



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING



MAURA D. CORRIGAN  
DIRECTOR

September 28, 2012

Mr. Doug Ringler, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, the Department of Human Services is enclosing a summary table identifying the department's responses and the corrective action plans to address findings identified in the Office of the Auditor General's Single Audit Report for the Two Years Ended September 30, 2010.

Questions regarding the summary table or corrective action plans should be directed to Cindy Osga, CGFM, at [osgac@michigan.gov](mailto:osgac@michigan.gov) or 517-335-4087.

Sincerely,

Signature Redacted

Maura D. Corrigan

c: Executive Office  
Office of the Auditor General  
House Fiscal Agency  
Senate Fiscal Agency  
House and Senate Appropriation Sub-Committees  
House and Senate Standing Committees



State of Michigan  
DEPARTMENT OF HUMAN SERVICES  
Response to the Auditor General's Report  
Single Audit Report for the Two Years Ended 09/30/2010  
OAG Reference No. 431-0100-11  
DHS Reference No. 2010-062

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1. Findings Agreed With – Corrective Action Implemented

3b1, 3b2, 3c, 4c3, 4d4, 4f1, 4f3, 5e, 6a1b, 9a, 9f2, 10b, 12d, 13b2

2. Findings Agreed With – Corrective Will Be Action Implemented

4c2, 4f2

3. Findings Agreed with In Part – Corrective Action Implemented

2, 3a1, 3a2, 4b1b, 4b1c, 4b2, 4e, 5a, 5b2, 5d1, 5d2, 6a3, 7a, 8a, 8b, 8c,  
9b1, 9b2, 9c, 9e1, 9e2, 10a, 10c1, 10c2, 11a1, 12a, 12b, 12c, 12e,  
13a1, 13a2

4. Findings Agreed with In Part – Corrective Action Will Be Implemented

4b1d, 4c1, 4d3, 5c, 6a1a, 6b, 7b, 11a2, 11b

5. Findings Agreed with In Part – No Corrective Action Will be Implemented

4a2, 5b1, 6a2a, 6a2b, 9f1,

6. Findings Disagreed With – No Corrective Action Will be Implemented

1, 4a1, 4b1a, 4d1, 4d2, 9d, 13b1

## DHS Tracking System

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## View Audit 2010062 Finding 01 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SEFA		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not correctly classify payments made to the Michigan Department of Treasury (Treasury) on the SEFA. As a result, DHS overstated amounts distributed to subrecipients and understated amounts directly expended by \$78.3 million and \$172.9 million for the fiscal years ended September 30, 2010 and September 30, 2009, respectively.</p> <p>During fiscal year 2009-10 and 2008-09, Treasury provided State competitive scholarships, tuition grants, Tuition Incentive Program grants, Michigan Promise Grants, and Nursing Scholarships and Grants totaling \$78.3 million and \$172.9 million, respectively, to students attending colleges or universities in Michigan. During both fiscal years, these scholarships and grants were funded by the Michigan Merit Award Trust Fund and General Fund/general purpose appropriations.</p> <p>DHS hired a consultant to identify methods in which to maximize the use of TANF funds in order to take advantage of TANF contingency funds made available by HHS. In an effort to obtain the TANF contingency funds, DHS and the consultant identified Treasury scholarships and grants as potentially being able to be funded with TANF funds. Based on the consultant's advice, DHS worked with the Office of the State Budget to request a supplemental appropriation bill in each fiscal year to exchange funding between DHS and Treasury. Supplemental appropriation bills for fiscal years 2009-10 and 2008-09 were approved on September 9, 2010 and November 6, 2009, respectively, that moved TANF federal funds to Treasury to fund the scholarships and grants and moved the Michigan Merit Award Trust Fund and General Fund/general purpose appropriations to DHS to be spent on other activities which could be used as additional maintenance of effort and matching funds needed to obtain the TANF contingency funds.</p> <p>In review of the substance of the transactions between DHS and Treasury, the auditor noted:</p> <p>a. Treasury provided the scholarship and grant program information to DHS and the consultant in order for DHS to determine if the use of the TANF funds for the Treasury programs was an allowable use of the TANF funding.</p> <p>b. Treasury did and continues to operate the scholarship and grant programs under State statute. Treasury does not have any federal program requirements that it is required to follow.</p> <p>Consequently, because the decision to use the TANF funds to finance the scholarship and grant programs was made by DHS, it is our opinion that DHS is directly responsible for program compliance. Accordingly, the amount transferred to Treasury should be reported as directly expended by DHS.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS disagrees with the finding.</p> <p>It is important to note that the OMB Circular which requires the DHS to characterize the Department of Treasury as a vendor or subrecipient also recognizes that making that distinction requires judgment and may be difficult. OMB Circular A-133, §.210(d), states, There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or vendor.</p> <p>DHS disagrees with the OAG's conclusion that the relationship with the Department of Treasury constitutes a vendor relationship. DHS believes it correctly classified Treasury as a subrecipient of a federal award.</p> <p>OMB Circular A-133, §.210(b), states, Characteristics indicative of a Federal award received by a subrecipient are when the organization:</p>		

(1) Determines who is eligible to receive what Federal financial assistance;

(2) Has its performance measured against whether the objectives of the Federal program are met;

(3) Has responsibility for programmatic decision making;

(4) Has responsibility for adherence to applicable Federal program compliance requirements; and

(5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

OMB Circular A-133, §.210(c), states, Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

(1) Provides the goods or services within normal business operations;

(2) Provides similar goods or services to many different purchasers;

(3) Operates in a competitive environment;

(4) Provides goods or services that are ancillary to the operation of the Federal program; and

(5) Is not subject to the compliance requirements of the Federal program.

DHS believes the relationship with MHEAA is that of a subrecipient because:

(1) The Department of Treasury determines the individuals who will receive the scholarships.

(2) The scholarships each contain an eligibility criteria component based on need.

(3) The Department of Treasury makes the decisions related to the scholarship program.

(4) The scholarship program is not considered a good or service which is provided to many purchasers.

(5) The Department of Treasury does not operate in a competitive environment.

(6) The Department of Treasury used the federal funds to carry out its own programs as opposed to providing goods and services to DHS.

The use of TANF funds to finance the Family Support Subsidy Program in the Department of Community Health is an analogous situation. The Support Subsidy Program already existed when PRWORA was passed. The Governor and legislature in office at the time decided that it would be appropriate to use TANF funds to finance a portion of that program's cost and TANF revenues were, and continue to be, appropriated directly to DCH to finance the cost of that program. Those revenues flow through DHS because DHS has been designated as the lead state agency for the TANF program. DHS does not, however, have any direct control over any aspect of the DCH program. The interagency agreements entered into by DHS and DCH to implement the intent of those appropriations over the years have always characterized DCH as a subrecipient with regard to its receipt of federal TANF revenues from DHS. The designation of DCH as a subrecipient has never been questioned.

DHS believes that it correctly identified MHEAA as a subrecipient based on the requirements identified in OMB Circular A-133.

Corrective Action Plan:  
n/a

Responsible Administration:  
Financial Services

Responsible Individual(s), Name(s), Title(s):  
Susan Kangas, Director, Field Services  
Margo Yaklin, Director, Division of Accounting

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 02 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Children's Trust Fund		
Administration Area	CHILDREN'S TRUST FUND		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	foleym2	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS recorded each donated item collected on a commitment form. Prior to the annual auction, DHS combined some donated items together in packages to be sold as a single item at the auction and prepared an inventory list of items to be sold. At the annual auction, DHS prepared a sales receipt for each item sold and records the sale amount in the inventory list. DHS procedures indicated that DHS would reconcile donated items collected to donated items sold to ensure all auction items were accounted for. However, DHS did not conduct reconciliation in either fiscal year of the donated items collected to the donated items sold at the CTF auction.</p> <p>For both fiscal years, the auditor was unable to determine if all donated items collected were sold because DHS's records did not identify which donated items were combined into packages to reconcile to the donated items sold. In fiscal year 2009-2010, DHS implemented auction software to track donated items collected and annual CTF auction fundraiser sales. After the review, DHS prepared a list to identify all of the donated items combined into packages and a reconciliation to account for the sale of all donated items for the 2009-2010 auction.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees it was not able to provide a reconciliation for packaged items for the fiscal year ended 2009, and it prepared a spreadsheet for the fiscal year ended 2010. DHS, however, did not provide the Basket Report generated from the auction software for the fiscal year ended 2010 (the first year the auction software was implemented) to the auditor. The Basket Report shows each item that has been donated and an assigned a basket number item. Each basket has an assigned master/container number which shows if an item was auctioned as a stand-alone item or packaged with others. For those items packaged in a basket, the report clearly shows which basket the items were assigned to.</p> <p>Corrective Action Plan: None. CTF began using the event software in January 2010.</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Children's Services Children's Trust Fund</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Mike Foley, Executive Director, Children's Trust Fund</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 03a1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SNAP-Information, Advocacy, Referral *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with Finding 11a1.</p> <p>Findings 3a1, 4b1b, 7a, 11a(1), 13a(1)  DHS contracted with two vendors to provide information, referral, and advocacy services to individuals with limited speaking proficiency. The vendors billed DHS for these services and their billing forms allocated the costs between six federal programs identified below. DHS could not document how the vendor determined the benefits received by each federal program and the corresponding costs charged to each program.</p> <p>Questioned Cost: \$ 2,654,022  \$ 416,363 Supplemental Nutrition Assistance Program  \$ 559,364 Temporary Assistance for Needy Families  \$ 4,085 Child Care and Development Care  \$ 1,181,753 Social Services Block Grant  \$ 492,457 Medicaid Cluster  \$ -0- Child Support Enforcement</p> <p>Response:  DHS agrees with the finding, in part.</p> <p>DHS disagrees it could not document how the vendor determined allocated costs to the programs. DHS requires the vendors to submit a two page supplemental report with its monthly Statement of Expenditures (DHS-3469). Page 1 of the supplemental report summarizes the units of service by program and activity. The vendors retain detailed personnel activity sheets which show the client(s) for which services are provided to, the activity provided to the client (e.g., intake application assistance, completing the DHS client application, assistance/translation with DHS interviews, etc.), and the units of service provided. Page 1 of the supplemental report calculates the percentage of each programs' units of service to the total units of service. These percentages are then applied to the monthly expenditures on page 2 of the supplemental report so the costs are allocated to the benefitting programs. The total amount of monthly expenditures on page 2 of the supplemental report agrees with the amount on the Statement of Expenditures. DHS relied on this information to reimburse the vendor and to make claims to the federal funding sources. DHS does acknowledge that the units of service shown on the supplemental reports did not always agree with the units of service reported on the Statement of Expenditures.</p> <p>Corrective Action Plan:  DHS is working with the vendors to determine if corrections to its reports will impact previously reported federal claims that will necessitate revisions to 2009 and 2010 federal reports.</p> <p>Anticipated Implementation Date:  10/01/2011</p> <p>Responsible Administration:  Field Services  Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s):  Terry Beurer, Acting Director, Field Services  Local Office Directors of Macomb, Oakland, and Wayne Counties  Susan Kangas, Director, Financial Services  Margo Yaklin, Director, Accounting Division  Larry Matecki, Manager, Revenue and Federal Reporting</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 03a2 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	SNAP-Cost Allocation Plan		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action is being tracked with finding 3a2.</p> <p>Findings 3a2, 4b2, 5b2, 9b2, 10a, 13a2: DHS did not amend its cost allocation plan and did not submit amendments to HHS/DCA in accordance with federal requirements. The following changes to the approved cost allocation plan were identified:</p> <p>a. Beginning in fiscal year 2007-2008, DHS revised its approved methodology for allocation of the costs of the first line supervisors and managers. DHS removed the first line supervisors and managers from the Social Services Related-Program Administration Cost Pool and the Financial Assistance Program Related Cost Pool to the Local Office Management and Support Cost Pool because the methodology for this cost pool already included other local office management costs.</p> <p>b. Beginning with the audit period, DHS amended their methodology to allocate Bridges operation and maintenance costs in the Bridges Planning Cost Pool to federal programs based on the number of recipients in Bridges that received benefits in each program. DHS's federally approved cost allocation plan methodology indicated that the cost pool would allocate the costs of planning Bridges at a fixed rate to each major benefitting program. DHS had not submitted this amendment to the Federal government for this cost pool.</p> <p>c. In the second quarter of fiscal year 2008-2009, DHS revised its approved cost allocation plan methodology for performing time studies from physical observations to random moment sampling e-mail surveys of first line DHS staff.</p> <p>Title 45 Part 95 of the Code of Federal Regulations requires the State to promptly amend the cost allocation plan and submit the amended plan to the DCA director if changes occur which make the approved allocation basis or procedures invalid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that it did not amend the cost allocation plan or submit it to DCA. However, it believes the methodologies used during the audit period represent a fair allocation of expenses to the benefitting programs.</p> <p>a. DHS did move the first line supervisors and managers a different cost pool but that cost pool was part of the approved cost allocation plan.</p> <p>b. DHS believes the methodology represents a fair allocation of the Bridges system operating and maintenance expenses to the benefitting programs.</p> <p>c. The new procedure and old procedure are random sampling methodologies which is an acceptable method of allocating expenditures.</p> <p>Corrective Action Plan: DHS will submit cost allocation plan amendments to the Division of Cost Allocation.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Amendments to the cost allocation plan were submitted to the Division of Cost Allocation on June 24, 2011.</p> <p>Responsible Administration: Financial Services</p>
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	Accounting Division Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division Larry Matecki Fields, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 03b1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SNAP-GH280 Report Reconciliation		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not ensure that 1 (9 percent) of 11 local fiscal offices reviewed reconciled their detailed recoupment activity report (GH-280) to source documents. The local office staff indicated they were not aware of the DHS procedures requiring the monthly reconciliation. DHS used the GH-280 to prepare the quarterly FNS-209. As a result, DHS did not verify the accuracy of the amounts presented on the FNS-209.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: DHS will increase its monitoring efforts by randomly selecting local offices to submit the reconciliation Central Office on a periodic basis.</p> <p>Anticipated Implementation Date: October 1, 2011</p> <p>Update 08/2011: Local offices are submitting recoupment activity reports on a regular basis.</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 03b2 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SNAP-FNS209 Supporting Information		
Administration Area	PROJECT FINANCING		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	weberh	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not ensure the amounts on the FNS-209 were supported by the underlying recoupment activity reports for the 2 fiscal quarters tested. The amounts reported on the FNS-209 are obtained from the quarterly report of status of claims against households report (GH-490). The GH-490 report summarizes the monthly recoupment activity reports (GH-290). DHS generates the GH-290 and the GH-490 reports through an automated process in Bridges. For the 2 quarters tested, the GH-490 amounts did not equal the totals from the monthly GH-290 reports. As a result, the FNS-209 was understated by \$49,454 (2.1 percent) in fiscal year 2009-2010 and overstated by \$58,255 (3.7 percent) in fiscal year 2008-2009.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>The reports for the cited periods were corrected and the updates are reflected in Bridges. The reports are working properly.</p> <p>Corrective Action Plan: n/a</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Office of Project Management and Technology Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Teresa Spaulding, Director, Office of Technology and Project Services Janet Kurnick-Ziegler, Manager, Office of Technology and Project Services Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 03c - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SNAP-EBT Card Reconciliation		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	12/20/2011
Status	Completed	Last Updated By	eaganc
Corrective Action Plan	<p>Finding: DHS's internal control did not ensure that it accounted for all EBT bridge cards through the local office reconciliation process.</p> <p>The local offices maintain an inventory of blank EBT bridge cards. DHS policy requires that the local offices maintain records of the issuances and also requires the local offices periodically inventory and reconcile the number of EBT bridge cards on-hand.</p> <p>DHS indicated that it did not believe reports from the EBT contractor showing EBT bridge cards authorized through the local offices were accurate. As a result, during the physical inventories, local offices were unable to compare the number of EBT bridge cards shown as issued on its records to the number reported as authorized by the EBT contractor. DHS informed us that it continues to work with the EBT contractor to develop a reliable report to use in the reconciliation process.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>DHS would like to emphasize that the local offices have processes to account for the EBT cards they receive and issue. In the event that the vendor could send cards that the local office does not receive, it should be noted these cards are not active. The cards can be activated only with specific equipment and a worker must authorize benefits to be assigned to a card for use through the Bridges application. These processes mitigate the risk that in the event cards are not received by a local office that benefits could be accessed by unauthorized individuals.</p> <p>Corrective Action Plan: The error is in the report DHS received from the vendor and it is in a system they use to account for card activity. A new system build is in process to correct the system error and provide accurate information from the vendor so the local office can complete its reconciliation.</p> <p>Anticipated Implementation Date: August 1, 2011</p> <p>Update 08/2011: The vendor corrected the system error for the Card Issuance report by the implementation date; however, card issuance is showing on the wrong local office report when a client's case transfers to another local office. The vendor is now working to correct the problem. The local offices are performing the reconciliations with mixed results because of the client transfer issue. The anticipated implementation date has been revised to reflect the case transfer correction.</p> <p>Update 12/2011 The second phase of the system fix to correct the system error, and provide accurate information from the vendor so the local office can complete its reconciliation went into effect October 27, 2011. From November's reports (which is the first month completed after the fix was implemented) it appears the fix resolved all outstanding issues with the vendors report.</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Jim McCreight, State EBT Coordinator</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4a1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-Third Purpose		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>Finding 4a1: TANF-Third Purpose DHS could not support that TANF Cluster expenditures claimed to prevent and reduce the incidence of out-of-wedlock pregnancies met the requirements for the third purpose of TANF.</p> <p>In an effort to maximize State recovery of TANF Cluster funds, DHS contracted with a private consulting group to analyze the State's expenditures and determine if there were additional sources of expenditures that DHS could use to maximize TANF Cluster funds. The contract indicated that the amount DHS would pay the private consulting group would be paid from the attainment of increased revenue, cost recovery, or quantifiable cost avoidance. DHS paid the private consulting group \$11.8 million with State funds during our audit period of October 1, 2008 through September 30, 2010. The contract did not have a financial penalty requirement if any of the private consulting group's advice resulted in disallowances.</p> <p>The private consulting group advised DHS that the State's higher education scholarship and grant expenditures were allowable under the third purpose of TANF, which is to prevent and reduce the incidence of out of wedlock pregnancies; however, all federal citations provided by the private consulting group supported the allowability of these expenditures under the second purpose of TANF. The second purpose of TANF is to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage. The recipients of funds under the second purpose of TANF must meet financial neediness criteria, such as having income of no more than 200 percent of the poverty level, and have dependent children, generally under age 18, living with them. Consequently, DHS drew down the TANF Cluster funds for \$251,247,843 of higher education scholarship and grant expenditures. DHS reported to the federal cognizant agency \$78,327,582 and \$172,920,261 of federal higher education scholarship and grant expenditures as "Prevention of Out of Wedlock Pregnancies" in the TANF Financial Report (ACF-196) for fiscal years 2009-10 and 2008-09, respectively.</p> <p>Federal regulation 45 CFR 260.20 states that the third purpose of TANF is to prevent and reduce the incidence of out-of-wedlock pregnancies.</p> <p>Questioned Cost: \$251,247,843</p> <p>Response: DHS continues to disagree. It should be noted this is a TANF program allowable activity and the disagreement is which TANF purpose the costs are reported under.</p> <p>The private consulting group which advised DHS that the scholarship expenditures are allowable under TANF Purpose 3 is a national consulting group with experience in working with States to maximize their federal funding.</p> <p>The United States Department of Health and Human Services published its Report to Congress on Out-of-Wedlock Childbearing in September 1995 which supports the position of DHS. The report states:</p> <ul style="list-style-type: none"> <li>• Research clearly shows that the more education a woman has the less likelihood she is to give birth nonmarital.</li> <li>• Intervention designed to improve young girls' achievement may, in the long run, reduce rates of nonmarital childbearing for two generations.</li> <li>• Strategies designed to increase economic opportunity for low-income men by improving education, job skills, and wages, can be expected, in the long run, to reduce rates of nonmarital childbearing by encouraging higher rates of marriage.</li> </ul> <p>Additionally, the United States Department of Health and Human Services, Administration for Children and Families (ACF) has clearly stated that college scholarships and funding for post-secondary and other educational programs meet a TANF goal. This position was reiterated with the release of the TANF Program Final Rule on February 5, 2008:</p> <p>We agree that expenditures for higher education are allowable uses of funds, even under the 'interim final rule.' In addition, under the final rule, participation in a baccalaureate or advanced degree program can count toward the work</p>
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participation rate.

College scholarships are allowable under TANF Goal 3 (preventing out-of-wedlock pregnancies) because of the direct link between higher levels of education and reduced out-of-wedlock pregnancies. Studies have shown that higher educational achievement correlates with a reduced incidence of out-of-wedlock pregnancy. Therefore, scholarships that allow Michigan youth to pursue higher education can reasonably be calculated to prevent and reduce such pregnancies. Further, scholarship programs such as the Tuition Incentive Program and the Michigan Promise Scholarship direct young people toward future goals of academic and economic achievement. The knowledge that financial support is realistic and available for higher education is an incentive for young teens and adults to stay in school and avoid pregnancy.

Finally, several other states, including Georgia, Massachusetts, and New York, have amended their State Plans and successfully claimed college scholarship program costs under TANF Goal 3. Georgia and Massachusetts have both reported college scholarship expenditures under Goal 3 since Fiscal Year 2007. New York claimed their Tuition Assistance Program (tuition only scholarships to low-income students) as TANF maintenance of effort spending under Goal 3 until 2005, an approach agreed to by ACF. They ceased their claim only because they no longer needed the maintenance of effort spending due to other state budget changes. The rationale for these successful claims is the same as Michigan's that is articulated above.

Responsible Administration:

Financial Services

Responsible Individual(s), Name(s), Title(s):

Susan Kangas, Director, Financial Services

Margo Yaklin, Director, Accounting Division

Jane Schultz, Director, Budget Division

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 4a2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Job Access Reverse Commute		
Administration Area	FAMILY PROGRAM POLICY		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	johnroel	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS's internal control did not ensure that it maintained documentation to support the recipients' need and eligibility for job access reverse commute expenditures in TANF program.</p> <p>Federal regulation 45 CFR 263.11(a)(1) states that funds may be used in any manner reasonably calculated to achieve the purposes of the TANF Cluster. The first two of these purposes are to provide assistance to needy families so that children may be cared for in their own homes or the homes of relatives and to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.</p> <p>DHS established an interagency agreement with MDOT to provide needy individuals with public transportation to commute to work or job related activities. The interagency agreement required MDOT to have individuals using public transportation complete surveys to help ensure that assistance was provided only to needy individuals. The survey did not ask needy recipients the purpose for the commute to ensure the transportation was used to commute to work or job related activities.</p> <p>Questioned Cost: \$ 550,000</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees the survey did not ask the purpose of the trip. MDOT officials indicated the design of the commute was established to take people to and from the City of Flint to the Great Lakes Crossing Mall for employment purposes and the route continues for that purpose. This is a 70 mile round trip commute which averages approximately \$0.11 per mile. TANF policy guidance allows for a reasonable estimate of the TANF eligibles benefitting from the transportation project. Further, a State may use any sound reasonable basis for estimating the TANF eligibles from the project. DHS believes the costs are allowable.</p> <p>Corrective Action Plan: n/a - comply with TANF policy</p> <p>Responsible Administration: Policy and Compliance Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s): Brian Rooney, Director, Policy and Compliance Kim Keilen, Director, Family Program Policy Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4b1a - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-Foster Care		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>Finding 4b1a: TANF-Foster Care Expenditures DHS claimed foster care expenditures in the TANF Cluster that the State did not incur.</p> <p>Section 400.117a(4)(a) of the Michigan Compiled Laws requires DHS to share equally in the cost of foster care with counties for children not funded under the Foster Care: Title IV-E Program. In an effort to maximize State recovery of TANF Cluster funds, the Office of the State Budget sought advice from a private attorney regarding the State's ability to draw TANF Cluster funds based on county foster care program expenditures. The private attorney advised the Office of the State Budget that this would be allowable; consequently, DHS drew down the TANF Cluster funds based on county foster care program expenditures and retained the funds for other purposes.</p> <p>The auditor does not consider these county expenditures to be eligible for federal recovery by DHS. Federal regulation 45 CFR 260.30 defines an expenditure as any amount of federal TANF or state maintenance of effort (MOE) funds that a state expends, spends, pays out, or disburses consistent with the requirements of parts 260 - 265. Federal regulation 45 CFR 92.3 defines a state as any agency of the state exclusive of local governments and further defines a local government to include a county. Consequently, because these are county expenditures, the State is not entitled to recovery of TANF Cluster funds for these expenditures.</p> <p>Questioned Cost: \$113,831,059</p> <p>Response: DHS continues to disagree.</p> <p>The State Budget Office sought legal advice from a reputable firm which represents clients in governmental affairs. The attorney for the firm specializes and consults welfare agencies on all aspects of federal law and policies governing TANF, and an associate for the firm assists states in responding to audits, disallowances, penalties, and other federal actions concerning state administration of federally funded programs.</p> <p>The private firm advised the State in its July 2000 correspondence that because federal law views local and state governmental funding essentially the same, there was no problem with state retaining the 50 percent share of the cost of an activity at the same time it used TANF funds to pay for the full cost. The letter further stated that from a federal standpoint, the decision to transfer funds between different levels of government within the state is solely a state fiscal matter.</p> <p>DHS followed up with the law firm in May 2007. In its June 2007 letter, the law firm stated,</p> <p>The July 12, 2000, letter concluded it was appropriate for Michigan to use TANF funds to cover the cost of services to non-Title IV-E eligible foster care children (previously authorized under the state's AFDC-EA plan), even though under state law 50 percent of the cost was initially the responsibility of the local agencies, and it was not necessary as a matter of federal law that the state remit any of the TANF funds to the local agencies.</p> <p>Our further review in response to your request has confirmed the correctness of our prior advice, and we are aware of nothing that has developed in the interim to cause any doubt on the correctness of our conclusion.</p> <p>The attorney's correspondence made reference to 45 CFR 263.2(e), What kinds of State expenditures count towards meeting a State's basic MOE expenditures. The regulation states,</p> <p>Expenditures for the benefits or services listed under paragraph (a) of this section may include allowable costs borne by others in the State (e.g., local government) . . .</p> <p>The correspondence further stated,</p> <p>If a state may count "allowable costs borne" by local governments as an expenditure for MOE purposes, there is no apparent reason why it may not treat such costs as an expenditure for all purposes, nor is there any apparent reason why it must indemnify the local government for the costs "borne" by the local</p>
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government (if it did the costs would not actually be borne by the local government). The cited "applicable requirements" are those in 45 CFR 92.3 and 92.4. Section 92.3 consists of definitions, and 92.4 outlines when matching or cost sharing requirements are met. Nothing in either of these provisions precludes treating county funds as MOE expenditures or requires states to reimburse counties for those expenses."

Other MOE provisions are also consistent with the treatment of a local expenditure as a state expenditure. See 45 CFR 263.5(a) [If a current state or local government program also operated in FY 1995, and expenditures in this program would have been previously authorized and allowable under the former AFDC, JOBS, Emergency Assistance, or other specified programs, then current fiscal year expenditures in this program count in their entirety, provided that the State has met all requirements under 263.2]. The purpose of this treatment is, presumably, is to give States an incentive to require local governments to spend money on desirable programs. What matters is that the programs are operated at a continuing level, not that they are run with money from a particular source.

The use of local funds is generally permissible in other federally funded programs. See 45 CFR 235.66(a)(1) [Public funds may be considered as the State's share in claiming Federal reimbursement where the funds . . . are appropriated directly to the State or local agency, or transferred from another public agency (including Indian tribes) to the State or local agency and under its administrative control, or certified by the contributing public agency as representing expenditures eligible for FFP under 235.60-235.66].

Based on the legal advice of the private attorney and interpretation of federal regulations, DHS believes it is correct in its application of the TANF funds.

Corrective Action Plan: Describe the action(s) you will be taking to correct or mitigate the deficiency from happening in the future.

n/a

Anticipated Implementation Date:

n/a

Responsible Administration:

Financial Services

Responsible Individual(s), Name(s), Title(s):

Susan Kangas, Director, Financial Services

Margo Yaklin, Director, Accounting Division

Jane Schultz, Director, Budget Division

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 4b1b - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Information, Advocacy, Referral *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 11a1.</p> <p>Findings 3a1, 4b1b, 7a, 11a(1), 13a(1): Information, Advocacy and Referral  DHS contracted with two vendors to provide information, referral, and advocacy services to individuals with limited speaking proficiency. The vendors billed DHS for these services and their billing forms allocated the costs between six federal programs identified below. DHS could not document how the vendor determined the benefits received by each federal program and the corresponding costs charged to each program.</p> <p>Questioned Cost: \$ 2,654,022  \$ 416,363 Supplemental Nutrition Assistance Program  559,364 Temporary Assistance for Needy Families  4,085 Child Care and Development Care  1,181,753 Social Services Block Grant  492,457 Medicaid Cluster  -0- Child Support Enforcement</p> <p>Response:  DHS agrees with the finding, in part.</p> <p>DHS disagrees it could not document how the vendor determined allocated costs to the programs. DHS requires the vendors to submit a two page supplemental report with its monthly Statement of Expenditures (DHS-3469). Page 1 of the supplemental report summarizes the units of service by program and activity. The vendors retain detailed personnel activity sheets which show the client(s) for which services are provided to, the activity provided to the client (e.g., intake application assistance, completing the DHS client application, assistance/translation with DHS interviews, etc.), and the units of service provided. Page 1 of the supplemental report calculates the percentage of each programs' units of service to the total units of service. These percentages are then applied to the monthly expenditures on page 2 of the supplemental report so the costs are allocated to the benefitting programs. The total amount of monthly expenditures on page 2 of the supplemental report agrees with the amount on the Statement of Expenditures. DHS relied on this information to reimburse the vendor and to make claims to the federal funding sources. DHS does acknowledge that the units of service shown on the supplemental reports did not always agree with the units of service reported on the Statement of Expenditures.</p> <p>Corrective Action Plan:  DHS is working with the vendors to determine if corrections to its reports will impact previously reported federal claims that will necessitate revisions to 2009 and 2010 federal reports.</p> <p>Anticipated Implementation Date:  10/01/2011</p> <p>Responsible Administration:  Field Services  Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s):  Terry Beurer, Acting Director, Field Services  Local Office Directors of Macomb, Oakland, and Wayne Counties  Susan Kangas, Director, Financial Services  Margo Yaklin, Director, Accounting Division  Larry Matecki, Manager, Revenue and Federal Reporting</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4b1c - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-State Plan		
Administration Area	FAMILY PROGRAM POLICY		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	johnroel	Last Updated	10/24/2011
Status	Completed	Last Updated By	johnroel
Corrective Action Plan	<p>Finding: DHS provided FIP families benefits that were not consistent with the TANF State Plan. DHS revised its FIP monthly benefit policy October 1, 2008 with amounts that were more than those listed in the TANF State Plan. DHS claimed and subsequently drew down federal TANF funds based on these benefit amounts in the first quarter of fiscal year 2009-2010. DHS did not amend the TANF State Plan for the increased monthly benefits until January 1, 2010. The audit identified 174,364 families in the first quarter of fiscal year 2009-10 that received a larger monthly benefit amount than the monthly benefit amount they should have received according to the TANF State Plan.</p> <p>Questioned Cost: \$ 437,420</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS acknowledges due to departmental oversight, the State Plan amendment did not include all changes. However, benefits were issued to eligible clients and in accordance with the department's policy and DHS believes the costs are allowable.</p> <p>Corrective Action Plan: DHS will submit TANF State Plan amendments in accordance with federal requirements.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: No new information to report at this time.</p> <p>Update 10/2011: An amended state plan was submitted to include policy changes impacting the state plan.</p> <p>Responsible Administration: Policy and Compliance</p> <p>Responsible Individual(s), Name(s), Title(s): Brian Rooney, Director, Policy and Compliance Kim Keilen, Director, Family Program Policy Gail Fournier, Policy Manager, Cash and Employment &amp; Training Programs</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4b1d - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packaging guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 4b2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-Cost Allocation Plan *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action is being tracked with finding 3a2.</p> <p>Findings 3a2, 4b2, 5b2, 9b2, 10a, 13a2: DHS did not amend its cost allocation plan and did not submit amendments to HHS/DCA in accordance with federal requirements. The following changes to the approved cost allocation plan were identified:</p> <p>a. Beginning in fiscal year 2007-2008, DHS revised its approved methodology for allocation of the costs of the first line supervisors and managers. DHS removed the first line supervisors and managers from the Social Services Related-Program Administration Cost Pool and the Financial Assistance Program Related Cost Pool to the Local Office Management and Support Cost Pool because the methodology for this cost pool already included other local office management costs.</p> <p>b. Beginning with the audit period, DHS amended their methodology to allocate Bridges operation and maintenance costs in the Bridges Planning Cost Pool to federal programs based on the number of recipients in Bridges that received benefits in each program. DHS's federally approved cost allocation plan methodology indicated that the cost pool would allocate the costs of planning Bridges at a fixed rate to each major benefitting program. DHS had not submitted this amendment to the Federal government for this cost pool.</p> <p>c. In the second quarter of fiscal year 2008-2009, DHS revised its approved cost allocation plan methodology for performing time studies from physical observations to random moment sampling e-mail surveys of first line DHS staff.</p> <p>Title 45 Part 95 of the Code of Federal Regulations requires the State to promptly amend the cost allocation plan and submit the amended plan to the DCA director if changes occur which make the approved allocation basis or procedures invalid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that it did not amend the cost allocation plan or submit it to DCA. However, it believes the methodologies used during the audit period represent a fair allocation of expenses to the benefitting programs.</p> <p>a. DHS did move the first line supervisors and managers a different cost pool but that cost pool was part of the approved cost allocation plan.</p> <p>b. DHS believes the methodology represents a fair allocation of the Bridges system operating and maintenance expenses to the benefitting programs.</p> <p>c. The new procedure and old procedure are random sampling methodologies which is an acceptable method of allocating expenditures.</p> <p>Corrective Action Plan: DHS will submit cost allocation plan amendments to the Division of Cost Allocation.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Amendments to the cost allocation plan were submitted to the Division of Cost Allocation on June 24, 2011.</p> <p>Responsible Administration: Financial Services</p>
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	Accounting Division
	Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division Larry Matecki Fields, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 4c1 - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-Eligibility/Documentation		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Open	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Update 08/2011: Corrective actions are ongoing.</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s):</p>
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	Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	
OIA Comments	

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## View Audit 2010062 Finding 4c2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Identification of Parolee Violations		
Administration Area	FAMILY PROGRAM POLICY		
Report Implementation Date	7/1/2013	Status Requested	
Status Contact	johnroel	Last Updated	
Status	Open	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS had not established a process to identify if individuals receiving TANF-funded assistance and convicted of a drug-related felony were in violation of their probation or parole requirements. In addition, DHS automatically denied TANF-funded adoption subsidies to individuals convicted of these felonies regardless of whether or not the individuals were in violation of probation or parole.</p> <p>Section 619 of PA169 of 2009 and PA248 of 2008 states that DHS will not provide TANF funded assistance to individuals convicted of a felony for the possession, use, or distribution of a controlled substance (after 1996) if the individuals are in violation of their probation or parole.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: There is an IT project with DHS, MSP, and DTMB, as part of HB 4721, to automatically link the LEIN system with the Bridges system to identify people wanted on outstanding felony warrants or have convictions precluding their enrollment in public assistance.</p> <p>Anticipated Implementation Date: July 1, 2013</p> <p>Update 08/2011: No new information to report at this time.</p> <p>Responsible Administration: Policy and Compliance</p> <p>Responsible Individual(s), Name(s), Title(s): Brian Rooney, Director, Policy and Compliance Kim Keilen, Director, Division of Family Program Policy</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status			
OIA Comments			

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## View Audit 2010062 Finding 4c3 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Adoption Subsidy TANF Eligibility Determination		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	4/1/2012	Status Requested	1/5/2012 
Status Contact	stjohnl	Last Updated	3/6/2012
Status	Completed	Last Updated By	stjohnl
Corrective Action Plan	<p>Finding: DHS needs to improve its internal control over TANF-funded adoption subsidies. During the review, DHS did not conduct annual eligibility determinations to ensure that adoptive families continued to meet the eligibility requirements of the program.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: The Annual Report to parents receiving TANF funded adoption assistance was re-established in August 2010. The mailing of the Annual Reports is based on the child's birthdate. A web-based application is in development which will allow parents to enter the information electronically and the Adoption Subsidy system will flag cases that are no longer eligible for TANF.</p> <p>Anticipated Implementation Date: November 1, 2011</p> <p>Update 08/2011: Testing is scheduled to begin during the week of September 19, 2011. It is expected that the planned implementation date will be met.</p> <p>Update 12/2011: Per Karen Iverson e-mail dated 12/01/2011 - The application has some bugs yet. Next plan for testing is 12/7 and 12/8 with it going to production on 12/31/11.</p> <p>01-09-12: Additional problems have arisen with both the web and the desktop. There is one person doing this testing and we are requesting an amended implementation date of 04-01-12.</p> <p>03-06-12: This application has been completed and went into production on 02-24-12. This issue is now resolved.</p> <p>Responsible Administration: Child Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare Jennifer Wrayno, Acting Director, Child Welfare Program and Adoption Subsidy Division Charlotte Kennedy, Manager, Adoption Subsidy</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4d1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-MOE-Education Expenses		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>Finding: DHS did not apply the new spending test to \$162,815,739 and \$52,696,700 of Michigan Department of Education (MDE) expenditures to meet the State's MOE requirement in fiscal years 2009-2010 and 2008-2009, respectively.</p> <p>As discussed in section a.(1) of this finding, DHS contracted with a private consulting group to analyze the State's expenditures and determine if there were additional sources of expenditures that DHS could use to maximize TANF Cluster funds. The private consulting group advised DHS that the Michigan Department of Education's (MDE) Great Start Readiness Program and the Section 31a At-Risk Pupils Program would qualify as new programs that would be exempt from the TANF Cluster statutory limitation for programs in operation prior to fiscal year 1994-1995. In prior audits, DHS had limited the amount of MDE's Great Start Readiness Program and Section 31a At-Risk Pupils Program expenditures it counted towards TANF Cluster MOE because both of these programs were in operation prior to fiscal year 1994-1995. The private consulting group advised DHS that these two programs had legislative changes after fiscal year 1994-1995 that would classify these programs as new programs that would be exempt from the statutory limitation. Consequently, DHS counted \$162,815,739 and \$52,696,700 of TANF eligible State expenditures for these programs towards the State's MOE requirement in fiscal years 2009-2010 and 2008-2009, respectively. The auditor does not consider these State expenditures exempt from the statutory limitation because the programs were both in operation prior to fiscal year 1994-1995.</p> <p>Federal regulation 45 CFR 263.5 states that a State program, that was also operated in fiscal year 1994-1995 and was not authorized under prior Aid to Families with Dependent Children law, could only have the current year State expenditures on behalf of eligible families in excess of the State expenditures in fiscal year 1994-1995 counted towards the State's MOE requirement.</p> <p>Questioned Cost: \$-0-</p> <p>Response: DHS disagrees with the finding.</p> <p>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 an "apples to apples" comparison is not possible. If a State or local program operated since fiscal year 1995 has undergone any changes in its operational components, it is unreasonable to apply the new spending test to the program.</p> <p>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 funds. For example, there is expanded flexibility for the districts to use Section 31a funds which greatly increases the scope of services that could be supported under the program funding, introduction of early childhood and reading programming, as well as others.</p> <p>Current Section 31a expenditures do not reflect an "apples to apples" comparison to those expenditures in fiscal year 1995. Therefore, the new spending test described in 45 CFR 263.5 does not apply.</p> <p>Corrective Action Plan: n/a</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s):</p>
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	Susan Kangas, Director, Financial Services Jane Schultz, Director, Budget Division Margo Yaklin, Director, Accounting Division
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 4d2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-MOE-Third Party Expenses		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS could not support that TANF Cluster expenditures claimed to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives and to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage met the requirements for the first and second purposes of TANF, respectively. DHS counted \$858,369 of third-party expenditures to meet the State's MOE requirement.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS disagrees with the finding.</p> <p>TANF guidance states that TANF regulations do not require individual determinations of need and family compensation when the purpose of an entity is to serve those in need. It further states it is reasonable that a State make use of a reasonable estimation methodology to determine the share of overall expenditures attributable to needy families.</p> <p>Corrective Action Plan: n/a</p> <p>Responsible Administration: Financial Services Policy and Compliance</p> <p>Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Brian Rooney, Director, Policy and Compliance Jane Schultz, Director, Budget Division Margo Yaklin, Director, Accounting Division Kim Keilen, Director, Family and Program Policy Division</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4d3 - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-MOE-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4d4 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Interagency Agreements		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not establish interagency agreements with the Michigan Public Service Commission (MPSC) from October 1, 2008 through September 30, 2009 or with the Michigan Department of Community Health (DCH) from October 1, 2008 through September 30, 2010 for MPSC's and DCH's Transitional Medicaid Plus' expenditures claimed as TANF's MOE. An interagency agreement would help define eligibility requirements and reduce the risk of MPSC and DCH reporting improper expenditures that do not meet TANF Cluster eligibility requirements for MOE.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: Action was taken for the MPSC reporting in fiscal year 2010. The TMA Plus program with DCH ended in December 2010.</p> <p>Anticipated Implementation Date: Completed</p> <p>Responsible Administration: Financial Services Division of Accounting</p> <p>Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Division of Accounting</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4e - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-Reporting		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	1/1/2012	Status Requested	1/5/2012
Status Contact	kangass1	Last Updated	1/9/2012
Status	Completed	Last Updated By	yaklinm

Corrective Action Plan	<p>Finding 4e: TANF-Reporting DHS's internal control did not ensure that it complied with TANF Cluster federal laws and regulations regarding reporting requirements. As a result, DHS did not report accurate TANF Cluster data to the federal cognizant agency (HHS). A review of DHS's required reports disclosed:</p> <p>(1) DHS's internal control did not ensure that Federal and State MOE expenditures, as reported in its quarterly TANF Financial Report (ACF-196) for fiscal years 2009-2010 and 2008-2009, were accurate. A review of the fourth quarter ACF-196 for both fiscal year 2009-2010 and 2008-09 and noted:</p> <p>(a) In the fourth quarter ACF-196 for fiscal year 2009-2010, DHS understated total Federal expenditures by \$100,000 and overstated total State MOE expenditures by \$100,000.</p> <p>(b) In the fourth quarter ACF-196 for fiscal year 2009-2010, DHS overstated State MOE expenditures for Child Care by \$3,518,561 and understated the State MOE expenditures for Prevention of Out-of-Wedlock Pregnancies by \$3,518,561.</p> <p>(c) In the fourth quarter ACF-196 for fiscal year 2008-2009, DHS overstated total Federal expenditures by \$3,676,635 and understated total State MOE expenditures by \$3,876,652.</p> <p>(d) In the fourth quarter ACF-196 for fiscal year 2008-2009, DHS did not maintain adequate documentation to support \$96,412 of reported State MOE Work Subsidies expenditures.</p> <p>(2) DHS's internal control did not ensure that State MOE expenditures and information, as reported in the Annual Report on State Maintenance of Effort Programs (ACF-204) for fiscal years 2009-2010 and 2008-2009, were accurate. We noted:</p> <p>(a) In the ACF-204 for fiscal year 2009-2010, DHS did not accurately report the total annual State MOE expenditures counted for 8 (47 percent) of 17 State MOE programs. For example, DHS overstated the United Way Programs by \$2,879,764; understated Case Management by \$2,839,830; understated the Great Parents Great Start Program by \$360,000; overstated the Jobs, Employment, and Training Program by \$279,247; and overstated Administration by \$40,406. In aggregate, the total State MOE expenditures were reasonable.</p> <p>(b) In the ACF-204 for fiscal year 2008-2009, DHS did not accurately report the total annual State MOE expenditures counted for 9 (53 percent) of 17 programs. For example, State MOE for the Family Independence Program was understated by \$32,364,694; State MOE for Case Management was overstated by \$28,506,145; State MOE for the Private Foundations Programs was understated by \$148,951; State MOE for the Jobs, Employment, and Training Program was overstated by \$105,623; State MOE for the United Way Programs was understated by \$97,066; State MOE for Administration was overstated by \$76,284; and State MOE for the Wayne County Youth Programs was overstated by \$46,001. In aggregate, the total State MOE was understated by \$3,882,652.</p> <p>(c) In the ACF-204 for fiscal year 2008-2009, DHS did not accurately report or maintain documentation to support the total number of families served for 12 (71 percent) of 17 State MOE programs. For example, the At-Risk Section 31(a) Program was overstated by 113,949 families; the State Emergency Services Program was overstated by 26,078 families; the Wayne County Youth Programs were overstated by 5,999 families; and the Earned Income Tax Credit Program was overstated by 1,146 families.</p> <p>(d) In the ACF-204 for fiscal year 2008-2009, DHS did not accurately report the TANF purpose for 5 (29 percent) of the 17 State MOE programs. The TANF purpose reported on the ACF-204 disagreed with DHS interagency agreements and the TANF State Plan.</p> <p>(e) In the ACF-204 for fiscal year 2008-2009, DHS did not report in the State MOE program descriptions all major activities included in the State MOE expenditures counted in the TANF Cluster for 3 (18 percent) of the 17 the State MOE programs.</p>		
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The report preparer's supervisor did not review these reports for accuracy prior to submission to HHS.

Questioned Cost: \$ -0-

Response:

DHS agrees with the finding, in part.

DHS records show amounts which differ from those shown in the finding. It should be noted that for part (1) (d), this is the documentation on the break out of employment costs and not the total of employment costs.

Corrective Action Plan:

DHS has added numerous text notes to the ACF 204 report to provide a trail to verify the data elements used to develop the report. DHS will develop a checklist of items needed to completely follow-through with requests from management to adjust funding between federal TANF and state MOE.

Implementation Date:

January 1, 2012

Update 08/2011:

4(e)(1) - A checklist has been developed to address the over/under statement of the ACF-196 due to year end adjustments.

4(e)(2) - The text notes are in progress for the ACF-204 and will be completed prior to final preparation of the report in December 2011.

Update January 2012:

Confirmed that this was corrected and the process is in place.

Responsible Administration:

Financial Services

Responsible Individual(s), Name(s), Title(s):

Susan Kangas, Director, Financial Services

Margo Yaklin, Director, Accounting Division

Larry Matecki, Manager, Federal Reporting

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 4f1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Child Support Non-Cooperation		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding 4f1: TANF-Child Support Non-Cooperation DHS's internal control did not ensure that TANF families who did not cooperate with establishing paternity and child support orders were sanctioned as required by federal law and DHS's TANF State Plan.</p> <p>A review of 60 case files of TANF families identified as not cooperating with paternity and child support order establishment procedures disclosed that DHS did not appropriately sanction the family in 17 (28 percent) of the 60 cases. In addition, in 1 (2 percent) of 60 cases reviewed, DHS could not document that the case workers had followed up on MiCSES notices of clients not cooperating with paternity and child support to determine if the clients should be sanctioned.</p> <p>Questioned Cost: \$ 3,089</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: DHS implemented an automated interface between Bridges and MiCSES in November 2010. This interface automatically processes child support sanctions for non-cooperation without DHS specialist actions necessary.</p> <p>Anticipated Implementation Date: Interface implemented. Enhancements and improvements continue.</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 4f2 - 8/20/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	TANF-IEVS Matches		
Administration Area	PROJECT FINANCING		
Report Implementation Date	10/1/2013	Status Requested	2/10/2012
Status Contact	weberh	Last Updated	
Status	Open	Last Updated By	weberh

Corrective Action Plan	<p>Finding: DHS's internal control did not ensure that it complied with certain IEVS requirements.</p> <p>DHS prepares reports or uses electronic notifications to disseminate IEVS information from various data matches to the recipients' case workers to be used in determining the recipients' need and eligibility for TANF assistance.</p> <p>(a) DHS did not retain IEVS information to support that data was received or reports were prepared for case workers during the audit period.</p> <p>(b) DHS did not use SSA's beneficiary earnings exchange record of federal tax return information to determine the recipients' need and eligibility for TANF assistance.</p> <p>(c) DHS did not include all recipients of TANF-funded adoption subsidies in the IEVS data matches conducted during the audit period.</p> <p>(d) DHS did not run quarterly wage matches after recipients' eligibility information was converted to Bridges. DHS stated that the wage matches were not performed because of performance issues such as the inability to accurately match recipients converted from the old eligibility system to Bridges; complexity of programming Bridges to ensure the wages were used in benefit calculations for all programs affected; and an ineffective notification method to inform the case workers and their supervisors of wage match results.</p> <p>(e) DHS had not established a process to allow the caseworkers to document in Bridges the actions they used to verify recipient employment information from the Treasury Department income tax withholding forms (W-4s). DHS informed workers through an electronic notification in Bridges if the IEVS data match indicated an employer filed a W-4 for a recipient. However, DHS had not established a location in Bridges for caseworkers to record how the W-4 information was used to determine a recipient's eligibility. DHS procedures did not require caseworkers to document this information in the recipient's case file located outside of Bridges.</p> <p>DHS indicated that the case workers could look up a recipient's wages using Bridges consolidated inquiry. However, DHS policy does not require case workers to verify the wages in consolidated inquiry every quarter.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: Describe the action(s) you will be taking to correct or mitigate the deficiency from happening in the future.</p> <p>(a) The BULL mainframe that produced IEVS reports was decommissioned. The programs were written in a language that is not available on the Unix processor that would be used to recreate the reports. The logic would have to be duplicated in another language so some difference in appearance and processing might occur. The data cannot be validated from a separate source so accuracy cannot be guaranteed. The Bridges eligibility application retains the required IEVS data.</p> <p>(b) The SSA beneficiary earnings exchange record of federal tax return information has been implemented in the Bridges application. The exchange ran in August 2010 and will continue on an annual basis.</p> <p>(c) Currently there is no interface between Bridges and SWSS so a data match can be made. An interface between Bridges and SACWIS will be evaluated to include the exchange of information for all households receiving TANF funded Adoption Subsidy payments. This will include families receiving and not receiving assistance from any program in the Bridges application.</p> <p>(d) Wage match was implemented in the Bridges application in April 2011 with the data from the last quarter</p>
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of 2010. The wage match process will continue to run on a quarterly basis.

(e) DHS implemented the revised New Hire interface to address new employment verifications. This was implemented with release 5.6 in June 2011. The revised Bridges screen: Employer New Hire Information, Request/Details tab, allows for the caseworker to update the actions and results of their verification request/review.

**Anticipated Implementation Date:**

04/01/2013 (part c) - SACWIS

Implemented (parts a, b, d, e)

**Update 08/2011:**

As indicated above, Parts (a), (b), (d) and (e) have been implemented.

The anticipated implementation date for (c) is changed to 10/01/2013.

**Responsible Administration:**

Office of Technology and Project Services

Field Services

Children's Services

**Responsible Individual(s), Name(s), Title(s):**

Teresa Spaulding, Director, Office of Technology and Project Services

Janet Kurnick-Ziegler, Manager, Office of Technology and Project Services

Terry Beurer, Acting Director, Field Services

Steve Yager, Acting Director, Children's Services

**Recoupment Recommended**

N/A

**Recoupment Comments**

**OIA Status**

**OIA Comments**

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## View Audit 2010062 Finding 4f3 - 8/20/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	TANF-Termination for No Work Participation		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not always terminate assistance for TANF recipients who refuse to engage in work and are not subject to exceptions established by DHS. The auditor reviewed 52 case files of TANF Cluster families in which a recipient was identified as not cooperating in work programs. In 9 (17 percent) of the 52 case files, DHS did not provide evidence that assistance had been terminated as required by federal regulation.</p> <p>Questioned Cost: \$ 866 (plus there were State expenditures of \$2,974 that could not be counted as State MOE but not questioned)</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: JET program expectations were shared with the local offices in May 2011. The local office directors will work with the JET coordinators to monitor non-cooperation reports and ensure that actions are taken to terminate assistance in accordance with regulations.</p> <p>Anticipated Implementation Date: July 1, 2011</p> <p>Update 08/2011: Corrective action has been implemented. Local offices monitor the non-cooperation reports each month.</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Local Office Directors JET Coordinators</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 5a - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	REAP-Non-Scheduled Payments		
Administration Area	REFUGEE SERVICES		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	HornA	Last Updated	10/21/2011
Status	Completed	Last Updated By	HornA

Corrective Action Plan	<p>Finding:</p> <p>(1) DHS issued non-scheduled payments for items that appeared to be unreasonable for 1 (4.2 percent) of 24 UMP expenditures reviewed. The payment reviewed was for graduation party items. FOM 903-9 provides specific guidance regarding allowable graduation costs that can be covered by non-scheduled payments and this item is not included.</p> <p>(2) DHS issued a non-scheduled payment for a dental procedure covered under Medicaid for 1 (4.2 percent) of 24 UMP expenditures reviewed. FOM 930-9 requires Medicaid funds to be used for procedures covered by Medicaid and non-scheduled payments should not be issued for these costs.</p> <p>Questioned Cost: \$ 657</p> <p>Response: DHS agrees in part with the finding.</p> <p>Corrective Action Plan: The program office is increasing its monitoring efforts which will include, in part, a new payment approval process, a reconciliation of the monthly billings to the payment requests, and random case reviews.</p> <p>08/2011 Update: Contract agencies were notified of new procedures and expectations regarding approval for and payment of non-scheduled payment requests in an April 28, 2011 Unaccompanied Refugee Minors (URM) policy letter issued from the State URM program office. The new payment approval process by the State URM office was implemented on July 1, 2011. The reconciliation of the monthly billings to the payment request approvals will be implemented by the State URM office beginning in September 2011. This process will be fully implemented beginning with the submission of the contract agency's September billings. Random case reviews of the contract agencies will begin in September 2011 and will be performed by the newly hired contract monitor position within the State Refugee Services office. Summary reports of the case reviews for September 2011 will be completed by October. Reviews and summary reports will be completed monthly thereafter.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 10/2011: ORS monitors all billings submitted on a monthly basis through analyst review (reconciling against approved contract amounts), and then signature from program manager, ORS director or ICS director, depending on the bill amount. ORS has revised the payment request process for the URM program. Based on risk criteria (e.g. age limits on certain programs, allowable expenses, etc.), the newly-hired URM analyst is completing, as needed, a case-by-case review for monthly billings on URM. The monitoring results for the fourth quarter ended 09/30/2011 was submitted to DHS OMIC.</p> <p>Responsible Administration: Strategic Services Interagency and Community Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Jocelyn Vanda, Director, Interagency and Community Services Al Horn, Manager, Refugee Services</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 5b1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	REAP-Expenditure Documentation		
Administration Area	REFUGEE SERVICES		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	HornA	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not maintain adequate documentation to support payment for refugee vaccinations in 1 (50 percent) of the 2 refugee health screening expenditures reviewed.</p> <p>Questioned Cost: \$ 66,806</p> <p>Response: DHS agrees in part. The supporting documentation was not provided during the audit but has since been obtained. The documentation supports the questioned cost which was for three types of vaccines, a total of 1,050 dosages with a per dosage cost ranging from \$50-\$90.</p> <p>Corrective Action Plan: n/a</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Strategic Services Interagency and Community Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Jocelyn Vanda, Director, Interagency and Community Services Al Horn, Manager, Refugee Services</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 5b2 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	REAP-Cost Allocation Plan *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 3a2.</p> <p>Findings 3a2, 4b2, 5b2, 9b2, 10a, 13a2: DHS did not amend its cost allocation plan and did not submit amendments to HHS/DCA in accordance with federal requirements. The following changes to the approved cost allocation plan were identified:</p> <p>a. Beginning in fiscal year 2007-2008, DHS revised its approved methodology for allocation of the costs of the first line supervisors and managers. DHS removed the first line supervisors and managers from the Social Services Related-Program Administration Cost Pool and the Financial Assistance Program Related Cost Pool to the Local Office Management and Support Cost Pool because the methodology for this cost pool already included other local office management costs.</p> <p>b. Beginning with the audit period, DHS amended their methodology to allocate Bridges operation and maintenance costs in the Bridges Planning Cost Pool to federal programs based on the number of recipients in Bridges that received benefits in each program. DHS's federally approved cost allocation plan methodology indicated that the cost pool would allocate the costs of planning Bridges at a fixed rate to each major benefitting program. DHS had not submitted this amendment to the Federal government for this cost pool.</p> <p>c. In the second quarter of fiscal year 2008-2009, DHS revised its approved cost allocation plan methodology for performing time studies from physical observations to random moment sampling e-mail surveys of first line DHS staff.</p> <p>Title 45 Part 95 of the Code of Federal Regulations requires the State to promptly amend the cost allocation plan and submit the amended plan to the DCA director if changes occur which make the approved allocation basis or procedures invalid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that it did not amend the cost allocation plan or submit it to DCA. However, it believes the methodologies used during the audit period represent a fair allocation of expenses to the benefitting programs.</p> <p>a. DHS did move the first line supervisors and managers a different cost pool but that cost pool was part of the approved cost allocation plan.</p> <p>b. DHS believes the methodology represents a fair allocation of the Bridges system operating and maintenance expenses to the benefitting programs.</p> <p>c. The new procedure and old procedure are random sampling methodologies which is an acceptable method of allocating expenditures.</p> <p>Corrective Action Plan: DHS will submit cost allocation plan amendments to the Division of Cost Allocation.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Amendments to the cost allocation plan were submitted to the Division of Cost Allocation on June 24, 2011.</p> <p>Responsible Administration: Financial Services</p>		

	Accounting Division Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division Larry Matecki Fields, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 5c - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	REAP-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response:  DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan:  Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date:  01/01/2012</p> <p>Responsible Administration:  Field Services</p> <p>Responsible Individual(s), Name(s), Title(s):  Terry Beurer, Acting Director, Field Services  Jane Goetschy, Manager, Cash Assistance  Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 5d1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	REAP-Procurement-Expenditures Before Contract Signed *		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	dupuisj2	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 8b (for findings 5d1, 8b, 10c1)</p> <p>Finding: DHS did not ensure that 2 (40 percent) of 5 contracts were signed by authorized representatives of all parties before services began. The service periods for the payments tested began 158 to 193 days before the contracts were signed by all parties.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012.</p> <p>Responsible Administration: Strategic Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Christine Sanches, Director, Logistics and Rate Setting Jocelyn Vanda, Director, Interagency and Community Services Al Horn, Manager, Refugee Services</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 5d2 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	REAP-Procurement-Expenditures After Contract End Date Before Amendment Signed*		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	dupuisj2	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with Finding 8c (for findings 5d2, 8c, 10c2)</p> <p>Finding: DHS did not prevent 1 (20 percent) of 5 contracts from incurring expenditures for services provided after the contract's expiration date. The service period for the payment tested began 32 days after the contract's expiration date. DHS signed an amendment to extend the contract period prior to issuing payments to the contractor.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012.</p> <p>Responsible Administration: Strategic Services Interagency and Community Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Christine Sanchez, Director, Logistics and Rate Setting Jocelyn Vanda, Director, Interagency and Community Services Al Horn, Manager, Refugee Services</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 5e - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	REAP-Reporting		
Administration Area	REFUGEE SERVICES		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	HornA	Last Updated	10/21/2011
Status	Completed	Last Updated By	HornA
Corrective Action Plan	<p>Finding: The review of REAP's fiscal years 2009-2010 and 2008-2009 third trimester ORR-6 reports disclosed that DHS did not apply a consistent methodology to compile the ORR-6 report and it did not maintain documentation to support the information included in the reports.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: DHS found the error was with the employment/social services data. DHS reviewed the current process for the client data files and amendments will be made so the data is accurate. DHS will work with the contract agencies to review the client data file formulas and submission process.</p> <p>Anticipated Implementation Date: October 1, 2011</p> <p>Update 08/2011: The data collection instrument (Client Data File i.e. CDF) required from the contract providers and used to complete the ORR-6 progress report was revised as of August 19, 2011. The instructions to complete the revised instrument will be complete by September 1, 2011. A meeting with the contract providers to explain and implement the use of the revised instrument is scheduled for September 7, 2011. The contract providers will be required to implement the use of the revised instrument beginning October 1, 2011.</p> <p>Update October 2011: Contractors have been advised to the new data collection instrument.</p> <p>Responsible Administration: Strategic Services Interagency and Community Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Jocelyn Vanda, Director, Interagency and Community Services Al Horn, Manager, Refugee Services</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 6a1a - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	LIHEAP-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 6a1b - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	LIHEAP-Client Cap		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not ensure total client benefits were below the fiscal year cap for 1 (3 percent) of 36 clients reviewed. The LIHEAP State Plan limits the amount of emergency energy assistance that can be provided to a client during a fiscal year. System controls were intended to identify and prevent the processing of payments that exceeded the fiscal year cap. However, DHS converted its data to a new payment system during the audit period and those controls were not always effective during the conversion process.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: This appears to be limited to the Bridges conversion period. DHS will follow-up to determine if there are other incidents where the cap was exceeded.</p> <p>Anticipated Implementation Date: July 1, 2011</p> <p>Update 08/2011: The deficiency was an isolated incident applicable to only one local office during conversion to the Bridges applicaiton.</p> <p>Responsible Administration: Field Services Office of Project Management and Technology</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Administration Teresa Spaulding, Director, Office of Technology and Project Services Jane Goetschy, Director, Public Assistance Janet Kurnick-Ziegler, Manager, Office of Technology and Project Services</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 6a2a - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	LIHEAP-Home Heating Credit Monitoring		
Administration Area	FAMILY PROGRAM POLICY		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	johnroel	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>DHS established an interagency agreement with the Department of Treasury that requires the Department of Treasury to develop the HHC claim form (MI-1040CR-7), process HHC claims, determine claimant eligibility, and issue HHC to eligible claimants in accordance with Section 206.527a of the Michigan Compiled Laws.</p> <p>The Department of Treasury did not correctly process 2 (7 percent) of 28 HHC claims reviewed. In both instances, the Department of Treasury did not correctly calculate the HHC.</p> <p>By establishing effective monitoring of the Department of Treasury's processing of HHC payments, DHS could ensure that the Department of Treasury obtains the necessary information to verify claimants' HHC claims and pays claimants the correct amount.</p> <p>Questioned Cost: \$ 76</p> <p>Response: DHS agrees in part.</p> <p>HHC claims are processed accurately based upon established system business rules which contain specific tolerances. These systematic business rules and tolerances allow the department to efficiently and accurately process the credits filed within the current program funding levels. All credit claims that do not pass the business rules are identified and manually worked by department staff. The systematic business rules are a cost effective means to monitor the HHC claims the credit and the increased efficiencies allow the recipients receive their heating assistance timely.</p> <p>Corrective Action Plan: None</p> <p>Responsible Administration: Policy and Compliance Division of Family Program Policy</p> <p>Responsible Individual(s), Name(s), Title(s): Brian Rooney, Deputy, Policy and Compliance Kim Keilen, Director, Division of Family Program Policy</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 6a2b - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	LIHEAP-Home Heating Credit Reconciliation		
Administration Area	FAMILY PROGRAM POLICY		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	johnroel	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS had not implemented a process to periodically reconcile HHC claim detail information provided by the Department of Treasury in electronic format to the Department of Treasury's reimbursement billings and summary reports provided in paper format.</p> <p>DHS received reimbursement billings from the Department of Treasury with summary reports of claims processed and mailed by the Department of Treasury. DHS reconciled the reimbursement billing amounts to the summary reports prior to authorizing payment to the Department of Treasury. The Department of Treasury also provided DHS with an electronic file of the detailed claims processed and mailed by the Department of Treasury. DHS did not reconcile the electronic data to the summary data provided with the reimbursement billings.</p> <p>The detailed claim information in the electronic file did not support the Department of Treasury reimbursement billings for 4 (14%) of the 28 HHC processing runs reviewed. For these 28 HHC processing runs, the detailed information in the electronic file was \$31,480 less than the summary total paid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>Response: DHS agrees the reports do not reconcile. DHS met with Michigan Department of Treasury officials who stated the Michigan Department of Treasury Energy Assistance Provider Payments Report (222 Report) and the Draft Redemption Report (290 Report) were never intended to reconcile. DHS uses the 222 Report for authorizing payment and making federal claims.</p> <p>Corrective Action Plan: n/a</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Policy and Compliance Division of Family Program Policy</p> <p>Responsible Individual(s), Name(s), Title(s): Brian Rooney, Director, Policy and Compliance Kim Keilen, Director, Division of Family Program Policy</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 6a3 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	LIHEAP-State Plan		
Administration Area	FAMILY PROGRAM POLICY		
Report Implementation Date	12/1/2011	Status Requested	
Status Contact	johnroel	Last Updated	12/5/2011
Status	Completed	Last Updated By	johnroel

Corrective Action Plan	<p>Finding:</p> <p>a(3) DHS' internal control did not ensure payments were in compliance Federal law 45 USC 8624 which requires that the State expend funds in accordance with the LIHEAP State Plan or in accordance with revisions applicable to such plan.</p> <p>(a) DHS did not ensure the payment amount for energy related emergencies was the minimum amount necessary to prevent shut-off or restore service for 6 (17%) of 36 energy payments tested. The excess amount paid for these 6 payments totaled \$327. DHS indicated in the LIHEAP State Plan that when payment was necessary to resolve an energy related emergency, the payment would be the minimum amount necessary to prevent shut-off or restore service. However, during the period of November 2009 through September 2010, DHS revised its internal policy to allow for payment of current energy charges. Payment of current energy charges is not required to prevent shut-off or restore service.</p> <p>(b) DHS did not ensure HHC payments were for a benefit type and level authorized in the LIHEAP State Plan. In September 2009, DHS authorized the Department of Treasury, through an amendment to its interagency agreement, to issue a special energy allowance. The special energy allowance was designed to provide all individuals who had previously applied for and received a 2008 tax year home heating credit, an additional energy supplement. However, the special energy allowance was not a benefit type and level authorized in the LIHEAP State Plan. The special energy allowance payments totaled \$19,953,900.</p> <p>(c) DHS did not ensure all payments issued through the Arrearage Payment Program were for benefit types and levels authorized in the LIHEAP State Plan. DHS indicated in the LIHEAP State Plan that the Arrearage Payment Program was designed to provide energy assistance to eligible households participating in a Winter Protection Plan. A Winter Protection Plan allows for eligible low income customers to make monthly payments of a specified percentage of their estimated annual bill, along with a portion of the past due amount, to avoid shut-off during winter months.</p> <p>In September 2010, DHS requested and received from energy providers, electronic files of customers with arrearage balances. However, the electronic files received from the providers were not limited to Winter Protection participants and instead all LIHEAP eligible households were considered for payment. The Arrearage Payment Program was not a type of assistance authorized in the State Plan for households not participating in the Winter Protection Plan. The arrearage payments to energy providers in September 2010 totaled \$4,587,084.</p> <p>b(2) DHS' internal control did not ensure payments were in compliance Federal law 45 USC 8624 which requires that the State expend funds in accordance with the LIHEAP State Plan or in accordance with revisions applicable to such plan.</p> <p>DHS did not ensure that all eligibility requirements of DHS's LIHEAP State Plan were met for 1 (20 percent) of 5 non-categorically eligible clients reviewed. If clients are not categorically eligible, the LIHEAP State Plan indicates that clients must demonstrate they made required payments towards their energy bill before qualifying for a federally funded benefit. In our review of 36 SER DHS did not ensure that all eligibility requirements of DHS's LIHEAP State Plan were met for 1 (20 percent) of 5 non-categorically eligible clients reviewed. If clients are not categorically eligible, the LIHEAP State Plan indicates that clients must demonstrate they made required payments towards their energy bill before qualifying for a federally funded benefit. In our review of 36 SER energy expenditures, 5 of the clients were not categorically eligible and should have been required to make required payments towards their energy costs or show good cause for not making the payments. However, 1 of the 5 clients did not make the payments or show good cause for not making the payments and still received the federally funded benefit.</p> <p>Questioned Cost: \$ 24,541,311</p> <p>Response:</p>		
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DHS agrees with the finding, in part.

DHS made changes to LIHEAP which were approved through the State Budget Office. Benefits were issued to eligible clients and in accordance with the approved program changes. DHS does not agree with the questioned cost amount because benefits were provided to eligible families in need of energy assistance. DHS acknowledges due to departmental oversight, the State Plan amendment did not include these changes.

**Corrective Action Plan:**

DHS will maintain a record of policy and program changes throughout the program year so they are included in the State Plan amendment. Per federal regulations, amendments are submitted only one time at the end of the year.

**Anticipated Implementation Date:**

July 1, 2011

**Update 08/2011:**

The LIHEAP Policy unit maintains a folder labeled "Online Manual" with the policy changes and work requests that have been processed. This folder will be reviewed annually when the State Plan is updated. The FAP/LIHEAP policy manager will review the revised State Plan to ensure that all changes have been included in the document.

The LIHEAP Policy unit received clarification from ACF-HHS regarding the request to amend a previous State Plan. Essentially, ACF-HHS stated that there is no deadline to amend a previous State Plan. "In fact, states have indeed amended their plans after the year is over for reasons of an audit." They also apologized for the incomplete information provided previously.

The LIHEAP Policy unit will be submitting the revised LIHEAP State Plan by November 30, 2011. ACF-HHS will include the revised plan in their records and provide acknowledgment of the changes submitted.

**Update 12/2011:**

The revised LIHEAP State Plan was sent to ACF-HHS in November 2011. This corrective action is now completed.

**Responsible Administration:**

Policy and Compliance  
Division of Family Program Policy

**Responsible Individual(s), Name(s), Title(s):**

Brian Rooney, Deputy, Policy and Compliance  
Kim Keilen, Director, Division of Family Program Policy

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 6b - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	LIHEAP-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 7a - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	CCDF-Information, Advocacy, Referral *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 11a1.</p> <p>Findings 3a1, 4b1b, 7a, 11a(1), 13a(1):  DHS contracted with two vendors to provide information, referral, and advocacy services to individuals with limited speaking proficiency. The vendors billed DHS for these services and their billing forms allocated the costs between six federal programs identified below. DHS could not document how the vendor determined the benefits received by each federal program and the corresponding costs charged to each program.</p> <p>Questioned Cost: \$ 2,654,022  \$ 416,363 Supplemental Nutrition Assistance Program  559,364 Temporary Assistance for Needy Families  4,085 Child Care and Development Care  1,181,753 Social Services Block Grant  492,457 Medicaid Cluster  -0- Child Support Enforcement</p> <p>Response:  DHS agrees with the finding, in part.</p> <p>DHS disagrees it could not document how the vendor determined allocated costs to the programs. DHS requires the vendors to submit a two page supplemental report with its monthly Statement of Expenditures (DHS-3469). Page 1 of the supplemental report summarizes the units of service by program and activity. The vendors retain detailed personnel activity sheets which show the client(s) for which services are provided to, the activity provided to the client (e.g., intake application assistance, completing the DHS client application, assistance/translation with DHS interviews, etc.), and the units of service provided. Page 1 of the supplemental report calculates the percentage of each programs' units of service to the total units of service. These percentages are then applied to the monthly expenditures on page 2 of the supplemental report so the costs are allocated to the benefitting programs. The total amount of monthly expenditures on page 2 of the supplemental report agrees with the amount on the Statement of Expenditures. DHS relied on this information to reimburse the vendor and to make claims to the federal funding sources. DHS does acknowledge that the units of service shown on the supplemental reports did not always agree with the units of service reported on the Statement of Expenditures.</p> <p>Corrective Action Plan:  DHS is working with the vendors to determine if corrections to its reports will impact previously reported federal claims that will necessitate revisions to 2009 and 2010 federal reports.</p> <p>Anticipated Implementation Date:  10/01/2011</p> <p>Responsible Administration:  Field Services  Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s):  Terry Beurer, Acting Director, Field Services  Local Office Directors of Macomb, Oakland, and Wayne Counties  Susan Kangas, Director, Financial Services  Margo Yaklin, Director, Accounting Division  Larry Matecki, Manager, Revenue and Federal Reporting</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 7b - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	CCDF-Eligibility/Documentation *		
Administration Area	EARLY EDUCATION AND CARE		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	Brewer-WalravenL	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 8a - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Child Welfare-Procurement-No Written Contract		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	6/1/2012	Status Requested	2/15/2012 
Status Contact	stjohnl	Last Updated	4/25/2012
Status	Completed	Last Updated By	stjohnl

Corrective Action Plan	<p>* Corrective action is being tracked with finding 8a (for findings 8a and 9e1).</p> <p>Finding: DHS's internal control did not ensure it entered into written contracts for 3 (13.0 percent) of 23 direct human services expenditures. DHS stated that 2 of the 3 expenditures were emergency placements at child caring institutions. DHS policy allows for placement of youth in institutions with which DHS does not have a contract when all public and contracted private agency placement options have been exhausted. DHS documentation for the 2 emergency placements showed it complied with policy. However, DHS continued to place children in the two child care institutions without a contract. The first child caring institution received CWSS payments totaling \$60,022 during fiscal year 2008-2009. The second child caring institution received CWSS payments totaling \$429,491 and \$258,672 during fiscal years 2009-2010 and 2008-2009, respectively.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012</p> <p>Responsible Administration: Strategic Services Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Christene Sanchez, Director, Contracts and Rate Setting Steve Yager, Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare John Evans, Director, Child Welfare Funding, Contracting, and Juvenile Programs</p> <p>02-15-12: CSA has reviewed the situations that lead to this type of finding as well as the contracting process. CSA has made an attempt to ensure as many of its providers are offered a contract as possible to reduce the potential for placements in non-contracted facilities. To that end, offers were made to 37 placement providers in</p>
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September 2011 and all but four of them have executed contracts to date.

CSA utilizes a policy driven exception process to ensure review of circumstances where youth are placed in non-contracted facilities. Because of the need for specific placements for this vulnerable population, CSA will continue to utilize this placement exception process. CSA will also coordinate with OLRS to ensure efforts are made to ensure providers we choose to place children with are afforded the opportunity to contract with DHS.

CSA considers this finding closed because we do not intend to change this practice as our first responsibility is the protection of our vulnerable population.

04-25-12:

Policy is in place regarding the use of non-contracted placements. FOM 903-4 was updated on 4/01/12 and identifies the steps that must be used to obtain authorization for the placement of a youth into a non-contracted placement. As part of the policy, staff are directed to complete the DHS-396, Residential Placement Exception Request. In addition to identifying information, there are 6 factors that must be addressed: the child's diagnosis and medications with supporting documentation, previous placements for the child and why those specific placements were successful or not successful and what led to disruption of those placements, other alternative placements sought and the reasons the placement rejected the child, efforts to secure a less restrictive placement, the components of the program that specifically meet the needs of the child, a copy of the most recent court order, and how family is assisting with the child's placement.

The approval for exceptions for the use of non-contracted placements is being moved from the Child Welfare Contract Compliance Division (CWCCD) to the Bureau of Children and Adult Licensing (BCAL). The approval path for local offices is detailed on the DHS-396. In BCAL, the analyst assigned to work on exceptions will assess the information provided and prepare an approval or denial of the placement. The response will be ultimately be signed off on by both the child welfare licensing division director and the Child Welfare Programs bureau director.

A child placing agency letter will be released in May 2012 outlining the administrative change within the department for approvals of exceptions to place in a non-contracted facility. Within that letter, all public and private agency staff who handle placements will be reminded of the policies for the exceptions.

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 8b - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Child Welfare-Procurement-Expenditures Before Contract Signed		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	1/1/2012	Status Requested	1/26/2012 
Status Contact	dupuisj2	Last Updated	1/27/2012
Status	Completed	Last Updated By	DuPuisJ2
Corrective Action Plan	<p>* Corrective action is being tracked with finding 8b (for findings 5d1, 8b, 10c1)</p> <p>Finding: DHS's internal control did not ensure that 2 (11.8 percent) of 17 contracts reviewed were signed by authorized representatives of all parties before services began. The service periods for the payments tested began 3 to 99 days before the contracts were signed by all parties.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012.</p> <p>Update 01/2012: Contracts and Rate Setting has changed its process so that the contract begin date cannot be prior to the contract execution date. The process was put into place January 2012.</p> <p>Responsible Administration: Strategic Services Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Christene Sanches, Director, Contracts and Rate Setting Steve Yager, Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare John Evans, Director, Child Welfare Funding, Contracting, and Juvenile Programs</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 8c - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Child Welfare-Procurement-Expenditures After Contract End Date Before Amendment Signed		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	1/1/2012	Status Requested	1/26/2012 
Status Contact	dupuisj2	Last Updated	1/31/2012
Status	Completed	Last Updated By	DuPuisJ2
Corrective Action Plan	<p>* Corrective action will be tracked with Finding 8c (for findings 5d2, 8c, 10c2)</p> <p>Finding: DHS's internal control did not prevent 2 (11.8 percent) of 17 contracts from incurring expenditures for services provided after the contracts' expiration dates. The service periods for the payments tested began 13 days after the contract's expiration dates. In both instances, DHS signed an amendment to extend the contact period before issuing payments to the vendor.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012.</p> <p>Update 01/2012: DHS changed its process so that an amendment to extend the contract period will be signed before the contract end date if service will continue past the contract end date.</p> <p>Responsible Administration: Strategic Services Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Christine Sanches, Contracts and Rate Setting Steve Yager, Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare John Evans, Director, Child Welfare Funding, Contracting, and Juvenile Programs</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 9a - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Foster Care-CCI Payments		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	stjohnl	Last Updated	9/22/2011
Status	Completed	Last Updated By	stjohnl
Corrective Action Plan	<p>Finding: DHS splits the total amounts paid to CCIs into maintenance and treatment amounts. DHS calculates the percentage split between maintenance and treatment amounts paid to CCIs from expenditure reports submitted by the CCIs. This is necessary because only the maintenance portion can be funded by the Foster Care program. However, DHS did not always apply the appropriate maintenance and treatment allocation rate to its payments. Based on the maintenance and treatment rates applied during the audit period, DHS inappropriately charged CCI treatment payments to the Foster Care program for 5 (14.3 percent) of 35 maintenance payments reviewed.</p> <p>Questioned Cost: \$ 175</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: DHS will evaluate the process by which maintenance charges are segregated from the treatment costs and make necessary changes to ensure the correct rates are applied.</p> <p>Anticipated implementation Date: 10/01/2011</p> <p>09-22-11 The process has been reviewed and rates have been recalculated by the Office of Logistics and Rate Setting. Recalculated rates were loaded into the system in April 2011 and the Federal Compliance Unit does periodic case reads to ensure correctness of payments.</p> <p>The recalculated rates were higher than those previously used. No adjustments were made to the federal claim. State funds were used for the difference.</p> <p>Responsible Administration: Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Director, Children's Service Administration Mary Mehren, Director, Federal Compliance Division</p>		
Recoupment Recommended			
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 9b1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Foster Care-Determination of Care		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	8/1/2011	Status Requested	
Status Contact	stjohnl	Last Updated	9/20/2011
Status	Completed	Last Updated By	stjohnl
Corrective Action Plan	<p>Finding: Audit tests disclosed that for 3 (42.9 percent) of 7 determination of care expenditures reviewed, DHS did not maintain support for the determination of care supplemental payment issued or for the approval of the determination of care needed by the DHS monitor. DHS policy requires that the determination of care need be approved by the DHS monitor.</p> <p>Questioned Cost: \$ 649</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS followed up with the cited cases and found that for two cases the determination of care did not require a DHS monitor approval because the foster homes were licensed through the local DHS office and, as a result, are direct service cases.</p> <p>Corrective Action Plan: DHS has drafted policy revisions for determination of care supplements which will lead to greater consistency in application, payment authorization, and the approval process.</p> <p>Anticipated Implementation Date: 08/01/2011</p> <p>Update 08/2011: Policy has received all the necessary approvals, new forms have been prepared and distributed, and this policy is now in place with an effective date of 08-01-2011. See FOM 903-3.</p> <p>Responsible Administration: Children's Services Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Terry Beurer, Acting Director, Field Services Mary Mehren, Director, Federal Compliance Division Local Office Directors</p>		
Recoupment Recommended			
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 9b2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Foster Care-Cost Allocation Plan *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action is being tracked with finding 3a2.</p> <p>Findings 3a2, 4b2, 5b2, 9b2, 10a, 13a2: DHS did not amend its cost allocation plan and did not submit amendments to HHS/DCA in accordance with federal requirements. The following changes to the approved cost allocation plan were identified:</p> <p>a. Beginning in fiscal year 2007-2008, DHS revised its approved methodology for allocation of the costs of the first line supervisors and managers. DHS removed the first line supervisors and managers from the Social Services Related-Program Administration Cost Pool and the Financial Assistance Program Related Cost Pool to the Local Office Management and Support Cost Pool because the methodology for this cost pool already included other local office management costs.</p> <p>b. Beginning with the audit period, DHS amended their methodology to allocate Bridges operation and maintenance costs in the Bridges Planning Cost Pool to federal programs based on the number of recipients in Bridges that received benefits in each program. DHS's federally approved cost allocation plan methodology indicated that the cost pool would allocate the costs of planning Bridges at a fixed rate to each major benefitting program. DHS had not submitted this amendment to the Federal government for this cost pool.</p> <p>c. In the second quarter of fiscal year 2008-2009, DHS revised its approved cost allocation plan methodology for performing time studies from physical observations to random moment sampling e-mail surveys of first line DHS staff.</p> <p>Title 45 Part 95 of the Code of Federal Regulations requires the State to promptly amend the cost allocation plan and submit the amended plan to the DCA director if changes occur which make the approved allocation basis or procedures invalid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that it did not amend the cost allocation plan or submit it to DCA. However, it believes the methodologies used during the audit period represent a fair allocation of expenses to the benefitting programs.</p> <p>a. DHS did move the first line supervisors and managers a different cost pool but that cost pool was part of the approved cost allocation plan.</p> <p>b. DHS believes the methodology represents a fair allocation of the Bridges system operating and maintenance expenses to the benefitting programs.</p> <p>c. The new procedure and old procedure are random sampling methodologies which is an acceptable method of allocating expenditures.</p> <p>Corrective Action Plan: DHS will submit cost allocation plan amendments to the Division of Cost Allocation.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Amendments to the cost allocation plan were submitted to the Division of Cost Allocation on June 24, 2011.</p> <p>Responsible Administration: Financial Services</p>		
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	Accounting Division Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division Larry Matecki Fields, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 9c - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Foster Care-Eligibility		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	stjohnl	Last Updated	12/9/2011
Status	Completed	Last Updated By	stjohnl

Corrective Action Plan	<p>* Finding 9c, 12b, 12c corrective action will be tracked with finding 9c.</p> <p>Finding 9c: Foster Care-Eligibility DHS's internal control did not ensure it retained documentation to support the eligibility of children for 8 (22.9 percent) of 35 maintenance payments reviewed.</p> <p>(1) For 3 (8.6 percent) of 35 maintenance expenditures reviewed, DHS but did not have documentation that a judicial determination of reasonableness of efforts to finalize a permanency plan had been made for the time period of the payment.</p> <p>(2) For 1 (2.9 percent) of 35 maintenance expenditures reviewed, DHS did not have documentation that a judicial determination of the reasonableness of the efforts to prevent the child's removal from the home had been made within 60 days of the child's removal from the home.</p> <p>(3) For 1 (2.9) percent of 35 maintenance payments reviewed, DHS did not correctly determine or document that the child met the eligibility requirements of the former AFDC program.</p> <p>(4) For 1 (2.9) percent of 35 maintenance payments reviewed, DHS placed a child with an out-of-state provider that had not undergone an on-site review by BCAL at the time of payment.</p> <p>(5) For 2 (5.7 percent) of 35 maintenance expenses reviewed, DHS did not retain case file documentation to support the child's eligibility.</p> <p>Questioned Cost: \$4,331</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees it was unable to provide documentation at the time of the audit. The department followed up on the cases cited in the finding and noted that documentation supported the case decision for items 1-4. DHS agrees with item 5.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Children's Services, in conjunction with Field Services-Central Office, will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Update 12-2011 Case file requests are given to the Field Services audit liason who sends out the information to the local offices and tracks the case file information submitted. If a local office fails to submit the documentation, the Field Services director is notified. The Field Services director follows up with the local office director. The department's executive office has clearly articulated the importance of case file documentation and</p>
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View Finding

submission to audit requests. The tone at the top has improved accountability.

Responsible Administration:  
Children's Services  
Field Services

Responsible Individual(s), Name(s), Title(s):  
Steve Yager, Acting Director, Children's Services  
Mary Mehren, Director, Federal Compliance Division  
Terry Beurer, Acting Director, Field Services  
Local Office Directors

Recoupment Recommended

Recoupment Comments

OIA Status

Approved

OIA Comments

## DHS Tracking System

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## View Audit 2010062 Finding 9d - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Foster Care-Matching, Level of Effort, Earmarking		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>Finding: DHS claimed matching expenditures in the Foster Care program that the State did not incur. The review disclosed:</p> <p>(1) DHS contracts with county prosecuting attorney (PA) offices for representation of DHS in child abuse and neglect hearings. Under contract terms, DHS reimburses the counties 50 percent of eligible expenditures billed by the county PA offices. However, DHS inappropriately claimed the full expenditure amount in its administrative expenditures and obtained federal reimbursement at 50 percent federal financial participation (FFP) instead of obtaining reimbursement for only the 50 percent the State paid.</p> <p>Federal regulation 45 CFR 1356.60(c) allows states to claim administrative expenditures necessary for the proper and efficient administration of the Title IV E State Plan, including expenditures related to preparation for and participation in judicial determinations. The applicable FFP rate is 50 percent. Federal regulation 45 CFR 95.4 defines FFP as the federal government's share of an expenditure made by a state agency. Federal regulation 45 CFR 1355.20 defines state agency as the agency administering the Title IV-E State Plan, which is DHS. Consequently, because these are county expenditures, DHS is not entitled to recovery of Foster Care Title IV-E funds for these expenditures.</p> <p>(2) DHS contracts with Wayne County to provide funding for foster care maintenance and administrative expenditures for eligible juvenile justice children. Under contract terms, DHS reimburses Wayne County for one half of the FFP rate amount of Wayne County billed expenditures. However, DHS claimed 100 percent of the Wayne County expenditures and thereby inappropriately obtained federal reimbursement for county-funded expenditures.</p> <p>County expenditures not reimbursed by DHS are not eligible for federal recovery by DHS. Federal regulation 45 CFR 95.4 defines FFP as the federal government's share of an expenditure made by a state agency. Federal regulation 45 CFR 1355.20 defines state agency as the agency administering the Title IV-E State Plan, which is DHS. Consequently, because these are county expenditures, DHS is not entitled to recovery of Foster Care Title IV-E funds for these expenditures.</p> <p>Questioned Cost: \$2,369,214 of which \$1,362,634 is questioned in the Subrecipient Monitoring section (part f.) of this finding</p> <p>Response: DHS continues to disagree with the finding.</p> <p>(1) DHS disagrees with the interpretation that the county contribution in this contract is "in-kind". The county portion of costs for representation of DHS in foster care matters (i.e. attorney salaries) is its match to the Title IV-E funds. 45 CFR 1356.60 (c)(2)(ii) support the allowable administrative costs necessary for the administration of the foster care program in "Preparation for and participation in judicial determinations;"</p> <p>DHS has mirrored other states with regard to Title IV-E funding for these contracts and has long standing approval from ACF for these contracts. The county matching for the administrative claim is not in kind but is allowable cash expenditure for salary costs for legal services provided to DHS. Michigan initiated the contracts after protracted discussions with ACF Region V and was instructed that contracts for legal services at the county level must follow the federal rules for inter-agency cooperative agreements. They were based on the federal Title IV-D child support regulations because there is a similar need for contracted legal services for the child support program. The child support regulations CFR 303.107, CFR 304.21 and CFR 304.20 are the basis for developing Title IV-E legal services; the same principles apply to child welfare.</p> <p>The full expenditure is an allowable cost under Title IV-E and is claimed at the federal financial participation rate of 50% for Title IV-E administration.</p> <p>(2) The terms of the Title IV-E contract specify the reimbursement amount to the County of Wayne, who is a subrecipient of DHS. To date, DHS has claimed only the maintenance payments made on behalf of Title IV-E</p>
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eligible children residing in Title IV-E eligible placements. While these maintenance costs are originally funded 50 percent by the County of Wayne and 50 percent by the State of Michigan General Funds, the full amount of the maintenance payments is an allowable cost under Title IV-E and is matched at the applicable Federal Medical Assistance Percentage (FMAP) established for each fiscal year. Title IV-E imposes no restrictions on what the State of Michigan does with the resultant federal reimbursement of allowable costs.

The OAG's interpretation that federal regulations do not allow claiming Title IV-E funds for allowable costs incurred by the County of Wayne under legal contract with DHS would, perforce, mean that the State of Ohio, which is a county administered and state supervised child welfare system, would be ineligible for Title IV-E funding for the maintenance and administration costs expended on behalf of Title IV-E eligible children by any of Ohio's counties. Federal regulations allow counties to administer all or parts of the child welfare system under agreement with their state's welfare agency, and county expenditures allowable under Title IV-E receive federal financial participation in Ohio, California, Texas, Wisconsin and eight other states, including Maryland, where the state supervises and administers the child welfare program for all its counties except Montgomery County, which is supervised by the state agency but administers the Title IV-E program under agreement with the state.

Corrective Action Plan:  
n/a

Anticipated Implementation Date:  
n/a

Responsible Administration:  
Children's Services  
Financial Services

Responsible Individual(s), Name(s), Title(s):  
Steve Yager, Acting Director, Children's Services  
Susan Kangas, Director, Financial Services

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 9e1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Foster Care-Procurement-No Written Contract *		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	dupuisj2	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 8a (for findings 8a and 9e1).</p> <p>Finding: DHS's internal control did not ensure that it entered into written contracts for 1 (5 percent) of 20 procurements that required a contractual relationship. DHS could not locate one contract file to support that DHS entered into a written contract with a vendor that provided general and specialized foster care services to children during the audit period.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>There was a written contract; however, the incorrect contract number was identified for the review.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Responsible Administration: Strategic Services Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Christine Sanchez, Logistics and Rate Setting Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare John Evans, Director, Child Welfare Funding, Contracting, and Juvenile Programs</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 9e2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Foster Care-Procurement-Expenditures After Contract End Date		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	3/1/2012	Status Requested	
Status Contact	stjohnl	Last Updated	2/21/2012
Status	Completed	Last Updated By	stjohnl
Corrective Action Plan	<p>Corrective action being tracked with finding 9e2 (for findings 9e2 and 12e).</p> <p>Finding: DHS did not prevent 2 (10 percent) of 20 contracts from incurring expenditures for services provided after the contract's expiration date.</p> <p>Questioned Cost: -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS found that the contract numbers in SWSS may not reflect a current contract number. DHS reviewed the contractors identified in the finding and found there was an executed contract for each of the contractors during the audit period.</p> <p>Corrective Action Plan: DHS will evaluate the system error to determine which actions to take to correct the deficiency.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Any changes to the SWSS application are held at abeyance at this time because of the priority given to the SACWIS application development. Deficiencies identified with the SWSS application will be evaluated as part of the SACWIS application development. The anticipated implementation date is changed to March 1, 2012, to follow-up with the SACWIS system development to determine the deficiency has been addressed in the new system.</p> <p>Responsible Administration: Children's Services Administration</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Administration Laurie Johnson, Director, SACWIS Office</p> <p>02-21-12 This finding was that 2 contracts were found to have incurred expenses after the expiration date of those contracts and this was based on the information in the SWSS program. Upon further investigation, it was found that contracts were in fact executed prior to the expenses being incurred and that the issue was with the SWSS information not being correct. Our Corrective Action Plan stated that DHS will evaluate the system error to determine which actions to take to correct the deficiency.</p> <p>It is the intent of DHS to have all systems reflect accurate and current information and we continue to hold this in highest importance in the development and maintenance of our systems. The fact remains however that DHS did have contracts in place prior to incurring expense and was therefore not out of compliance. This continues to be our procedure and as an adjunct we want the systems to reflect that information. We consider this finding closed as DHS was compliant on this issue.</p>		
Recoupment Recommended			
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 9f1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Foster Care-Subrecipient Monitoring-County of Wayne		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS's internal control did not ensure that it maintained supporting documentation regarding Wayne County's eligibility determinations for juvenile justice children.</p> <p>DHS is primarily responsible for the expenditure of Foster Care Title IV-E program funds. DHS had a contract with Wayne County to provide funding to Wayne County for eligible juvenile justice children. DHS considers Wayne County to be a subrecipient.</p> <p>In order to be reimbursed, Wayne County submits a billing which lists the Wayne County juvenile justice children for whom it is requesting reimbursement. The contract between Wayne County and DHS was silent on who was responsible for the continued determination. DHS indicated that it established procedures to monitor Wayne County in October 2009. However, DHS did not maintain documentation to verify the eligibility of the children for whom it is paying.</p> <p>As the grantor of the federal funds, OMB Circular A-133 requires DHS to monitor the program to ensure that the funds are expended for only eligible children. DHS did not provide Foster Care Title IV-E funding to Wayne County for juvenile justice children in fiscal year 2009-10.</p> <p>Questioned Cost: \$2,230,101 (for fiscal year 2008-09)</p> <p>Response: DHS agrees with the finding, in part.</p> <p>Paper documentation was retained in the Wayne County juvenile justice files. Current Wayne County juvenile justice cases eligibility documentation is retained in SWSS-FAJ.</p> <p>Corrective Action Plan: n/a – DHS no longer contracts with Wayne County for juvenile justice children.</p> <p>OMIC Note 02-28-2012: Per conversation with Mary Mehren, DHS continues to contract with Wayne County. However, DHS did not utilize federal Title IV-E funds (used GF) until DHS had a process in place to monitor Wayne County activity. Osga</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Margaret Warner, Wayne County Child Welfare Director</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 9f2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Foster Care-Subrecipient Monitoring-A133		
Administration Area	MONITORING AND INTERNAL CONTROL		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	larsenj1	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: A review of DHS's subrecipient monitoring efforts for a sample of 5 subrecipients disclosed that DHS did not obtain 1 (10 percent) of 10 single audit reports from subrecipients who were required to have a Single Audit performed. A review of the subrecipient's Single Audit report on the State of Michigan Department of Treasury website disclosed that the subrecipient had not reported the Foster Care Title IV-E expenditures on its schedule of expenditures of federal awards and as a result the program would not have been subjected to testing in the subrecipient's single audit.</p> <p>Questioned Cost: -0-</p> <p>Response: DHS agrees with the finding.</p> <p>This incident was isolated for the audit period because the database query contained an error. The audit report has been obtained and reviewed.</p> <p>Anticipated Implementation Date: n/a</p> <p>Responsible Administration: Office of Monitoring and Internal Control</p> <p>Responsible Individual(s), Name(s), Title(s): Josh Larsen, Director, Office of Monitoring and Internal Control</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 10a - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Adoption-Cost Allocation Plan *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action is being tracked with finding 3a2.</p> <p>Findings 3a2, 4b2, 5b2, 9b2, 10a, 13a2: DHS did not amend its cost allocation plan and did not submit amendments to HHS/DCA in accordance with federal requirements. The following changes to the approved cost allocation plan were identified:</p> <p>a. Beginning in fiscal year 2007-2008, DHS revised its approved methodology for allocation of the costs of the first line supervisors and managers. DHS removed the first line supervisors and managers from the Social Services Related-Program Administration Cost Pool and the Financial Assistance Program Related Cost Pool to the Local Office Management and Support Cost Pool because the methodology for this cost pool already included other local office management costs.</p> <p>b. Beginning with the audit period, DHS amended their methodology to allocate Bridges operation and maintenance costs in the Bridges Planning Cost Pool to federal programs based on the number of recipients in Bridges that received benefits in each program. DHS's federally approved cost allocation plan methodology indicated that the cost pool would allocate the costs of planning Bridges at a fixed rate to each major benefitting program. DHS had not submitted this amendment to the Federal government for this cost pool.</p> <p>c. In the second quarter of fiscal year 2008-2009, DHS revised its approved cost allocation plan methodology for performing time studies from physical observations to random moment sampling e-mail surveys of first line DHS staff.</p> <p>Title 45 Part 95 of the Code of Federal Regulations requires the State to promptly amend the cost allocation plan and submit the amended plan to the DCA director if changes occur which make the approved allocation basis or procedures invalid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that it did not amend the cost allocation plan or submit it to DCA. However, it believes the methodologies used during the audit period represent a fair allocation of expenses to the benefitting programs.</p> <p>a. DHS did move the first line supervisors and managers a different cost pool but that cost pool was part of the approved cost allocation plan.</p> <p>b. DHS believes the methodology represents a fair allocation of the Bridges system operating and maintenance expenses to the benefitting programs.</p> <p>c. The new procedure and old procedure are random sampling methodologies which is an acceptable method of allocating expenditures.</p> <p>Corrective Action Plan: DHS will submit cost allocation plan amendments to the Division of Cost Allocation.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Amendments to the cost allocation plan were submitted to the Division of Cost Allocation on June 24, 2011.</p> <p>Responsible Administration: Financial Services</p>		
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	Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division Larry Matecki Fields, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 10b - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Adoption-Eligibility Based on AFDC		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not ensure that adoption subsidy payments based on AFDC eligibility were made on behalf of AFDC eligible children.</p> <p>Prior to July 2009, DHS relied on the Foster Care: Title IV-E Program eligibility determinations recorded within SWSS-FAJ to determine if an adoption subsidy qualified for payment under the Adoption Assistance Program.</p> <p>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 at least 91 percent of the Adoption Assistance Program's participants is that the child was, or would have been, eligible for the former AFDC program. This included 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. DHS Adoption Assistance Program staff relied on the Foster Care: Title IV-E Program eligibility information, for the former AFDC Program and the judicial determination information recorded the SWSS-FAJ system, prior to July 2009 to determine eligibility for the Adoption Assistance Program. A review of the Foster Care: Title IV-E Program for the period October 1, 2000 through September 30, 2008 has determined that, on average, 12 percent of the Title IV-E funded foster care payments reviewed did not meet the Title IV-E program eligibility requirements related to AFDC eligibility and judicial determination that removal from the home was in the child's best interest. As a result, the auditor estimated it is likely that an average of 12 percent of the adoption subsidy payments made for the period of October 2008 through July 2009 were made for children not eligible for the subsidy.</p> <p>In July 2009, DHS Adoption Assistance Program staff began determining and documenting eligibility for new adoption subsidy cases and discontinued relying upon the eligibility determinations recorded within SWSS-FAJ. A review of their eligibility determinations did not disclose any errors.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>The Adoption Subsidy program was audited for Title IV-E compliance by the federal funding source in 2009. DHS was informed that there was a 3 percent error rate which is well below the 11.8 percent error rate cited in the finding. DHS was informed the funding source has not issued a report because the error rate was below 6 percent. The cases determined to be Title IV-E eligibly prior to July 2009 will decrease over time as a result of case closures. No further actions will be taken.</p> <p>Responsible Administration: Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Child Welfare Bureau Karen Iverson, Manager, Adoption Subsidy</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 10c1 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Adoption-Procurement-Expenditures Before Contract Signed *		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	dupuisj2	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 8b (for findings 5d1, 8b, 10c1)</p> <p>Finding: DHS's internal control did not ensure that 1 (10 percent) of 10 contracts were signed by authorized representatives of all parties before services began.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012.</p> <p>Responsible Administration: Strategic Services Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Christine Sanches, Manager, Logistics and Rate Setting Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare John Evans, Director, Child Welfare Funding, Contracting, and Juvenile Programs</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 10c2 - 8/21/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Adoption-Procurement-Expenditures After Contract End Date Before Amendment Signed*		
Administration Area	LOGISTICS AND RATE SETTING		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	dupuisj2	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with Finding 8c (for findings 5d2, 8c, 10c2)</p> <p>Finding: DHS's internal control did not ensure that 1 (10 percent) of 10 contracts from incurring expenditures for services for services provided after the contracts's expiration date. The service period for the payment began ten days after the contract's expiration date. DHS signed an amendment to extend the contract 128 days after the payment was made to the vendor.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed.</p> <p>Corrective Action Plan: DHS will evaluate the department's contracting process to identify unnecessary processes which may slow the contract processing time and evaluate controls needed to ensure a written contract is executed prior to any payment to a contractor.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: The Office of Logistics and Rate Setting is flowcharting the contract process to visually present the information and communicate the logic of the process to stakeholders. Development of a flowchart diagram will provide a better understanding of the process. The flowchart will allow DHS to identify problems (e.g., bottlenecks, unnecessary involvement of people, loopholes in decision making, and/or unnecessary delays in the process, etc.) and make recommendations for improvement to the contracting process so contracts are executed timely. Staff training will also be a component of the implementation plan as there has been a high degree of staff turnover related to contract processing. New staff does not fully understand the contracting process and the importance of timely execution of agreements. Staffing changes has caused the implementation date to be moved to January 1, 2012.</p> <p>Responsible Administration: Strategic Services Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Dudley Spade, Director, Strategic Services Christine Sanches, Manager, Logistics and Rate Setting Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare John Evans, Director, Child Welfare Funding, Contracting, and Juvenile Programs</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 11a1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SSGB-Information, Advocacy, Referral		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	9/20/2011
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action is being tracked with finding 11a1.</p> <p>Findings 3a1, 4b1b, 7a, 11a(1), 13a(1): Information, Advocacy and Referral  DHS contracted with two vendors to provide information, referral, and advocacy services to individuals with limited speaking proficiency. The vendors billed DHS for these services and their billing forms allocated the costs between six federal programs identified below. DHS could not document how the vendor determined the benefits received by each federal program and the corresponding costs charged to each program.</p> <p>Questioned Cost: \$ 2,654,022  \$ 416,363 Supplemental Nutrition Assistance Program  559,364 Temporary Assistance for Needy Families  4,085 Child Care and Development Care  1,181,753 Social Services Block Grant  492,457 Medicaid Cluster  -0- Child Support Enforcement</p> <p>Response:  DHS agrees with the finding, in part.</p> <p>DHS disagrees it could not document how the vendor determined allocated costs to the programs. DHS requires the vendors to submit a two page supplemental report with its monthly Statement of Expenditures (DHS-3469). Page 1 of the supplemental report summarizes the units of service by program and activity. The vendors retain detailed personnel activity sheets which show the client(s) for which services are provided to, the activity provided to the client (e.g., intake application assistance, completing the DHS client application, assistance/translation with DHS interviews, etc.), and the units of service provided. Page 1 of the supplemental report calculates the percentage of each programs' units of service to the total units of service. These percentages are then applied to the monthly expenditures on page 2 of the supplemental report so the costs are allocated to the benefitting programs. The total amount of monthly expenditures on page 2 of the supplemental report agrees with the amount on the Statement of Expenditures. DHS relied on this information to reimburse the vendor and to make claims to the federal funding sources. DHS does acknowledge that the units of service shown on the supplemental reports did not always agree with the units of service reported on the Statement of Expenditures.</p> <p>Corrective Action Plan:  DHS is working with the vendors to determine if corrections to its reports will impact previously reported federal claims that will necessitate revisions to 2009 and 2010 federal reports.</p> <p>Anticipated Implementation Date:  10/01/2011</p> <p>Update 08/2011:  DHS reviewed supporting contractor documentation for October and November 2009. Minor discrepancies were noted. No further analysis was performed and no adjustments were made to reported claims because of immateriality.</p> <p>Responsible Administration:  Field Services  Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s):  Terry Beurer, Acting Director, Field Services  Local Office Directors of Macomb, Oakland, and Wayne Counties  Susan Kangas, Director, Financial Services  Margo Yaklin, Director, Accounting Division  Larry Matecki, Manager, Revenue and Federal Reporting</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 11a2 - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SSBG-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packaging guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 11b - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	SSBG-Eligibility/Documentation *		
Administration Area	FIELD OPERATIONS		
Report Implementation Date	10/1/2012	Status Requested	
Status Contact	eaganc	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 4c1.</p> <p>Findings 4b1d, 4c1, 4d3c, 5c, 6a1a, 6b, 7b1, 7b2, 11a2, 11b DHS did not maintain documentation to support client or provider eligibility.</p> <p>Questioned Cost:  \$ 3,167 CCDF  \$ 1,100 SSBG  \$ 831 LIHEAP  \$ 70,184 REAP  \$ 6,966 TANF</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support client or provider eligibility for the audit. Missing case or provider documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made. DHS has other processes which aid the department with validating or updating information for a client or provider. For example, the department conducts data matches to identify invalid social security numbers, identify unreported client/household income, verify citizenship or alien status, monthly criminal matches, and daily matches with the Central Registry. These additional processes help minimize the risk of someone inappropriately receiving benefits.</p> <p>Corrective Action Plan: Field Services-Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services-Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. The results will be analyzed to determine trends so resources can be allocated to the areas which are problematic.</p> <p>DHS will evaluate the effectiveness of making improvements to the case packeting guidance so workers know what documentation needs to be where in the case record and how long it must be retained. DHS is also evaluating a quarterly case file reconciliation process. The case file reconciliation process will entail each worker to evaluate what case records they have. If a worker has a case record that is not their case, the record is to be returned to the assigned worker. If a worker is missing a case record, they must locate it. Management will be required to ensure the case reconciliations are completed on the scheduled date and perform tasks to ensure case records are located.</p> <p>There will continue to be risks that documents are not placed in the case file or are separated from the case record, and with the transfer of paper case files from one office to another as a client moves.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Terry Beurer, Acting Director, Field Services Jane Goetschy, Manager, Cash Assistance Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 12a - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Chafee-Reasonableness of Expenditures-Tie Into Service Plan		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	stjohnl	Last Updated	12/28/2011
Status	Completed	Last Updated By	stjohnl
Corrective Action Plan	<p>Finding: DHS issued payments for services that did not appear to be a reasonable use of CFCIP federal awards for 2 (3 percent) of 66 expenditures reviewed. DHS purchased a car for a youth and paid for a school trip abroad for another youth which do not appear to be reasonable services for the youth to accomplish self-sufficiency.</p> <p>Questioned Cost: \$ 2,609</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS maintains policy was followed, however; the expenditures should have been documented better in the youth's service plans. DHS followed up with the cited transactions and found (1) the car purchase was made on behalf of a youth as the primary means of transportation to support independent living goals, and (2) the school trip was school/education related. DHS is revising its policy for vehicle purchases for the YIT program. The policy will include purchase maximum amounts, prior approval from the program office, and standard requirements the youth must meet.</p> <p>Anticipated implementation Date: January 1, 2012</p> <p>Update 8/2011 Youth In Transition policy was revised, effective August 1, 2011, regarding the purchase of vehicles for youth. Specifics and limits were set in the policy. Policy for educational expenses will be updated by the anticipated implementation date.</p> <p>12-28-11 Policy has been completed and approval process is complete. Policy is in effect 01-01-12.</p> <p>Responsible Administration: Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare Mary Chaliman, Manager, Health, Education, and Youth Unit</p>		
Recoupment Recommended			
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 12b - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Chafee-Eligibility/Documentation *		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action will be tracked with finding 9c.</p> <p>Finding: DHS did not maintain adequate documentation to support 4 (6.1 percent) of 66 expenditures reviewed. DHS did not maintain:</p> <p>(1) Service plans for youths for the period of the payment to support that the services provided were reasonable and necessary as outlined in federal law 42 USC 677(a).</p> <p>(2) Invoices or receipts to support the amount of the payment made.</p> <p>(3) Documentation of supervisory approvals.</p> <p>Questioned Cost: \$ 772</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support eligibility for the audit. Missing documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made.</p> <p>Corrective Action Plan: Enhancements were made to SWSS-FAJ in March 2011 which allows the worker to complete the Youth Service Profile Report (DHS-4713) and the YIT Eligibility Checklist (DHS-722) in the application so the information is in the case record.</p> <p>Children's Services, in conjunction with Field Services-Central Office, will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Children's Services Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare Mary Chaliman, Manager, Medical, Education, and Youth Services Terry Beurer, Acting Director, Field Services Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 12c - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Chafee-Eligibility/Documentation *		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	1/1/2012	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Finding 9c, 12b, 12c corrective action will be tracked with finding 9c.</p> <p>Finding No. 12c: Chafee: Eligibility DHS did not maintain adequate documentation to support a youth's eligibility to receive CFCIP funded services in 1 (2 percent) of 66 expenditures reviewed.</p> <p>Federal law 42 USC 677(a) states that CFCIP funding should be used to provide specified services to youth likely to remain in foster care until 18 years of age as well as former foster care youth between 18 and 21 years of age to help with their transition from foster care to self-sufficiency and adulthood. DHS's CFCIP State Plan further defines the age specific eligibility as all youth between 14 and 21 who are or have been in foster care placement based on abuse or neglect after their 14th birthday.</p> <p>Questioned Cost: \$ 50,148</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS disagrees with the questioned cost amount. The audit citation makes reference to eligibility documentation for one youth; however, the entire billing amount from the provider for all youth was questioned.</p> <p>DHS agrees that in some cases it was unable to provide documentation to support eligibility for the audit. Missing documentation does not mean the documentation was not collected and reviewed at the time of eligibility determination or that an improper payment was made.</p> <p>Corrective Action Plan: Enhancements were made to SWSS-FAJ in March 2011 which allows the worker to complete the Youth Service Profile Report (DHS-4713) and the YIT Eligibility Checklist (DHS-722) in the application so the information is in the case record.</p> <p>Children's Services, in conjunction with Field Services-Central Office, will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request.</p> <p>Anticipated Implementation Date: 01/01/2012</p> <p>Responsible Administration: Children's Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare Mary Chaliman, Manager, Medical, Education, and Youth Services Terry Beurer, Acting Director, Field Services Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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## View Audit 2010062 Finding 12d - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Chafee-Matching, Level of Effort, Earmarking		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding 12d: Chafee: Earmarking DHS did not have controls in place to ensure that the federal matching, level of effort, and earmarking requirement is met. DHS was not able to identify total expenditures related to room and board for children who were between 18 and 21 years of age. If DHS does not monitor housing services provided to all CFCIP eligible youth, it cannot ensure that it complies with the room and board maximums.</p> <p>Federal law 42 USC 677(3)(B) requires states to certify that not more than 30 percent of their CFCIP funds will be expended on room and board for youths ages 18 through 20. In addition, 42 USC 677 (b)(3)(C) stipulates that states may not use any CFCIP funds on room and board for youth that have not yet turned 18 years old.</p> <p>DHS documents services provided to youth on the service youth profile report (DHS-4713). Program staff has instructed all outstate local offices to submit the DHS-4713 to the central office after completion. Central office staff then enters the services from each DHS-4713 into a tracking database. The Youth in Transition (YIT) Program coordinator can then use this database to monitor the amount of CFCIP funds expended on room and board.</p> <p>However, DHS discontinued this process in fiscal year 2009-2010. As a result, DHS could not ensure that it did not exceed the 30 percent maximum for room and board.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: Enhancements were made to SWSS-FAJ in March 2011 which allows the worker to complete the Youth Service Profile Report (DHS-4713) in the application. This allows the program office to monitor local office YIT spending as it relates to the percentage maximums.</p> <p>Anticipated Implementation Date: n/a - implemented</p> <p>Responsible Administration: Children's Services Field Services</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare Mary Chaliman, Manager, Medical, Education &amp; Youth Services Terry Beurer, Acting Director, Field Services Local Office Directors</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 12e - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Chafee-Procurement-Expenditures After Contract End Date *		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	3/1/2012	Status Requested	
Status Contact	stjohnl	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>* Corrective action being tracked with finding 9e2 (for findings 9e2 and 12e).</p> <p>Finding: DHS did not prevent 7 (35 percent) of 20 contracts from incurring expenditures for services provided after the contract's expiration date. The contracts expired on dates ranging from September 30, 2001 to September 30, 2007.</p> <p>Questioned Cost: -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS found that the contract numbers in SWSS may not reflect a current contract number. DHS reviewed the contractors identified in the finding and found there was an executed contract for each of the contractors during the audit period.</p> <p>Corrective Action Plan: DHS will evaluate the system error to determine which actions to take to correct the deficiency.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Any changes to the SWSS application are held at abeyance at this time because of the priority given to the SACWIS application development. Deficiencies identified with the SWSS application will be evaluated as part of the SACWIS application development. The anticipated implementation date is changed to March 1, 2012, to follow-up with the SACWIS system development to determine the deficiency has been addressed in the new system.</p> <p>Responsible Administration: Children's Services Administration</p> <p>Responsible Individual(s), Name(s), Title(s): Steve Yager, Acting Director, Children's Services Administration Laurie Johnson, Director, SACWIS Office</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

## DHS Tracking System

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## View Audit 2010062 Finding 13a1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Medicaid-Information, Advocacy, Referral *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action is being tracked with finding 11a1.</p> <p>Findings 3a1, 4b1b, 7a, 11a(1), 13a(1)  DHS contracted with two vendors to provide information, referral, and advocacy services to individuals with limited speaking proficiency. The vendors billed DHS for these services and their billing forms allocated the costs between six federal programs identified below. DHS could not document how the vendor determined the benefits received by each federal program and the corresponding costs charged to each program.</p> <p>Questioned Cost: \$ 2,654,022  \$ 416,363 Supplemental Nutrition Assistance Program  559,364 Temporary Assistance for Needy Families  4,085 Child Care and Development Care  1,181,753 Social Services Block Grant  492,457 Medicaid Cluster  -0- Child Support Enforcement</p> <p>Response:  DHS agrees with the finding, in part.</p> <p>DHS disagrees it could not document how the vendor determined allocated costs to the programs. DHS requires the vendors to submit a two page supplemental report with its monthly Statement of Expenditures (DHS-3469). Page 1 of the supplemental report summarizes the units of service by program and activity. The vendors retain detailed personnel activity sheets which show the client(s) for which services are provided to, the activity provided to the client (e.g., intake application assistance, completing the DHS client application, assistance/translation with DHS interviews, etc.), and the units of service provided. Page 1 of the supplemental report calculates the percentage of each programs' units of service to the total units of service. These percentages are then applied to the monthly expenditures on page 2 of the supplemental report so the costs are allocated to the benefitting programs. The total amount of monthly expenditures on page 2 of the supplemental report agrees with the amount on the Statement of Expenditures. DHS relied on this information to reimburse the vendor and to make claims to the federal funding sources. DHS does acknowledge that the units of service shown on the supplemental reports did not always agree with the units of service reported on the Statement of Expenditures.</p> <p>Corrective Action Plan:  DHS is working with the vendors to determine if corrections to its reports will impact previously reported federal claims that will necessitate revisions to 2009 and 2010 federal reports.</p> <p>Anticipated Implementation Date:  10/01/2011</p> <p>Update 07-2011:  Federal Reporting analyzed the vendor invoices and detail for the period of October 2011 through February 2011. The largest total dollar adjustment to one program for the period was \$41. The amount was considered immaterial and no further review will be performed. It was determined the reported expenditures were supported by the back-up documentation from the vendors.</p> <p>Responsible Administration:  Field Services  Financial Services</p> <p>Responsible Individual(s), Name(s), Title(s):  Terry Beurer, Acting Director, Field Services  Local Office Directors of Macomb, Oakland, and Wayne Counties  Susan Kangas, Director, Financial Services  Margo Yaklin, Director, Accounting Division</p>
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	Larry Matecki, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 13a2 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Medicaid-Cost Allocation Plan *		
Administration Area	CHIEF ADMINISTRATOR'S OFFICE		
Report Implementation Date	10/1/2011	Status Requested	
Status Contact	kangass1	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>* Corrective action is being tracked with finding 3a2.</p> <p>Findings 3a2, 4b2, 5b2, 9b2, 10a, 13a2: DHS did not amend its cost allocation plan and did not submit amendments to HHS/DCA in accordance with federal requirements. The following changes to the approved cost allocation plan were identified:</p> <p>a. Beginning in fiscal year 2007-2008, DHS revised its approved methodology for allocation of the costs of the first line supervisors and managers. DHS removed the first line supervisors and managers from the Social Services Related-Program Administration Cost Pool and the Financial Assistance Program Related Cost Pool to the Local Office Management and Support Cost Pool because the methodology for this cost pool already included other local office management costs.</p> <p>b. Beginning with the audit period, DHS amended their methodology to allocate Bridges operation and maintenance costs in the Bridges Planning Cost Pool to federal programs based on the number of recipients in Bridges that received benefits in each program. DHS's federally approved cost allocation plan methodology indicated that the cost pool would allocate the costs of planning Bridges at a fixed rate to each major benefitting program. DHS had not submitted this amendment to the Federal government for this cost pool.</p> <p>c. In the second quarter of fiscal year 2008-2009, DHS revised its approved cost allocation plan methodology for performing time studies from physical observations to random moment sampling e-mail surveys of first line DHS staff.</p> <p>Title 45 Part 95 of the Code of Federal Regulations requires the State to promptly amend the cost allocation plan and submit the amended plan to the DCA director if changes occur which make the approved allocation basis or procedures invalid.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding, in part.</p> <p>DHS agrees that it did not amend the cost allocation plan or submit it to DCA. However, it believes the methodologies used during the audit period represent a fair allocation of expenses to the benefitting programs.</p> <p>a. DHS did move the first line supervisors and managers a different cost pool but that cost pool was part of the approved cost allocation plan.</p> <p>b. DHS believes the methodology represents a fair allocation of the Bridges system operating and maintenance expenses to the benefitting programs.</p> <p>c. The new procedure and old procedure are random sampling methodologies which is an acceptable method of allocating expenditures.</p> <p>Corrective Action Plan: DHS will submit cost allocation plan amendments to the Division of Cost Allocation.</p> <p>Anticipated Implementation Date: 10/01/2011</p> <p>Update 08/2011: Amendments to the cost allocation plan were submitted to the Division of Cost Allocation on June 24, 2011.</p> <p>Responsible Administration: Financial Services</p>		
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View Finding

	Accounting Division
	Responsible Individual(s), Name(s), Title(s): Susan Kangas, Director, Financial Services Margo Yaklin, Director, Accounting Division Larry Matecki Fields, Manager, Revenue and Federal Reporting
Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

## DHS Tracking System

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## View Audit 2010062 Finding 13b1 - 8/23/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010

Finding Description	Medicaid-MEQC		
Administration Area	QUALITY CONTROL		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	hornj	Last Updated	
Status	Completed	Last Updated By	osgac

Corrective Action Plan	<p>Finding: DHS improperly prepared the fiscal year 2008-09 annual federal MEQC report using ICES, rather than FCES. In some instances, DHS may change an ICES error category for a sampled case based on the final payment review (FCES). Because the fiscal year 2008-09 annual federal MEQC report was prepared on ICES, cases that had a FCES different from ICES may have been reported as an "eligible recipients but understated liability" error instead of as an "ineligible recipient" error. We have determined that using ICES did not impact the overall mispayment rate report by DHS in the fiscal year 2008-09 annual federal MEQC report.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS disagrees with the finding.</p> <p>Title 42 Code of Federal Regulation, Part 431 – State Organization and General Administration, Section 431.865 – Disallowance of Federal financial participation for erroneous State payments (for annual assessment periods ending after July 1, 1990), p.58, states "the National mean error rate means the payment weighted average of the eligibility payment error rates for all States." This federal regulation is the basis for the Department of Human Services, Office of Quality Assurance's, position that the payment error rate should be based on the eligibility review.</p> <p>In addition, the error rate reports submitted to the Department of Health and Human Services (HHS), Centers for Medicare &amp; Medicaid Services (CMS), have consistently been based on this interpretation of the federal regulation. This interpretation has never been questioned or challenged by HHS/CMS. Therefore, the Department of Community Health (DCH) and the Department of Human Services, Office of Quality Assurance, conclude that the reports were done properly with the correct use of the eligibility payment error finding (the ICES), and that our interpretation of the federal regulation is correct.</p> <p>The federal regulations and the federal MEQC Manual clearly state that the quality control process includes two types of reviews:</p> <ol style="list-style-type: none"> <li>1. an eligibility review conducted by OQA reviewers, and based on a thorough investigation of actions taken by the DHS local office regarding an individual's eligibility, and based on an independent client interview by the OQA reviewer.</li> <li>2. a payment review conducted by the OQA Central Office Medicaid Analyst and Statistician, consisting of a determination about the possible claims misspent, and whether these misspent dollars (if any) were due to a liability or an eligibility error.</li> </ol> <p>The ICES is the result of the eligibility review and is based on the information available to the DHS local office eligibility specialist. It is important to the policy and local office recipients of these review findings, to use the ICES so they can take appropriate action to correct and prevent errors.</p> <p>The FCES is the result of the payment review. It is used to determine if error dollars are liability or eligibility driven.</p> <p>Corrective Action Plan: A corrective action plan will be developed, if necessary, after clarification is received from CMS.</p> <p>Update 02-2012: DHS followed up with DCH and CMS – numerous times. DHS has not received a response from either but would expect that CMS would have responded to DCH as the Medicaid single state agency. On 02-24-2011 DHS sent a draft letter to DCH for them to forward to CMS requesting clarification of the ICES/FCES issue. On 03-02-11 DCH informed DHS that the letter was signed and a pdf would be provided to DHS. DHS has not received a copy of the signed letter to date. On 05-16-2011 DHS received an email from Jessica Woodward, CMS, requesting additional information. The</p>
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information was provided it to her and Dan Ridge, DCH, in an email on 05-17-2011. She responded on 05-18-2011.

On 08-09-2011 from 3:00-4:30 PM there was a conference call with CMS to discuss Michigan's MEQC process in response to the request for clarification re: ICES/FCES. CMS arranged the call through Dan Ridge, DCH.

On 09-27-2011 DHS responded to an email from Monetha Dockery, CMS, and she responded in a 5:15 PM email "I am working on a final draft response to your letter, in reading the materials you sent for our call your MEQC payment review summary (which is very good) details your process and states that you use the FCES for calculating your error rate."

per Julie Horn Alexander e-mail 02-12-2012

(hard copy with supporting information is in the audit file)

Update 04/2012:

DCH received clarification from CMS. OQA will implement this change effective FY 2012 with the October 2011 sample month MEQC reviews that will begin in April 2012.

Responsible Administration:  
Quality and Adult Services

Responsible Individual(s), Name(s), Title(s):  
Barbara Anders, Director, Quality and Adult Services  
Julie Horn Alexander, Director, Office of Quality Assurance

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	

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## View Audit 2010062 Finding 13b2 - 9/4/2012

Audit Title	SINGLE AUDIT FOR FYE 2009 AND 2010		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	6/30/2011	End Date	9/30/2010
Finding Description	Medicaid-Sampling Requirements		
Administration Area	QUALITY CONTROL		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	hornj	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding: DHS did not sample cases from October 2009 through March 2010. 42 CFR 431.814(f) requires the State to use six-month sampling periods of April through September and October through March.</p> <p>DHS, in conjunction with DCH, submitted a waiver request to CMS to modify the State's sampling plan in order to estimate an annual error rate based on the MEQC sample results from the second 6-month sampling period of April through September 2010 instead of sampling and testing the first 6-month sampling period of October 2009 through March 2010. During the audit fieldwork CMS denied the State's request because it failed to comply with federal MEQC sampling requirements. As a result, DHS, in conjunction with DCH, submitted a revised sampling plan to select and review a sample of active cases from October 2009 through March 2010. DHS informed us that CMS approved this revised sampling plan in March 2011.</p> <p>Questioned Cost: \$ -0-</p> <p>Response: DHS agrees with the finding.</p> <p>Corrective Action Plan: None. DHS now complies with the six month sampling periods.</p> <p>Responsible Administration: Quality and Adult Services</p> <p>Responsible Individual(s), Name(s), Title(s): Barbara Anders, Director, Quality and Adult Services Julie Horn Alexander, Director, Office of Quality Assurance</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			