emergency Services Only.
Bridges	Bridges Integrated Automated Eligibility Determination System.	FAIN	Federal Award Identifying Number.
BSBP	Bureau of Services to Blind Persons.	FAST	Family Automated Screening Tool.
CACFP	Child and Adult Care Food Program.	FER	final expenditure report.
CAP	Cost Allocation Plan.	FFATA	Federal Funding Accountability and Transparency Act of 2006.
CCDF	Child Care and Development Fund.	FFEL	Federal Family Education Loans.
CCI	child care institution.	FID	Financial Information Database.
CDC	Child Development and Care.	FIP	Family Independence Program.
CFCIP	Chafee Foster Care Independence Program.	FISCAM	Federal Information System Controls Audit Manual.
<i>CFDA</i>	<i>Catalog of Federal Domestic Assistance.</i>	FNS-FRS	Food Nutrition System - Fiscal Reporting System.
<i>CFR</i>	<i>Code of Federal Regulations.</i>	FOA	Field Operations Administration.
CHAMPS	Community Health Automated Medicaid Processing System.	FOC	Friend of the Court.
CHIP	Children's Health Insurance Program.	FSSP	Family Self-Sufficiency Plan.
CI	Consolidated Inquiry.	GAN	grant award notification.
CMIA	Cash Management Improvement Act.	GAO	U.S. Government Accountability Office.
CMS	Cash Management System.	HHA	home health agency.
CRM	Customer Relationship Management.	HHC	home heating credit.
CWSRF	Capitalization Grants for Clean Water State Revolving Funds.	HHP	Home Help Program.
		HHS	U.S. Department of Health and Human Services.
		IADLs	instrumental activities of daily living.

IDEA	Individuals with Disabilities Education Act.	PACAP	Public Assistance Cost Allocation Plan.
IEVS	Income Eligibility and Verification System.	PACE	Program of All-Inclusive Care for the Elderly.
IPV	intentional program violation.	PATH	Projects for Assistance in Transition from Homelessness.
ISD	intermediate school district.	PBM	pharmacy benefits manager.
IT	information technology.	PIHP	Prepaid Inpatient Health Plan.
LARA	Department of Licensing and Regulatory Affairs.	REAP	Refugee and Entrant Assistance - State Administered Programs.
LIHEAP	Low-Income Home Energy Assistance Program.	R&D	research and development.
LOSC	Local Office Security Coordinator.	RS	Recoupment Specialist.
MAGI	modified adjusted gross income.	RSS	Retail Sales System.
MCCNet	Michigan Community College Network.	SAM	System for Award Management.
MDE	Michigan Department of Education.	SAMHSA	Substance Abuse and Mental Health Services Administration.
MDHHS	Michigan Department of Health and Human Services.	SEFA	schedule of expenditures of federal awards.
MDOT	Michigan Department of Transportation.	SER	State Emergency Relief.
MEAP	Michigan Energy Assistance Program.	SNAP	Supplemental Nutrition Assistance Program.
MEGS+	Michigan Electronic Grants System Plus.	SOC	Service Organization Controls.
MFOS	MAP Financial Obligation System.	SOLO	State Online Query.
MHP	Medicaid Health Plan.	SSA	Social Security Administration.
MI Choice	MI Choice Waiver Program.	SSBG	Social Services Block Grant.
MiND	Michigan Nutrition Data.	SSI	Supplemental Security Income.
MiSACWIS	Michigan Statewide Automated Child Welfare Information System.	SWSS	Services Worker Support System.
MI-WIC	Michigan Women, Infants, and Children Information System.	TANF	Temporary Assistance for Needy Families.
MOE	maintenance of effort.	TEFAP	The Emergency Food Assistance Program.
MSF	Michigan Strategic Fund.	TOA	type of assistance.
MSHDA	Michigan State Housing Development Authority.	<i>USC</i>	<i>United States Code.</i>
NPS	National Park Service.	USDOE	U.S. Department of Education.
OFS	Office of Field Services.	WIA	Workforce Investment Act.
OMB	U.S. Office of Management and Budget.	WR	work request.
PAB	Project Accounting and Billing System.	21st CCLC	Twenty-First Century Community Learning Centers.

GLOSSARY OF TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009; also referred to as the Recovery Act.
application controls	Controls that are directly related to individual computer applications. These controls help ensure that transactions are valid, properly authorized, and completely and accurately processed and reported.
availability	Timely and reliable access to data and information systems.
Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system for Michigan's cash assistance, medical assistance, food assistance, child care assistance, and emergency assistance programs.
<i>Catalog of Federal Domestic Assistance (CFDA)</i>	The catalog that provides a full listing, with detailed program descriptions, of all federal programs available to state and local governments.
change controls	Controls that ensure that program, system, or infrastructure modifications are properly authorized, tested, documented, and monitored.
cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.
<i>Code of Federal Regulations (CFR)</i>	The codification of the general and permanent rules published by the departments and agencies of the federal government.
confidentiality	Protection of data from unauthorized disclosure.
configuration	The way a system is set up. Configuration can refer to either hardware or software or the combination of both.
database administrator (DBA)	The person responsible for both the design of the database, including the structure and contents, and the access capabilities of application programs and users of the database. Additional

	responsibilities include operation, performance, integrity, and security of the database.
database management system	Software that uses a standard method of cataloging, retrieving, and running queries on data. The database management system manages incoming data, organizes the data, and provides ways for the data to be modified or extracted by users or other programs.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.
deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
Federal Information System Controls Audit Manual (FISCAM)	A methodology published by the GAO for performing information system control audits of federal and other governmental entities in accordance with <i>Government Auditing Standards</i> .
financial audit	An audit that is designed to provide reasonable assurance about whether the basic financial statements and/or financial schedules of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
general controls	The structure, policies, and procedures that apply to an entity's overall computer operations. These controls include an entitywide security program, access controls, application development and change controls, segregation of duties, system software controls, and service continuity controls.
information technology (IT)	Anything related to computing technology, such as networking, hardware, software, the Internet, or the people who work with these technologies.
in-kind contribution	The value of a noncash contribution by a nonfederal third party without charge to the grantee or a cost-type contractor of supplies, equipment, goods, property, and services directly benefiting and specifically identifiable to a federal program.
in-relation-to opinion	An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures

and considering materiality of the basic financial statements taken as a whole.

integrity	Accuracy, completeness, and timeliness of data in an information system.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
known questioned costs	Questioned costs that are specifically identified by the auditor.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results.
material misstatement	A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on basic financial statement and/or financial schedule amounts.
material weakness in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.
operating system	The essential program in a computer that manages all the other programs and maintains disk files, runs applications, and handles devices such as the mouse and printer.
other noncompliance	Violations of contracts or grant agreements that are not material to the basic financial statements but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; abuse; or other internal control deficiencies that may be communicated

	to management in accordance with <i>Government Auditing Standards</i> .
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.
privileged access	Extensive system access capabilities granted to persons responsible for maintaining system resources. This level of access is considered high risk and must be controlled and monitored by management.
qualified opinion	A type of modified opinion in which the auditor identifies a scope limitation or material noncompliance with one or more of the cited compliance requirements that are applicable to each major federal program.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
security	Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity.
segregation of duties	Separation of the management or execution of certain duties or areas of responsibility to prevent or reduce opportunities for unauthorized modification or misuse of data or service.
significant deficiency in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
significant deficiency in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
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 OMB Circular A-133.

SOC 1 report

A report prepared in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16 in which an independent auditor reports on management's description of a service organization's system and the suitability of the design of controls (a type 1 report). The auditor may be engaged to also test and report on the operating effectiveness of those controls (a type 2 report).

subrecipient

A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.

SWSS-FAJ

The module in SWSS for Foster Care, Adoption, and Juvenile Justice (including prior AFDC eligibility information).

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- a. The basic financial statements or financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- b. The audited entity complied, in all material respects, with the cited compliance requirements that are applicable to each major federal program.

U.S. Office of Management and Budget (OMB)

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