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GOVERNOR

STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

JOHN S. ROBERTS  
DIRECTOR

November 3, 2014

**MEMORANDUM**

TO: Office of Internal Audit Services  
State Budget Office

FROM:  Michael J. Moody, Director  
Office of Financial Management

SUBJECT: Fiscal Year 2013 Statewide Single Audit Corrective Action Plan

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In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained in the Office of the Auditor General's State of Michigan Single Audit Report for fiscal year ended September 30, 2013.

Questions regarding the summary table or corrective action plans should be directed to Shawna Hessling, Statewide Single Audit Coordinator, at (517) 335-8917 or [hesslings@michigan.gov](mailto:hesslings@michigan.gov).

Attachment

cc: Executive Office  
Doug Ringler, Auditor General  
Jase Bolger, Speaker of the House  
Tim Greimel, House Minority Leader  
Randy Richardville, Senate Majority Leader  
Gretchen Whitmer, Senate Minority Leader  
Lora Mikula, Director, Accounting and Financial Reporting  
Shawna Hessling, Statewide Single Audit Coordinator  
House Fiscal Agency  
Senate Fiscal Agency  
Chief Financial Officers  
Chief Accountants

**STATE OF MICHIGAN**  
**SINGLE AUDIT REPORT**  
**SUMMARY OF AGENCY RESPONSES TO RECOMMENDATIONS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**1. AUDIT RECOMMENDATIONS THE AGENCY HAS COMPLIED WITH:**

2013-005, 2013-008, 2013-010, 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-016, 2013-022, 2013-023, 2013-024, 2013-026, 2013-027, 2013-028, 2013-029, 2013-033, 2013-034, 2013-043, 2013-050, 2013-051, 2013-053, 2013-054, 2013-059, 2013-061, 2013-074, 2013-075, 2013-078, 2013-079, 2013-082, 2013-086, 2013-087, 2013-089, 2013-092, 2013-093, 2013-094, 2013-095, 2013-096, 2013-097, 2013-098

**2. AUDIT RECOMMENDATIONS THE AGENCY AGREES WITH AND WILL COMPLY:**

2013-001, 2013-002, 2013-003, 2013-004, 2013-006, 2013-007, 2013-009, 2013-017, 2013-018, 2013-019, 2013-020, 2013-021, 2013-025, 2013-030, 2013-031, 2013-032, 2013-035, 2013-036, 2013-037, 2013-038, 2013-040, 2013-041, 2013-042, 2013-046, 2013-047, 2013-048, 2013-049, 2013-052, 2013-057, 2013-058, 2013-060, 2013-062, 2013-063, 2013-064, 2013-065, 2013-066, 2013-067, 2013-068, 2013-069, 2013-070, 2013-071, 2013-072, 2013-073, 2013-076, 2013-077, 2013-080, 2013-081, 2013-083, 2013-084, 2013-085, 2013-088, 2013-090, 2013-091,

**3. AUDIT RECOMMENDATIONS THE AGENCY DISAGREES WITH:**

2013-039, 2013-044, 2013-045, 2013-055, 2013-056

**4. AUDIT RECOMMENDATIONS RELATED TO OTHER AUDITS:**

2013-099, 2013-100, 2013-101, 2013-102

These findings related to major programs that were audited by other auditors and were brought forward by the Office of the Auditor General into the audit report. As these findings were not directly addressed to the State Budget Office, we did not obtain corrective action plans for the findings related to them.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**1. AUDIT RECOMMENDATIONS THE AGENCY HAS COMPLIED WITH:**

**FINDING 2013-005**

**ADOPTION SUBSIDY AND SWSS CHANGE CONTROLS**

**RECOMMENDATION**

We recommend that DHS and DTMB implement a comprehensive change management process for the Adoption Subsidy and SWSS systems.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The Adoption Subsidy and SWSS systems were frozen as of April 24, 2014 and were replaced by the Michigan Statewide Automated Child Welfare Information System (MiSACWIS).

**FINDING 2013-008**

**CHAMPS SECURITY AND ACCESS CONTROLS**

**RECOMMENDATIONS**

We recommend that DTMB and DCH fully establish effective security and access controls for the operating system of servers containing CHAMPS data and application files and over CHAMPS databases.

We also recommend that DCH limit the ability of CHAMPS users to modify the disposition of edits for medical claims processing.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH and DTMB have successfully completed steps necessary to remediate CHAMPS of the identified potential vulnerabilities including:

- DTMB has implemented the Lightweight Directory Access Protocol (LDAP) for enterprise-wide, system level identity management. LDAP integration provides additional controls and improves granular access to satisfy requirements. Global data at rest encryption was implemented in May 2013. In addition, DTMB transitioned to an automated configuration management tool to assist in rapidly deploying, maintaining, and auditing internal control. The tool assists in preventing changes from required minimal service configurations and deviations from the approved initial operating system configuration settings.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

- DCH has implemented the following corrective actions: modified default settings within CHAMPS to recommended values, modified password parameters, revoked unnecessary privileges, removed temporary users, implemented user recertification, and locked default accounts. DCH completed implementation of recommended resource-related profile changes in July 2014.
- DCH has implemented new roles and profiles to restrict user access to edit dispositions. Users have been reassigned to the new profiles, after management approval, and unauthorized user privileges have been revoked based on the newly established roles and profiles.

**FINDING 2013-010**

**FNS-FRS READ-ONLY USER ACCESS RESTRICTIONS**

**RECOMMENDATION**

We recommend that MDE establish effective access controls for users assigned read-only access in the three FNS-FRS subsystems.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

All read-only access levels for the MiND system and the CACFP claims system were reviewed, fixed, tested, and deployed to production. A new access level has been established, tested, and deployed to production for the additional 6 cents per lunch in the School Meals Program claims system.

**FINDING 2013-011**

**MAP FINANCIAL OBLIGATION SYSTEM AND PROJECT ACCOUNTING AND BILLING SYSTEM -  
ACCESS CONTROLS**

**RECOMMENDATION**

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

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DTMB has created unique accounts for database administrators, implemented audit logging of privileged activity of the MFOS and PAB databases, and implemented comprehensive monitoring tools.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-012**

**MDE, LEVEL OF EFFORT – MOE**

**RECOMMENDATION**

We recommend that MDE exclude capital outlay and unrestricted federal expenditures in its calculation of MOE for LEAs.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MDE reviews the Maintenance of Effort (MOE) calculation annually to ensure that staff calculates MOE rates in full compliance with federal guidance. The program used to calculate the 2011-12 MOE was revised to exclude all capital outlay from the effort. The 2012-13 MOE calculation has been corrected to ensure that it appropriately excludes both capital outlay and unrestricted federal funds.

**FINDING 2013-013**

**MDE, REPORTING - FFATA REPORTING**

**RECOMMENDATION**

We recommend that MDE ensure that it timely and accurately reports all subaward information as required by FFATA.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MDE has implemented procedures to ensure that all federal grants are properly reported in the Federal Subrecipient Reporting System (FSRS).

**FINDING 2013-014**

**DCH, REPORTING - FFATA REPORT ACCURACY**

**RECOMMENDATION**

We recommend that DCH accurately report subaward information for the WIC Program and MCHSBG.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH trained its FFATA reporting staff on the correct reporting methodology to eliminate the periods of reporting noncompliance during the fiscal year.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-015**

**DHS, REPORTING - FFATA REPORT ACCURACY**

**RECOMMENDATIONS**

We recommend that DHS report subaward information as required by FFATA.

We also recommend that DHS improve its internal control to ensure that it identifies all subawards that meet FFATA reporting requirements, including subawards issued by other State agencies for DHS-administered federal programs.

We further recommend that DHS improve its internal control to ensure that it timely and accurately reports subaward information.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The DHS Federal Reporting Unit worked with the DHS Office of Contracts and Purchasing to refine the initial query to identify all contracts that are potentially subject to FFATA reporting. The Federal Reporting Unit also worked with the program offices to confirm that all subaward information has been reported as required. The Federal Reporting Unit will review the monthly FFATA reporting information on the USA Spending Web site to ensure that new information has been reported accurately within 14 days after the information was submitted.

**FINDING 2013-016**

**MDE, SUBRECIPIENT MONITORING - DUNS NUMBER**

**RECOMMENDATION**

We recommend that MDE obtain DUNS numbers for its subrecipients before it issues awards to the subrecipients.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MDE corrected the deficiencies noted in the finding subsequent to approval of 2012-13 grant awards. MDE implemented controls in the Michigan Electronic Grants System Plus (MEGS+) and the Cash Management System (CMS) to ensure that no funds are released if the subrecipient has not provided a DUNS number.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

The control in MEGS+ prevents MDE staff from awarding funds to subrecipients that have not provided a DUNS number. The control in CMS prevents subrecipients that have not provided MDE a DUNS number from drawing grant funds. This control is necessary as not all grants are approved through MEGS+. A control for all Child Nutrition Program (CNP) applications in MEGS+ has also been designed to prevent an applicant that has not provided its DUNS number from submitting the grant application.

**FINDING 2013-022**

**SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN,  
CFDA 10.557, CASH MANAGEMENT - FORMULA REBATES**

**RECOMMENDATION**

We recommend that DCH timely apply WIC formula rebate funds to WIC Program expenditures before requesting additional federal funds.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH has implemented policies/procedures outlining future federal draws, so that draws are done on a timely basis. In addition, DCH will monitor the timing/synchronization of actual deposits going forward to ensure compliance.

**FINDING 2013-023**

**SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN,  
CFDA 10.557, CASH MANAGEMENT - LATE ADMINISTRATIVE DRAWS**

**RECOMMENDATION**

We recommend that DCH request federal reimbursement in accordance with the required funding technique for WIC Program administrative expenditures.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH has implemented additional review protocols, which require a review of all open phases of any grant before a request for federal funds is made. Any coding errors would be identified at the time of the review, corrected if required, and included in the draw request if needed.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-024**

**SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN,  
CFDA 10.557, REPORTING - FFATA REPORTING TIMELINESS**

**RECOMMENDATION**

We recommend that DCH timely submit FFATA reports for the WIC Program.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH corrected the script used to identify the reportable obligations for the period that resulted in the error.

**FINDING 2013-026**

**CDBG - STATE-ADMINISTERED CDBG CLUSTER, CFDA 14.228, REPORTING - SECTION 3  
SUMMARY REPORT**

**RECOMMENDATION**

We recommend that MSF report all information required in the Section 3 Summary Report (HUD 60002) for other public construction awards prior to sending it to MSHDA for submission to HUD.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MSF has implemented new program policies and monitoring and reporting procedures for fiscal year 2013-14 that will capture all Section 3 reporting requirements.

**FINDING 2013-027**

**CDBG - STATE-ADMINISTERED CDBG CLUSTER, CFDA 14.228, REPORTING - FFATA**

**RECOMMENDATION**

We recommend that MSF report required subaward information for CDBG subawards distributed to subrecipients by other State agencies.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MSF collaborates with MSHDA for FFATA reporting. MSF instituted a new reporting process during fiscal year 2012-13 that was implemented at the beginning of fiscal year 2013-14.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

A fiscal year 2013-14 memorandum of understanding with MSHDA will ensure that MSHDA will report all required subrecipient and subaward data for all State agencies in a timely fashion to MSF. MSF will ensure timely and complete FFATA reporting for MSF and all subawards. Subrecipients that do not comply will be subject to sanctions.

**FINDING 2013-028**

**CDBG - STATE-ADMINISTERED CDBG CLUSTER, CFDA 14.228, SUBRECIPIENT MONITORING - MONITORING SUBRECIPIENTS FOR SECTION 3 REQUIREMENTS**

**RECOMMENDATION**

We recommend that MSF monitor subrecipients for compliance with all Section 3 requirements of the Housing and Urban Development Act of 1968, as amended.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MSF has implemented new program policies and monitoring procedures for fiscal year 2013-14 that will capture all Section 3 requirements.

**FINDING 2013-029**

**AIRPORT IMPROVEMENT PROGRAM, CFDA 20.106, PERIOD OF AVAILABILITY - EXPENDITURES MADE AFTER THE PERIOD OF AVAILABILITY**

**RECOMMENDATION**

We recommend that MDOT expend AIP grant funding within the period of availability.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The questioned costs were incurred prior to MDOT's implementation of updated procedures in January 2013. As a result of the updated procedures, MDOT monitors all federal grants to ensure that funds are spent only within the four-year period of availability.

**FINDING 2013-033**

**CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS, CFDA 66.458 AND 66.458 (ARRA), REPORTING - FFATA AND ARRA REPORTING**

**RECOMMENDATION**

We recommend that DEQ report accurate and timely information as required by applicable federal regulations.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The DEQ Federal Aid section is responsible for accumulating the required information for the FFATA reporting and entering it into the federal Web site. The Office of Drinking Water and Municipal Assistance is responsible for providing the information regarding CWSRF recipients to Federal Aid.

During fiscal year 2013-14, Federal Aid established a procedure whereby each month, it solicits information from all divisions regarding agreements signed with subrecipients with an amount exceeding \$25,000. Federal Aid staff will use the information provided to update the federal Web site. The Office of Drinking Water and Municipal Assistance reviewed the regulations regarding the subrecipients which are required to be reported and revised its procedures to comply.

The reports required by Section 1512 of ARRA were prepared in the Office of Drinking Water and Municipal Assistance and submitted electronically by the Federal Aid section. Through an oversight, the final ARRA report was inaccurate. Federal Aid staff attempted to submit a corrected report, but the system used for submittal was inactive. Federal Aid staff also contacted EPA staff regarding the oversight and were advised that no corrections would be accepted. The 1512 reports are no longer required.

**FINDING 2013-034**

**ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM (EECBG), CFDA 81.128 (ARRA), REPORTING - INTERNAL CONTROL**

**RECOMMENDATION**

We recommend that MSF ensure that federal reports are appropriately reviewed and approved prior to submission to the federal agency.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MSF employees have been instructed to ensure that supervisory review is part of the federal financial reporting process.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-043**

**TANF CLUSTER, CFDA 93.558, MATCHING, LEVEL OF EFFORT, AND EARMARKING - TIME ON ASSISTANCE EARMARK**

**RECOMMENDATION**

We recommend that DHS ensure it appropriately counts each month of federally funded cash assistance received by a household toward the 60-month federal time limit counter.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The errors occurred during the transition from the legacy system to Bridges. DHS ran an ad hoc report identifying all federally funded FIP initial payments with a payment reason of "other" for active and closed FIP cases whose federal time limit was less than 60 months. DHS reviewed those payments to determine if the payments should be included in the federal time limit counter. The counter has been corrected for the cases as needed.

**FINDING 2013-050**

**CCDF CLUSTER, CFDA 93.575 AND 93.596, ELIGIBILITY - DISQUALIFICATION OF CLIENTS**

**RECOMMENDATION**

We recommend that MDE establish a process to disqualify clients who violate CCDF program rules from receiving CCDF child care benefits.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Automation of the client disqualification process within Bridges has been completed and became effective April 1, 2014.

**FINDING 2013-051**

**CCDF CLUSTER, CFDA 93.575 AND 93.596, REPORTING - ACF-696**

**RECOMMENDATION**

We recommend that MDE accurately report federal expenditures in ACF-696.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

All documentation for the 696 Report will be compiled on a Monday morning to ensure that the numbers coincide. In addition, a second staff member will be reviewing the ACF-696 Report for accuracy prior to submission.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-053**

**CCDF CLUSTER, CFDA 93.575 AND 93.596, SPECIAL TESTS AND PROVISIONS - HEALTH AND SAFETY REQUIREMENTS - LICENSED CHILD CARE PROVIDERS**

**RECOMMENDATION**

We recommend that DHS maintain documentation to support its compliance with special tests and provisions requirements to verify that center-based, group home, and family child care providers serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Additional wording was added to the LSRs during March 2013 to address physical environment, provider training, and child immunization requirements.

**FINDING 2013-054**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES - THIRD PARTY LIABILITY IDENTIFICATION**

**RECOMMENDATIONS**

We recommend that DCH add other insurance information, reported by a commercial insurance carrier, in its TPL coverage file.

We also recommend that DCH add other insurance information, reported by medical providers via submitted claims, to its TPL coverage file.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

CHAMPS interface process updates have been completed. All updates required due to the CHAMPS interface rule have been updated and are in production.

**FINDING 2013-059**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - PHARMACY REBATES**

**RECOMMENDATIONS**

We recommend that DCH properly identify Medicaid-funded programs to enable proper manufacturers' drug rebate invoicing.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

We also recommend that DCH reimburse the drug manufacturers and seek federal reimbursement for rebates improperly received.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH has partnered with its rebate vendor to correct the coding and has verified that affected rebates were properly reversed as part of the quarterly rebate prior period adjustment process which in turn automatically credits the rebate units back to the drug manufacturers and adjusts the quarterly federal reports accordingly.

**FINDING 2013-061**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - IMPROPER DMEPOS PAYMENTS**

**RECOMMENDATION**

We recommend that DCH ensure proper payment of DMEPOS for the Medicaid Cluster.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

After further review of the claims, it was discovered that the beneficiaries had been admitted to the hospital on a date they were enrolled as fee-for-service. Later in the hospital stay, they were enrolled in a health plan. Under existing policy, payment of claims is the responsibility of the program they are enrolled in on the date of admission. No further corrective action is necessary.

**FINDING 2013-074**

**REFUGEE AND ENTRANT ASSISTANCE - STATE ADMINISTERED PROGRAMS, CFDA 93.566, ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, AND ELIGIBILITY - REAP DOCUMENTATION**

**RECOMMENDATION**

We recommend that DHS maintain documentation to support client eligibility and limit REAP eligibility to a period of less than 8 months as required by HHS's ORR.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS has assigned eligibility workers in each DHS county office to process and maintain the refugee caseload. A Web-based training was developed to specifically address refugee policy and federal program regulations. The assigned workers and their supervisors have completed the training. Bridges will terminate refugee cash and medical assistance after eight months based on a refugee's country entry date input into the system by the worker. A review of the prior audit finding found most errors occurred because the worker entered a future date into Bridges. A Bridges edit was implemented that will not allow the worker to enter a future date to mitigate the risk.

**FINDING 2013-075**

**REFUGEE AND ENTRANT ASSISTANCE - STATE ADMINISTERED PROGRAMS, CFDA 93.566, ELIGIBILITY - ACCURACY OF MEDICAL ASSISTANCE ELIGIBILITY CALCULATIONS**

**RECOMMENDATION**

We recommend that DHS ensure the accuracy of REAP medical assistance eligibility calculations.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

A change was made to Bridges to include Refugee Matching Grant income as an income type and to exclude this income type from the client's Bridges' REAP budget.

**FINDING 2013-078**

**LOW-INCOME HOME ENERGY ASSISTANCE, CFDA 93.568, ALLOWABLE COSTS/COST PRINCIPLES - RECONCILIATION OF HOME HEATING CREDIT REIMBURSEMENTS**

**RECOMMENDATION**

We recommend that DHS implement a process to periodically reconcile the Department of Treasury electronic HHC claim detail information to reimbursement billings and summary reports provided by the Department of Treasury.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS has evaluated the underlying cause for the differences between the HHC claim detail information and the paper summary reports. DHS believes that a reconciliation process can be accomplished and has assigned staff to reconcile the reports.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-079**

**LOW-INCOME HOME ENERGY ASSISTANCE, CFDA 93.568, ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, AND ELIGIBILITY - LACK OF DOCUMENTATION**

**RECOMMENDATION**

We recommend that DHS document that it verified and considered all client assets when determining eligibility for SER energy payments.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS issued a Field Operations Administration (FOA) memorandum emphasizing that staff must verify and count all nonexcluded assets of SER group members for all SER services with each application. Assets must be verified and counted for categorically eligible applicants as well as noncategorically eligible applicants. A link to the FOA memorandum was included in the weekly DHS newsletter and was sent to all assistance payments (AP) specialists to review within their DHS county offices.

**FINDING 2013-082**

**FOSTER CARE - TITLE IV-E, CFDA 93.658 AND 93.658 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - FOSTER PARENT HOUSEHOLD OUT-OF-STATE BACKGROUND CHECKS**

**RECOMMENDATION**

We recommend that DHS perform the required out-of-state child abuse and neglect registry checks on prospective foster parents and other adults living in a prospective foster parent's home prior to issuing foster care licenses to the foster parents.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS has instituted process improvements by improving the Licensing Record Clearance Request for Foster Home/Adoptive Home form (BCAL 1326) to clarify the number of years a person has lived in the State of Michigan and to provide more room for the applicant to enter the data. A new cover memorandum was created that is returned to the child placing agency to identify deficiencies that must be corrected on the BCAL 1326 before BCAL will issue a foster care license. In addition, a comment is entered into the Bureau Information Tracking System (BITS) when the word processor notes that the BCAL 1326 indicates a person has lived in Michigan less than five years. The comment alerts the consultant who reviews the file for opening to ensure this is not missed.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Additionally, information on out-of-state central registry clearances that have been received are entered into BITS on the "people screen" so BITS has a record of the clearances completed, the state where they were completed, and the date completed. DHS subsequently obtained the out-of-state child abuse and neglect registry checks for the two cases cited in the finding.

**FINDING 2013-086**

**FOSTER CARE - TITLE IV-E, CFDA 93.658 AND 93.658 (ARRA), MATCHING, LEVEL OF EFFORT, AND EARMARKING AND PROCUREMENT AND SUSPENSION AND DEBARMENT - CONTRACT CHANGE NOTICES**

**RECOMMENDATION**

We recommend that DTMB comply with its Administrative Guide procedure 0610.02 when executing CCNs.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DTMB issued a communication to employees that provided guidance on the importance of following Administrative Guide procedures.

**FINDING 2013-087**

**ADOPTION ASSISTANCE, CFDA 93.659 AND 93.659 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED AND ELIGIBILITY - DETERMINATION OF ELIGIBILITY FOR CHILDREN ADOPTED PRIOR TO JULY 2009**

**RECOMMENDATION**

We recommend that DHS perform procedures to validate the eligibility of children adopted prior to July 2009, and whose eligibility for adoption subsidy was based on former AFDC eligibility and judicial determinations, to ensure these children are eligible for the adoption subsidy.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

In July 2009, DHS discontinued relying upon the eligibility determination information recorded within SWSS-FAJ for new adoption subsidy cases. At that time, adoption assistance program staff began determining and documenting the eligibility for all new adoption subsidy cases.

DHS worked with the U.S. Department of Health and Human Services (HHS) to develop a sampling plan to review Title IV-E case eligibility for adoptions prior to July 2009 in response to the prior audit finding. The review was conducted by the Children's Services Administration Federal Compliance Office. The review results were submitted to HHS's Administration for Children and Families (ACF) on February 6, 2014. DHS provided additional information per

STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

request from ACF on March 19, 2014. DHS is awaiting HHS approval to accept the review as complete resolution to the prior audit finding.

**FINDING 2013-089**

**CHAFEE FOSTER CARE INDEPENDENCE PROGRAM, CFDA 93.674, ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - ASSISTANCE TO INELIGIBLE RECIPIENTS**

**RECOMMENDATION**

We recommend that DHS appropriately use CFCIP funds on eligible youth.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The program office began conducting internal reviews of Youth in Transition (YIT) requests in fiscal year 2011-12. As cases are reviewed, caseworkers and supervisors in public and private agencies are asked to secure missing documentation and make corrections as appropriate. County office directors are provided a summary of the findings for cases reviewed in their counties and are asked to take appropriate action. Technical assistance is offered to all DHS county offices that request it or are identified as needing it. The program office utilizes the monthly supervisory phone calls coordinated by Child Welfare Field Operations to provide information related to YIT expenditures and documentation. Monthly technical assistance phone calls with coordinators of the Michigan Youth Opportunities Initiative (MYOI) by the MYOI departmental analyst are used to address the appropriate use and documentation for YIT funds.

Targeted training was provided to the DHS county office responsible for the transaction regarding the appropriate utilization of CFCIP funds, eligibility, documentation, and alternative funding sources for non-CFCIP eligible youth.

**FINDING 2013-092**

**MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES, CFDA 93.994, ALLOWABLE COSTS/COST PRINCIPLES AND ELIGIBILITY - EZLINK ACCESS AND AUDIT LOG REVIEWS**

**RECOMMENDATION**

We recommend that DCH improve internal control to ensure the integrity of CSHCS medical eligibility decisions.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH's CSHCS staff verified that the consultants' decision and the column reference matches and that the column reference was not subsequently modified by reviewing the audit log. This review is documented by CSHCS staff by removing the notation in the column reference once the approval has been received in the CSHCS staff workflow and the appropriate entry has been made into the CSHCS Oracle database. The consultant's approval is replaced with language identifying the verification of the medical records, which will create a corresponding notation in the audit log.

**FINDING 2013-093**

**MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES, CFDA 93.994, MATCHING, LEVEL OF EFFORT, AND EARMARKING - IMPROPER CLASSIFICATION OF EXPENDITURES**

**RECOMMENDATION**

We recommend that DCH properly classify expenditures used toward meeting its minimum preventive and primary care services for children earmarking requirement.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

For FY 15, coding was established to track Local MCH costs for Women and Local MCH costs for Children expenditures. This will allow for the monitoring of expenditures to ensure the 30% direct services to children earmark is met.

**FINDING 2013-094**

**DISABILITY INSURANCE/SSI CLUSTER, CFDA 96.001, CASH MANAGEMENT - INAPPROPRIATE FUNDING TECHNIQUE**

**RECOMMENDATION**

We recommend that DHS make Disability Insurance/SSI Cluster cash draws within the appropriate number of days for the funding technique as required in the CMIA agreement.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS sought revisions to the CMIA agreement to include the Disability Insurance/SSI Cluster among those programs with a weekly payment schedule. DHS believes that this methodology will be interest neutral for both parties.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-095**

**DISABILITY INSURANCE/SSI CLUSTER, CFDA 96.001, SPECIAL TESTS AND PROVISIONS –  
CONSULTATIVE EXAMINATIONS PROCESS - VERIFICATION OF PROVIDER'S EXCLUDED STATUS**

**RECOMMENDATION**

We recommend that DHS establish a process to annually verify that CE providers were not excluded from participating in federally funded health care programs.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Beginning in January 2014, LEIE reviews were initiated and completed for all CE providers (physicians) for calendar year 2014. Support staff statements were mailed April 1, 2014 with completion date for return by May 1, 2014. These reviews will be done annually for all physicians and support staff at the beginning of each calendar year thereafter.

DHS implemented a new paper filing system and developed an electronic spreadsheet that mimics the paper system. This new system constitutes a checks and balances to ensure that any missing documentation is captured for CE providers.

**FINDING 2013-096**

**DISABILITY INSURANCE/SSI CLUSTER, CFDA 96.001, ACTIVITIES ALLOWED OR UNALLOWED  
AND ALLOWABLE COSTS/COST PRINCIPLES - EMPLOYER-EMPLOYEE RELATIONS  
EXPENDITURES**

**RECOMMENDATION**

We recommend that DHS ensure that employer-employee relations expenditures are equitably apportioned and only charged to the Disability Insurance/SSI Cluster for the time spent on Disability Insurance/SSI Cluster activities.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS took the necessary actions to ensure that staff time for union representatives will not be charged to the federal funding source.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-097**

**DISABILITY INSURANCE/SSI CLUSTER, CFDA 96.001, CASH MANAGEMENT - INCORRECT QUARTERLY CASH SETTLEMENT**

**RECOMMENDATIONS**

We recommend that DHS improve its internal control to ensure accurate Disability Insurance/SSI Cluster quarterly cash settlements.

We also recommend that DHS report overdrawn amounts to the Department of Treasury for inclusion in the State's interest due to the federal government.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Based on a detailed review of the program area's reporting of indirect costs on the SSA-4513, an adjustment was necessary and was made to increase total disbursements reported on line 5 of the SSA-4515 by \$49,959 for the quarter ended September 30, 2013. This reduced the overdraw calculation for the grant from \$164,502 to \$114,543.

DHS enhanced procedures to better monitor the quarterly cash settlement to ensure compliance with federal cash management requirements contained in the CMIA agreement.

**FINDING 2013-098**

**DISABILITY INSURANCE/SSI CLUSTER, CFDA 96.001, SPECIAL TESTS AND PROVISIONS – CONSULTATIVE EXAMINATIONS PROCESS - VERIFICATION OF PROVIDER'S LICENSE STATUS**

**RECOMMENDATIONS**

We recommend that DHS implement a process to track and verify each CE provider's license status every two years or at the license renewal date, whichever occurs first.

We also recommend that DHS obtain and retain documentation to support required CE provider license verifications and staff license certifications.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Beginning in January 2014, LEIE reviews were initiated and completed for all CE providers (physicians) for calendar year 2014. Support staff licensure requirements statements were mailed with completion date for return by May 1, 2014. These reviews will be done annually for all physicians and support staff at the beginning of each calendar year thereafter.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

DHS implemented a new paper filing system and developed an electronic spreadsheet that mimics the paper system. This new system constitutes a checks and balances to ensure that any missing documentation is captured for CE providers.

**2. AUDIT RECOMMENDATIONS THE AGENCY AGREES WITH AND WILL COMPLY:**

**FINDING 2013-001**

**BRIDGES INTERFACE AND CHANGE CONTROLS**

**RECOMMENDATION**

We recommend that DHS and DTMB ensure that effective interface and change controls are implemented for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Refugee and Entrant Assistance - State Administered Programs, and LIHEAP.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS and DTMB agree that internal control could be improved. It should be noted that, while the documentation to support that DHS and DTMB included each applicable recipient in the Income Eligibility and Verification System (IEVS) interfaces was not readily available, end user testing was performed and yielded the expected results.

DHS and DTMB have implemented corrective action for Findings 4, 5, 7, and 8. For Finding 1, DTMB has implemented partial corrective action. DTMB created daily, weekly, and monthly reports to ensure that the interfaces are processed according to the schedule. DTMB has completed a review of the development standards related to the batch framework tables to clearly define consistent rules for writing to the batch framework tables. DTMB has started coding to ensure the tables have consistent information. For Finding 6, DTMB has developed an improved work request approval process, completed a repository of requirements to establish traceability, integrated unit checklists into the peer review process, published new standards for post-implementation activities for each release, established detective controls to improve compliance with change control processes, and conducted a quality assurance audit and reviewed the results with the contractor. DTMB will amend the project management technical support contract and the Bridges maintenance and support contract to accurately reflect the contractor's responsibilities.

DHS and DTMB anticipate completion by January 1, 2015.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-002**

**BRIDGES SECURITY MANAGEMENT AND ACCESS CONTROLS**

**RECOMMENDATION**

We recommend that DHS and DTMB establish effective security management and access controls over Bridges for privileged and high-risk users.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS and DTMB are implementing the following corrective actions:

- a. DHS will establish a process for the DHS business service centers to review and monitor DHS county office implementation plans of compensating controls.
- b. DTMB established unique database accounts for the Bridges database administrators. Database profiles controlling account lockout and password settings are in place. Database system and object privileges are configured in accordance with application requirements and both are enforced within the automated database build procedures. Privileged access has been revoked where the application requirements allowed. Basic privileged activity is logged and such activity will be monitored with the complete implementation of Oracle Audit Vault.
- c. DHS will establish a process for the DHS business service centers to review and monitor DHS county office security coordinator compliance with established processes.
- d. DHS will establish and implement a monitoring plan.
- e. DTMB has taken actions to address some of the potential vulnerabilities identified. DTMB has developed detailed corrective action plans to address the remaining issues.

DHS and DTMB anticipate completion by April 1, 2015.

**FINDING 2013-003**

**INCOME ELIGIBILITY AND VERIFICATION SYSTEM**

**RECOMMENDATIONS**

We recommend that DHS and DTMB develop and maintain documentation to demonstrate that Bridges requests and obtains data from the required data sources and performs the required data matches for the SNAP, TANF, and Medicaid Cluster recipients.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

We also recommend that DHS implement internal control to ensure that county office caseworkers consider and use IEVS information when making eligibility and benefit level determinations for these programs.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

While documentation was not readily available to support that Bridges requests and obtains data from the required data sources and performs the required data matches, end user testing yielded the expected results for eligibility determinations. DHS and DTMB are implementing the following corrective actions:

- a. DTMB has documented a detailed plan to obtain documentation from the Bridges application for the fiscal year 2013-14 single audit, including detailed validation plans for each of the IEVS interfaces. Due to the time required to create and test the plans, DTMB was unable to complete execution of the plans and delivery of the related documentation within the time frame of the audit for fiscal year 2012-13. DHS and DTMB will meet with the Office of the Auditor General prior to the fiscal year 2013-14 audit to review expectations, plans, and time frames.
- b. DTMB will evaluate the processing controls as part of the validation plan project noted above.
- c. The interface validation plans developed by DTMB include steps to identify every notification provided to caseworkers as a result of IEVS interface verifications. In addition, the documentation identified as the output of each plan activity will verify the worker action that was taken as a result of the notification. The corrective actions identified in part a. will need to be completed to determine if there are any deficiencies in the notifications provided or the resulting worker actions.
- d. DHS has established a process to review and monitor the electronic notifications provided to DHS county office caseworkers to ensure that information provided was used to determine recipient eligibility. DHS county office managers review tasks and reminders that are generated during a case read period for correct action. Also, DHS Field Operations Administration (FOA) provides direction to DHS county office management annually related to targeted case reads that is focused solely on action taken on tasks and reminders.

In addition, a multi-disciplinary workgroup reviewed all tasks and reminders with a goal to reduce the volume of tasks and reminders received, allowing specialists to focus on actions required that do have an impact to eligibility. As a result, three tasks and reminders were decommissioned in January 2014. Further, a training aid was developed to assist managers

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

in reviewing actions taken and outstanding tasks and reminders for their staff unit and was released in January 2014.

- e. DHS has submitted a work request to implement an automated process including these recipients in the IEVS data matches with Michigan Statewide Automated Child Welfare Information System (MiSACWIS).

DHS and DTMB anticipate completion by January 1, 2015.

**FINDING 2013-004**

**ADOPTION SUBSIDY, ASCAP, AND SWSS SECURITY MANAGEMENT AND ACCESS CONTROLS**

**RECOMMENDATION**

We recommend that DHS and DTMB establish effective security management and access controls over the Adoption Subsidy, ASCAP, and SWSS systems.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS and DTMB are implementing the following corrective actions:

- a. DHS will establish a process for business service centers to review county office security coordinator compliance with established processes.
- b. An individual account is being created for user query. Oracle database activity will be monitored using Oracle Audit Vault.
- c. DTMB has taken actions to address some of the potential vulnerabilities identified. DTMB has developed detailed corrective action plans to address the remaining issues.

DHS and DTMB anticipate completion by January 1, 2015.

**FINDING 2013-006**

**ADP SECURITY PROGRAM**

**RECOMMENDATION**

We recommend that DCH and DHS, in conjunction with DTMB, ensure that a comprehensive ADP security program is established for information systems used to administer their federal programs.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS has completed the necessary DTMB-0170 process for its application. DCH in conjunction with DTMB, Michigan Cyber Security (MCS) and the Medicaid Compliance Program (MCP) Security team continue to move forward with the development of the new DTMB-0170 process. Significant work has been done in creating a new process work flow and we are working with a vendor to implement a new automated solution. The departments continue to work on the requirements documentation for this project and all tasks are currently on schedule. The departments anticipate completion by April 2015.

**FINDING 2013-007**

**HIGH-RISK SECURITY AND ACCESS CONTROLS**

**RECOMMENDATION**

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

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH and DTMB will work together to implement the following corrective actions:

- a. (1) DCH security is continuing work with the business areas to determine the functionality that users with this profile require to do their jobs. Modifications will be made to existing profiles as necessary.  
  
(2) DCH investigated each individual noted in the finding and is continuing work to establish controls that will remediate these items in the future.
- b. (1) DTMB has complied with this portion of the finding.  
  
(2) The two individuals noted in the finding work on the MI-WIC helpdesk. This functionality allows them to better assist their clientele when they call to report system issues.  
  
(3) DCH has complied. All MI-WIC users have been revalidated.
- c. (1) DCH, in conjunction with its vendor, removed access for the 7 developers.  
  
(2) The DCH Security Office will continue to work with CSHCS to develop the appropriate access documentation utilizing the Database Security Application (DSA).

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

- d. The DCH Security Office will continue to work with Customer Relationship Management (CRM) to develop the appropriate access documentation utilizing the DSA.

DCH and DTMB anticipate completion by June 2015.

**FINDING 2013-009**

**MDE IT SECURITY AND CONTROLS**

**RECOMMENDATION**

We recommend that MDE and DTMB establish effective security and access controls for privileged and high-risk users for the Child Nutrition Cluster; Food Distribution Cluster; Child and Adult Care Food Program; Title I, Part A Cluster; Special Education Cluster; School Improvement Grants Cluster; Career and Technical Education – Basic Grants to States; Twenty-First Century Community Learning Centers; and Improving Teacher Quality State Grants.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

In most cases, immediate changes were made to ensure that security access, database security, and proper change controls were in effect as intended. MDE and DTMB are implementing the following corrective actions:

Finding 1 - Security Program and Access Controls: Access and security levels have been reviewed. Through the annual audit process, MDE will continue to review and verify security agreements. In addition, as of April 21, 2014, a log-in lock-out feature has been implemented in both CMS and MEGS+ in the case of five improper log-in attempts.

Finding 2 - Database Security: DTMB and MDE implemented procedures to require staff to review audit logs. These procedures were implemented by June 30, 2014.

Finding 4 - Change Control Process: DTMB developed a change management process and guidelines that will serve as the framework for the change control process. This includes both segregation of duties and the process for requesting and tracking change requests. MDE is using Team Foundation Server (TFS) to document and approve all types of change requests including emergency changes. MDE will complete training for staff to have the process and guidelines implemented by August 30, 2014. MDE has also established a procedure to ensure that only MDE staff authorize program and database changes.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

MDE and DTMB anticipate completion by August 30, 2014.

**FINDING 2013-017**

**MDE, SUBRECIPIENT MONITORING - FUNCTION CODES**

**RECOMMENDATION**

We recommend that MDE improve its internal control to ensure that subrecipient budgets only include applicable function codes.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The Schoolwide Consolidation Function Codes will only be accessible in the MEGS+ software application to subrecipients identified and approved for consolidating funds by May 2014. Training on the appropriate uses of and processes for function codes will be included as an agenda item at Office of Field Services staff meetings at least twice a year. The function codes will be reviewed with consultants during the initial application process in May/June and during the amendment process in December/January. Special attention will be given to the importance of accuracy, to "special situations," and to the function codes that are not commonly used. MDE anticipates completion by January 2015.

**FINDING 2013-018**

**CENTRALIZED SUBRECIPIENT MONITORING - OMB CIRCULAR A-133 SUBRECIPIENT AUDIT REQUIREMENTS**

**RECOMMENDATION**

We recommend that the affected State departments establish a process to ensure that subrecipient single audit reports are received when required and to ensure that management decisions are issued within six months of the receipt of a single audit report.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The responsibility for monitoring of subrecipient audit reports was transferred back to the State departments in February 2014. The State departments will be responsible for developing a process to ensure subrecipient fiscal year 2013 single audit reports are received and that management decisions are issued as required.

The Office of Financial Management (OFM) is currently in the process of analyzing the extent of the backlog for subrecipient fiscal year 2011 and fiscal year 2012 audits. OFM will complete the required reviews of these audits. Completion is anticipated by December 31, 2014.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-019**

**DCH, ALLOWABLE COSTS/COST PRINCIPLES AND SPECIAL TESTS AND PROVISIONS - ENTITY DISCLOSURES**

**RECOMMENDATION**

We recommend that DCH collect all required disclosures from PIHP entities, MHP entities, and its PBM.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH obtained required disclosures for PIHPs in December 2013 and its PBMs in April 2014. DCH is reviewing the ownership collection form to ensure it collects all required disclosures from its managed care organization (MCO) provider entities. DCH plans to collect data for MCO providers in October and November of 2014.

The PBM vendor provided the additional disclosures and has scheduled an internal process to provide disclosures annually after March 31 of each contract year moving forward to demonstrate ongoing compliance.

**FINDING 2013-020**

**DCH, SPECIAL TESTS AND PROVISIONS - PHARMACY PROVIDER STATE LICENSE MONITORING**

**RECOMMENDATION**

We recommend that DCH implement a control to monitor pharmacy providers' State license status.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH Medical Services Administration (MSA) pharmacy staff is continuing to work with MSA pharmacy enrollment staff to develop a query for purposes of identifying pharmacy providers that have not yet completed CHAMPS enrollment for purposes of educating those providers of the issue and audit related urgency. DCH will work with all pharmacy providers that have not yet revalidated in CHAMPS to ensure that revalidation occurs. Future pharmacy licensure monitoring will be conducted by the CHAMPS on-line monitoring system. DCH anticipates completion by September 30, 2014.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-021**

**DCH, SPECIAL TESTS AND PROVISIONS - PREPAID INPATIENT HEALTH PLAN, PHARMACY BENEFITS MANAGER, AND MI CHOICE PROVIDER NETWORK MONITORING**

**RECOMMENDATIONS**

We recommend that DCH monitor pharmacy providers and its PIHP entities' network of providers to ensure that providers entered into provider agreements and make all required disclosures.

We also recommend that DCH maintain documentation to support its monitoring of MI Choice waiver agents' provider agreements and provider disclosures.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MSA pharmacy staff are working to identify which pharmacies have not yet completed CHAMPS enrollment. However, all pharmacies that are currently enrolled have completed a provider agreement and all required disclosures. DCH has also updated the template used during the Administrative Quality Assurance Review process to properly document the review of MI Choice waiver agents agreements and disclosures with providers. DCH will develop a process for its External Quality Review Organization to verify that its PIHPs entered into provider agreements with their providers and obtained all required disclosures. DCH anticipates completion by December 2014.

**FINDING 2013-025**

**CHILD AND ADULT CARE FOOD PROGRAM, CFDA 10.558, ALLOWABLE COSTS/COST PRINCIPLES, SUBRECIPIENT MONITORING - CLAIMS IN EXCESS OF AUTHORIZED CAPACITY**

**RECOMMENDATION**

We recommend that MDE ensure that reimbursements for meal claims do not exceed the authorized capacity of each institution.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

CACFP staff reviewed the excess claims for all of the identified centers. MDE contacted large community action and Head Start agencies and requested daily attendance and meal attendance to support the claims in question. MDE conducted on-site, unannounced visits to for-profit centers and reviewed their support for the claims in question.

As a result of its reviews, MDE determined that applications for seven institutions with total claims of \$6,005.76 had shift errors, but all of the reimbursed meals were eligible under the program. The applications will be amended to correct the errors.

**STATE OF MICHIGAN**  
**SINGLE AUDIT REPORT**  
**CORRECTIVE ACTION PLAN**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2013**

One institution with claims totaling \$1,176.79 had a flood and lost all CACFP paperwork. The U.S. Department of Agriculture (USDA) granted an "outside of control" exception to the institution for the missing records. Four institutions with total claims of \$1,745.51 were over capacity for claim months. Referrals for these institutions will be made to DHS. Two institutions with total claims of \$3,284.47 had claiming errors. One institution with \$6,019.64 in total claims was referred to the Office of the Inspector General for the USDA. Reimbursement for meals claimed in excess of the licensed capacity will be recouped through claim amendments.

Three institutions with total claims of \$8,476.13 no longer participate in the program. One institution's participation was terminated by MDE, and two no longer participate in CACFP due to loss of Head Start grant funding. Two institutions with total claims of \$5,900.13 are still being reviewed.

Although the current edit check of enrollment and days of meal service is in compliance with federal regulation 7 CFR 226.7(k), it will be discontinued beginning in fiscal year 2014-15. MDE will institute a new edit check to enforce a higher level of oversight for CACFP claims. The edit check will calculate the maximum number of meals or snacks that can be claimed using the number of days of meal service, capacity, and the number of shifts in the CACFP application.

MDE anticipates completion by October 1, 2014.

**FINDING 2013-030**

**AIRPORT IMPROVEMENT PROGRAM, CFDA 20.106, REPORTING - ACCURACY OF REPORTS**

**RECOMMENDATION**

We recommend that MDOT prepare SF-271 and SF-425 reports in accordance with the reports' instructions.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MDOT will prepare future SF-271 and SF-425 reports in accordance with instructions. MDOT anticipates completion by September 30, 2014.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-031**

**HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE CAPITAL ASSISTANCE GRANTS, CFDA 20.319 AND 20.319 (ARRA), MATCHING, LEVEL OF EFFORT, AND EARMARKING AND REPORTING - MEETING MATCHING REQUIREMENTS**

**RECOMMENDATION**

We recommend that MDOT ensure that match expenditures reported to FRA are for activities allowed and allowable costs.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

MDOT will update procedures to ensure that all future matching costs conform to terms and conditions of the federal award and are adequately documented. MDOT anticipates completion by September 30, 2014.

**FINDING 2013-032**

**HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE CAPITAL ASSISTANCE GRANTS, CFDA 20.319 AND 20.319 (ARRA), REPORTING - ACCURACY OF REPORTS**

**RECOMMENDATION**

We recommend MDOT submit accurate reports to FRA.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

- a. MDOT verified with FRA the information that should be included on the FFR. MDOT will update procedures to ensure that the accrual method is used for all future report submissions.
- b. MDOT will contact FRA to determine the necessary corrective action.

MDOT anticipates completion by October 31, 2014.

**FINDING 2013-035**

**SCHOOL IMPROVEMENT GRANTS CLUSTER, CFDA 84.377 AND 84.388 (ARRA), SUBRECIPIENT MONITORING - INCORRECT CFDA**

**RECOMMENDATION**

We recommend that MDE ensure that subrecipients are notified of the correct CFDA number.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The deficiencies noted in the finding have been corrected in the migration to MEGS+ for SIG Cohort II. MDE loads ARRA and regular 1003(g) funding into separate allocations in the MEGS+ SIG application. Separate budgets are developed and GAN is created under the correct CFDA.

MDE will survey the SIG Cohort II applications to determine which local educational agencies (LEAs) received funding under both CFDAs. Any with incorrect CFDAs will be revised, and the corrected GAN will be uploaded as an attachment in MEGS. LEAs will be notified via e-mail of the corrected GAN.

MDE anticipates completion by September 30, 2014.

**FINDING 2013-036**

**REHABILITATION SERVICES - VOCATIONAL REHABILITATION GRANTS TO STATES, CFDA 84.126, CASH MANAGEMENT - INAPPROPRIATE FUNDING TECHNIQUES**

**RECOMMENDATION**

We recommend that the Department of Treasury, in conjunction with LARA, include LARA's portion of the total Statewide expenditures for the Rehabilitation Services - Vocational Rehabilitation Grants to States Program in the Treasury-State Agreement.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The Department of Treasury, in conjunction with LARA and DHS, will amend the Treasury-State Agreement to include LARA's portion of the program in Part A. The Department of Treasury anticipates completion by September 30, 2014.

**FINDING 2013-037**

**TANF CLUSTER, CFDA 93.558, ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES - LACK OF SURVEY DOCUMENTATION FOR REVERSE COMMUTE EXPENDITURES**

**RECOMMENDATION**

We recommend that DHS maintain survey documentation to support TANF recipients' need for job access reverse commute expenditures in the TANF Cluster.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS is developing a process to monitor the interagency agreement for compliance with the agreement terms. This includes obtaining the surveys administered by the transit authority to ensure the correct survey form is used. DHS anticipates completion by October 1, 2014.

**FINDING 2013-038**

**TANF CLUSTER, CFDA 93.558, ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES - UNALLOWABLE JUVENILE JUSTICE EXPENDITURES**

**RECOMMENDATION**

We recommend that DHS seek clarification from the U.S. Department of Health and Human Services' (HHS's) Administration for Children and Families (ACF) to determine that the services provided by the county programs are not considered juvenile justice system services and therefore meet the requirements for TANF Cluster claims.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Although DHS believes the services in question are TANF eligible, DHS will seek clarification from ACF to determine whether the services provided by the county programs are not considered juvenile justice system services and therefore meet the requirements for TANF Cluster claims.

DHS agrees that the fiscal controls over the programs reviewed for TANF eligibility could be strengthened. DHS will implement an annual review of County Child Care Fund annual plans to determine the allowability of TANF claims.

DHS anticipates completion by October 1, 2014.

**FINDING 2013-040**

**TANF CLUSTER, CFDA 93.558, ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - LACK OF ELIGIBILITY DOCUMENTATION**

**RECOMMENDATION**

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

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will continue its efforts to educate staff regarding policy, eligibility factors, and documentation requirements. DHS Field Operations Administration will issue a communication to provide staff with guidance on the program eligibility requirements, the sources of information needed to determine eligibility, and the requirement to obtain and retain documentation in the case record to support eligibility determinations. County offices will review the communication with staff. DHS anticipates completion by October 1, 2014.

**FINDING 2013-041**

**TANF CLUSTER, CFDA 93.558, ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; MATCHING, LEVEL OF EFFORT, AND EARMARKING; AND REPORTING - UNALLOWABLE JUVENILE JUSTICE MOE EXPENDITURES**

**RECOMMENDATION**

We recommend that DHS seek clarification from HHS's ACF to determine that the services provided by the county's programs are not considered juvenile justice system services and therefore meet the requirements of the TANF Cluster laws and regulations for MOE qualified State expenditures.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Although DHS disagrees with this finding, DHS will seek clarification from ACF to determine that the services provided by the county's programs are not considered juvenile justice system services and therefore meet the requirements of the TANF Cluster laws and regulations for MOE qualified State expenditures. DHS anticipates completion by October 1, 2014.

**FINDING 2013-042**

**TANF CLUSTER, CFDA 93.558, ELIGIBILITY - LACK OF PROCESS TO IDENTIFY DRUG FELONY VIOLATIONS**

**RECOMMENDATIONS**

We recommend that DHS establish a sufficient process to identify all individuals receiving TANF Cluster assistance who were convicted of a drug-related felony and are in violation of their probation or parole requirements or who were convicted of two or more drug-related felonies.

We also recommend that DHS ensure that it does not automatically deny TANF Cluster-funded adoption subsidies to individuals convicted of drug-related felonies who are not in violation of their probation or parole requirements.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS Field Operations Administration (FOA) will research the provisions of the agreement with the Michigan Department of State Police and, if necessary, will explore the feasibility of expanding the agreement to include individuals convicted of a drug-related felony and in violation of probation requirements or had two or more drug-related felonies.

Research activities will be completed by January 1, 2015. If a new data match is to be implemented, the time frame for implementation will be determined as the IT work project is prioritized.

**FINDING 2013-046**

**TANF CLUSTER, CFDA 93.558, MATCHING, LEVEL OF EFFORT, AND EARMARKING AND SPECIAL TESTS AND PROVISIONS - CHILD SUPPORT NONCOOPERATION**

**RECOMMENDATIONS**

We recommend that DHS appropriately sanction TANF Cluster families who do not cooperate with establishing paternity and child support orders.

We also recommend that DHS improve its internal control to ensure that it timely sanctions TANF Cluster families who do not cooperate with establishing paternity and child support orders.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS county offices will be provided instructions regarding use of "change mode" status and "ongoing" status in the Bridges application. DHS business service centers and DHS county offices will be provided instructions to monitor the activity utilizing the MU-100 Mass Update Report. DHS anticipates completion by October 1, 2014.

**FINDING 2013-047**

**TANF CLUSTER, CFDA 93.558, MATCHING, LEVEL OF EFFORT, AND EARMARKING AND SPECIAL TESTS AND PROVISIONS - PENALTY FOR REFUSAL TO WORK**

**RECOMMENDATION**

We recommend that DHS appropriately and timely sanction TANF Cluster families who refuse to engage in work and are not subject to good cause exceptions established by DHS.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will continue its efforts to educate staff regarding policy, eligibility factors, and documentation requirements. DHS Field Operations Administration will issue a communication to provide staff with guidance on the program eligibility requirements, the sources of information needed to determine eligibility, the requirement to obtain and retain documentation in the case record to support eligibility determinations, and the requirements and actions for noncooperation with work requirements. County offices will review the communication with staff. DHS anticipates completion by October 1, 2014.

**FINDING 2013-048**

**TANF CLUSTER, CFDA 93.558, REPORTING - ACCURACY OF REPORTS**

**RECOMMENDATION**

We recommend that DHS submit accurate ACF-204 reports and maintain documentation to support key expenditure and program information in its ACF-204.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will develop a process to compare the report to the supporting documentation to ensure these reports are accurate and supported prior to submission to HHS. DHS anticipates completion by January 1, 2015.

**FINDING 2013-049**

**CCDF CLUSTER, CFDA 93.575 AND 93.596, ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; MATCHING, LEVEL OF EFFORT, AND EARMARKING; AND SPECIAL TESTS AND PROVISIONS - LACK OF DOCUMENTATION**

**RECOMMENDATION**

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

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. DHS Field Operations Administration (FOA) will issue a communication to provide staff with guidance on the program eligibility requirements and the requirements to obtain and retain documentation in the case record to support eligibility determinations. County/district offices will review the communication with staff.

STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

MDE will continue to complete random Child Development and Care case reads and provide review results quarterly with FOA, business service centers and county/district offices for corrective action and to identify trends to target training.

Additionally, MDE centralized unlicensed provider enrollment within the Office of Great Start/Child Development and Care program effective January 1, 2013. All unlicensed provider applications and background checks (provider and adult household members) are processed within this unit to ensure proper enrollment, and all applications processed by the unit are stored electronically. Four of the provider files reviewed were from periods after MDE assumed responsibility for this function. No errors were cited for these files.

MDE and DHS anticipate completion by October 1, 2014.

**FINDING 2013-052**

**CCDF CLUSTER, CFDA 93.575 AND 93.596, SPECIAL TESTS AND PROVISIONS - FRAUD DETECTION AND REPAYMENT**

**RECOMMENDATION**

We recommend that MDE and DHS develop and implement sufficient processes to help ensure that MDE and DHS initiate and pursue repayment efforts for all fraudulent child care payments.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Corrective actions related to parts a. and b. of the finding were completed in June 2013. For part c. of the finding, DHS has submitted work requests for enhancements to Bridges that will automate tracking of delinquent claims in BRS. A projected completion date for part c. will not be known until the work requests are prioritized. When prioritized, a time line for completing the project will be established.

**FINDING 2013-057**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - BENEFICIARY ELIGIBILITY**

**RECOMMENDATIONS**

We recommend that DHS properly consider Medicaid eligibility documentation in accordance with the eligibility requirements. We also recommend that DCH and DHS maintain

STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

documentation to support that beneficiary eligibility was determined in accordance with eligibility requirements.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. DHS Field Operations Administration will issue a communication to provide guidance to staff on the program eligibility requirements and the requirements to obtain and retain documentation in the case record to support eligibility determinations. County offices will review the communication with staff. DCH is also working to re-draft the Department's interagency agreement and will bolster language as it relates to roles and responsibilities for each Department. The departments anticipate completion by October 1, 2014.

FINDING 2013-058

MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - UNDER AGE 21 ELIGIBILITY GROUP

RECOMMENDATION

We recommend that DCH and DHS perform timely eligibility reviews for beneficiaries in the "under age 21" Medicaid eligibility group to determine if Medicaid eligibility should be continued after the beneficiaries' 21st birthday.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Joint departmental meetings have been conducted. Requirements have been developed and are in the process of being finalized to address aging out issues identified in the audit. The implementation of the corrective actions has not yet been formally scheduled. The departments anticipate corrective action during 2015.

FINDING 2013-060

MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - BENEFICIARIES WITH MULTIPLE MEDICAID IDENTIFICATION NUMBERS

RECOMMENDATION

We recommend that DCH implement internal control to prevent, detect, or correct payments made on behalf of beneficiaries that were assigned more than one Medicaid identification number.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS implemented additional monitoring procedures to identify and correct duplicate beneficiary records in Bridges. DHS has recently implemented changes through MiSACWIS that will systematically address the majority of duplicate IDs created. The DCH Customer Services Division continues to communicate with DHS regarding identified duplicate IDs through the established Medicaid Problem Resolution process. DCH Eligibility Quality Assurance is in the initial stages of developing a process in collaboration with DHS to assist them in addressing this issue. Continued work on this process has been delayed as a result of priorities with the Healthy Michigan Program implementation. The departments anticipate corrective action during 2015.

**FINDING 2013-062**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - MI CHOICE ANNUAL COST RECONCILIATIONS**

**RECOMMENDATION**

We recommend that DCH perform annual cost reconciliations to ensure that MI Choice payments are made for the proper amount, for authorized services, and for services provided to eligible individuals.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH has identified and corrected all known issues related to MI Choice cost reconciliations. MI Choice reconciliations for fiscal years 2008-09 through 2011-12 are currently in process and DCH expects to complete them by October 2014. DCH expects to complete fiscal year 2012-13 cost reconciliations by February 2015. As of fiscal year 2013-14, the Department has converted the MI Choice program to a full risk, managed care, capitated reimbursement model. This conversion eliminates the need for annual reconciliations.

**FINDING 2013-063**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - PRACTITIONER FEE-FOR-SERVICE REIMBURSEMENT**

**RECOMMENDATION**

We recommend that DCH ensure proper payment of practitioner fee-for-service claims for the Medicaid Cluster.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH is working with DHS to implement additional monitoring activities to identify and correct duplicate beneficiary identification numbers. Additional policy changes and post payment recovery processes will be implemented where applicable regarding retroactive health plan enrollments. A deeper analysis of the remaining fee-for-service payments cited in the finding showed that the beneficiary was admitted to the hospital and was enrolled in fee-for-service upon admission. Later during the hospital stay, the hospital enrolled the patient in a Health Plan. Under existing policy fee-for-service is responsible for payment of all claims during the hospital stay. No further corrective action will be necessary for this portion of the finding.

DCH is in the process of making necessary changes to help ensure claims are paid only in the appropriate place of service. The anticipated completion will coincide with the next available CHAMPS release.

**FINDING 2013-064**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - THIRD PARTY LIABILITY NOTIFICATION**

**RECOMMENDATION**

We recommend that DHS notify DCH of other insurance for beneficiaries that report other insurance on their assistance applications.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. DHS Field Operations Administration will issue a communication to provide staff with guidance on the program eligibility requirements and notifying DCH when a client discloses other insurance on the assistance application. County offices will review the communication with staff. DHS anticipates completion by October 1, 2014.

In addition, DHS has improved the way they send this information to DCH by now utilizing an online form. Future enhancements are also planned to allow DHS workers the ability to submit TPL information within BRIDGES and interface to CRM to create a service request for the Third Party Liability Division.

**STATE OF MICHIGAN**  
**SINGLE AUDIT REPORT**  
**CORRECTIVE ACTION PLAN**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-065**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING – ASW CONTACT WITH CLIENTS AND PROVIDERS**

**RECOMMENDATION**

We recommend that DCH and DHS ensure that ASWs timely completed six-month reviews, annual redeterminations, and other required monitoring contacts for their assigned clients and providers.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS is completing independent reviews of the cases that were cited in the audit to ensure that reviews, redeterminations, and required monitoring contacts with clients and providers are completed. In addition, DCH and DHS are implementing the following corrective actions:

- In May 2014, DHS reorganized and centralized all Adult Services Program functions and is analyzing home help caseloads. This analysis is expected to aid DHS in effectively allocating ASW resources Statewide.
- Steps are currently underway to ensure that the periodic reviews are conducted and monitored by DHS management at all levels. DCH will also monitor compliance with these performance requirements.
- Elements of the six-month review policy are being reviewed and clarified.
- A quality assurance review process will be developed to monitor and confirm compliance with the requirements of the six-month review, annual redeterminations, and other monitoring contacts.
- DHS reiterated policy requirements to adult services staff on July 11, 2014.
- DHS adult services staff will complete mandatory training by September 30, 2014.
- DCH and DHS management at all levels will develop additional monitoring protocols as necessary to ensure compliance with corrective actions.
- DCH and DHS are evaluating whether they will begin design requirements for a new case management system or pursue additional enhancements to the existing system.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

DCH and DHS anticipate completion by January 1, 2015. An anticipated completion date for a new or enhanced system will not be known until after the evaluation is complete.

**FINDING 2013-066**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING – BENEFIT REDUCTION AND CERTIFICATION OF MEDICAL NEEDS**

**RECOMMENDATION**

We recommend that DCH and DHS ensure that they make required client benefit reductions and timely obtain client certifications of medical need.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will complete an independent review of all cases sampled in the audit to identify systemic weakness in policy and procedures. Cases that have missing documentation will be brought into compliance. In addition, DCH and DHS are implementing the following corrective actions:

- DHS reiterated policy requirements and expectations to adult services staff on July 11, 2014.
- Adult services staff will complete mandatory training by September 30, 2014.
- DCH and DHS management at all levels will develop additional monitoring protocols as necessary to ensure compliance with corrective actions.
- DCH and DHS are evaluating whether they will begin design requirements for a new case management system or pursue additional enhancements to the existing system.

DCH and DHS anticipate completion by January 1, 2015. An anticipated completion date for a new or enhanced system will not be known until after the evaluation is complete.

STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

FINDING 2013-067

MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - INELIGIBLE PAYMENTS

RECOMMENDATION

We recommend that DCH and DHS ensure that HHP clients meet HHP eligibility criteria prior to paying for HHP services.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS has reviewed all of the cases identified in this finding and taken necessary actions where appropriate. In addition, the following actions have been taken or are currently underway:

- A system edit was implemented in March 2014 which prohibits the ASW from entering an authorization for a client without an assessment score of 3 or higher in at least one ADL.
- DCH and DHS are currently developing a post payment review process to identify potential home help reimbursement in conjunction with hospitalization. As part of this process, existing policy will be reviewed and updated if necessary.
- System edits were implemented in April 2014 that effectively stops the authorization from generating a payment for any clients that are identified as being in a nursing facility. In addition, data queries will continue to occur on a monthly basis and any payments identified while the client is receiving nursing home level of care will be referred to DHS for recoupment.
- Adult services staff will complete mandatory training by September 30, 2014.
- DCH and DHS management at all levels will develop additional monitoring protocols as necessary to ensure compliance with corrective actions.
- DCH and DHS are evaluating whether they will begin design requirements for a new case management system or pursue additional enhancements to the existing system.

DCH and DHS anticipate completion by January 1, 2015. An anticipated completion date for a new or enhanced system will not be known until after the evaluation is complete.

**STATE OF MICHIGAN**  
**SINGLE AUDIT REPORT**  
**CORRECTIVE ACTION PLAN**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-068**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - PROVIDER LOG OR INVOICE DOCUMENTATION**

**RECOMMENDATION**

We recommend that DCH and DHS timely obtain sufficient documentation, including provider service logs or invoices and provider and client verification, to ensure that providers have delivered the services paid for through a preauthorized payment process.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH and DHS are undergoing a formal business process review of HHP which has recommended several process improvements, including confirmation of the need for a post service payment system. In addition, DCH and DHS are implementing the following corrective actions:

DCH and DHS will look at alternative preauthorization periods and assess the impact and feasibility of switching to a shorter period in lieu of the current 13 month preauthorization.

DHS reiterated documentation requirements to adult services staff on July 11, 2014.

DHS adult services staff will complete mandatory training by September 30, 2014.

- DCH and DHS will review short term solutions recommended by the business process review and determine implementation time lines.
- DCH and DHS management at all levels will develop additional monitoring protocols as necessary to ensure compliance with corrective actions.
- DCH and DHS are evaluating whether they will begin design requirements for a new case management system or pursue additional enhancements to the existing system.

DCH and DHS anticipate completion by January 1, 2015. An anticipated completion date for a new or enhanced system will not be known until after the evaluation is complete.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-069**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - AGENCY PROVIDER OVERPAYMENTS**

**RECOMMENDATION**

We recommend that DCH ensure that agency providers meet the requirements to receive the higher agency pay rate.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH has discontinued the practice of provisional approval. All providers have been notified of the provider agency requirements. Agencies with inadequate documentation or those receiving the agency rate without DCH approval have been given notification to either obtain requisite approval or be moved to individual provider rate. DCH anticipates completion by October 2014.

**FINDING 2013-070**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; MATCHING, LEVEL OF EFFORT, AND EARMARKING; AND SPECIAL TESTS AND PROVISIONS - UTILIZATION CONTROL AND PROGRAM INTEGRITY - REFERRAL OF SUSPECTED CLIENT AND PROVIDER FRAUDS**

**RECOMMENDATIONS**

We recommend that DCH and DHS establish a process for ASWs to refer suspected HHP provider frauds to DCH's OIG for investigation and potential referral for prosecution.

We also recommend that DHS implement measures to ensure that ASWs refer suspected HHP client frauds to the DHS's OIG for investigation and potential referral for prosecution.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

In April 2014, DCH, DHS, and the Office of the Attorney General developed a coordinated process that delineated responsibilities across departments. This new process designates the DHS Inspector General as the single point of entry for suspected HHP fraud referrals. This new process includes tracking mechanisms so that referrals can be adequately tracked from start to finish.

DHS is completing an independent review of all the cases cited in the audit. Based on these reviews, appropriate overpayment referrals will be made to DCH for recovery, and referrals will be made to the DHS Office of the Inspector General for suspected fraud if appropriate.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

In addition, DCH and DHS are implementing the following corrective actions:

- DHS reiterated policy requirements and expectations to adult services staff on July 2, 2014.
- Adult services staff will complete mandatory training by September 30, 2014.
- DCH and DHS management will develop additional monitoring protocols as necessary to ensure compliance with corrective actions.

DCH and DHS anticipate completion by October 1, 2014.

**FINDING 2013-071**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES AND SPECIAL TESTS AND PROVISIONS - MI CHOICE AND PACE PROGRAM RECOVERIES**

**RECOMMENDATIONS**

We recommend that DCH recover MI Choice and PACE overpayments identified by its contracted quality improvement organization.

We also recommend that DCH refund the federal share of identified MI Choice and PACE overpayments within one year of discovery.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH is currently confirming the disposition of the cases cited in the Medicaid Provider Appeal process. DCH anticipates completion by September 2014.

**FINDING 2013-072**

**CHILD SUPPORT ENFORCEMENT, CFDA 93.563, ALLOWABLE COSTS/COST PRINCIPLES; PROCUREMENT AND SUSPENSION, AND DEBARMENT; AND SUBRECIPIENT MONITORING - E-GRAMS SECURITY MANAGEMENT AND ACCESS CONTROLS**

**RECOMMENDATION**

We recommend that DHS and DTMB establish effective security management and access controls over E-GrAMS.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS and DTMB agree that security agreements were not required and that they did not maintain documentation to show authorization for user access. However, due to the functionality of the E-GrAMS application, there are processes that minimize the risk of unauthorized access.

The ability for DHS, DTMB, or the system vendor to use the impersonation function has been revoked. The contractor/grantee ability to use the impersonation function has been left intact, but a report was created to facilitate monitoring of the user impersonation function. This will provide assurance that bills are not submitted when the user impersonation function is used. By October 1, 2014, the system vendor will implement user impersonation logging that will record any actions performed. This will enhance the monitoring function to include all actions, not just the submittal.

DHS and DTMB will analyze this issue further to ensure that appropriate controls are in place. DHS and DTMB anticipate completion by October 1, 2014.

**FINDING 2013-073**

**REFUGEE AND ENTRANT ASSISTANCE - STATE ADMINISTERED PROGRAMS, CFDA 93.566, ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, AND ELIGIBILITY - ASSISTANCE TO INELIGIBLE REFUGEE**

**RECOMMENDATION**

We recommend that DHS appropriately use REAP funds for medical services incurred on behalf of eligible refugees.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will evaluate possibilities for a cost-effective process to make adjustments when it learns a client receiving refugee medical assistance is retroactively eligible for Medicaid at the time of application. DHS anticipates completion by October 1, 2014.

**FINDING 2013-076**

**REFUGEE AND ENTRANT ASSISTANCE - STATE ADMINISTERED PROGRAMS, CFDA 93.566, PERIOD OF AVAILABILITY - SERVICES PROVIDED PRIOR TO THE PERIOD OF AVAILABILITY**

**RECOMMENDATIONS**

We recommend that DHS implement a process to identify and obligate refugee medical assistance expenditures in the appropriate REAP CMA grant award year.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

We also recommend that DHS review the dates the refugee medical assistance services are provided to ensure that the expenditures are charged to the appropriate REAP CMA grant within the period of availability.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will implement procedures to ensure that refugee medical assistance expenditures are obligated and charged to the appropriate year. DHS anticipates completion by October 1, 2014.

**FINDING 2013-077**

**LOW-INCOME HOME ENERGY ASSISTANCE, CFDA 93.568, ALLOWABLE COSTS/COST PRINCIPLES - LACK OF STATE PLAN AMENDMENT FOR CHANGE IN HOME HEATING CREDIT REDUCTION FACTOR**

**RECOMMENDATION**

We recommend that DHS improve its internal control to ensure that it amends the LIHEAP State Plan for changes in the reduction factor used to calculate HHC assistance.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS and the Department of Treasury will add a provision in the interagency agreement to require that the Department of Treasury inform DHS of any reduction factor changes. DHS will use this information to amend the State Plan. DHS anticipates completion by October 1, 2014.

**FINDING 2013-080**

**LOW-INCOME HOME ENERGY ASSISTANCE, CFDA 93.568, ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, AND ELIGIBILITY - PROPRIETY OF LIHEAP-FUNDED PAYMENTS**

**RECOMMENDATION**

We recommend that DHS ensure the propriety of LIHEAP-funded SER energy payments.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS is developing a quality assurance review process for the SER program to monitor compliance with client eligibility and case file documentation requirements to ensure the propriety of LIHEAP-funded SER energy payments.

DHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. DHS Field Operations Administration will issue a communication

STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

to provide staff with guidance on the program eligibility requirements, the sources of information needed to determine eligibility, and the requirements to obtain and retain documentation in the case record to support eligibility determinations. County offices will review the communication with staff.

DHS anticipates completion by October 1, 2014.

**FINDING 2013-081**

**LOW-INCOME HOME ENERGY ASSISTANCE, CFDA 93.568, ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, AND ELIGIBILITY - ENERGY DIRECT PROGRAM COMPLIANCE**

**RECOMMENDATIONS**

We recommend that DHS monitor the energy provider's performance of its contractual obligations to ensure that LIHEAP Energy Direct Program payments are made on behalf of LIHEAP eligible clients.

We also recommend that DHS require the energy provider to adhere to its contractual obligations.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Future contracts with this provider for energy assistance services will include more specific provisions for reporting expectations, client eligibility, and assistance payments. DHS will monitor contract compliance by reviewing the amounts billed and ensuring that required data files are submitted with all required data elements identified in the contract. DHS is seeking to have the provider return the SER funds for clients enrolled in the Energy Direct Program. DHS anticipates completion by October 1, 2014.

**FINDING 2013-083**

**FOSTER CARE - TITLE IV-E, CFDA 93.658 AND 93.658 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - LACK OF FOSTER CHILD U.S. CITIZENSHIP DOCUMENTATION**

**RECOMMENDATION**

We recommend that DHS maintain documentation that verifies foster children's U.S. citizenship.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The DHS county offices where deficiencies were identified have already provided refresher training to all foster care supervisors regarding documentation requirements. A communication to all DHS offices will be issued reiterating to staff the importance of proper documentation. In addition, workers will be encouraged to make a photocopy of the birth certificate to be placed in the file until another birth certificate is obtained.

The Michigan Statewide Automated Child Welfare Information System (MiSACWIS) launched April 30, 2014. DHS is assessing the functionality of the system to determine the capability of uploading documents of citizenship at the time of the funding eligibility determination to ensure that proof of verification was received and to ensure that a copy is always available. DHS anticipates completion by October 1, 2014.

**FINDING 2013-084**

**FOSTER CARE - TITLE IV-E, CFDA 93.658 AND 93.658 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - PAYMENT ON BEHALF OF INELIGIBLE CHILD**

**RECOMMENDATIONS**

We recommend that DHS limit Foster Care - Title IV-E funded child care assistance eligibility to only foster children.

We also recommend that DHS appropriately update child care assistance need reasons in Bridges when a foster child is adopted and is no longer eligible for Foster Care - Title IV-E funded child care assistance.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. DHS Field Operations Administration will issue a communication to provide staff with guidance on the program eligibility requirements, the sources of information needed to determine eligibility, and the requirements to obtain and retain documentation in the case record to support eligibility determinations. County offices will review the communication with staff. DHS anticipates completion by October 1, 2014.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-085**

**FOSTER CARE - TITLE IV-E, CFDA 93.658 AND 93.658 (ARRA), ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - LACK OF DOCUMENTATION FOR INITIAL CLOTHING MAINTENANCE PAYMENTS**

**RECOMMENDATION**

We recommend that DHS maintain documentation to support foster children's need for initial clothing items.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The DHS county offices involved have provided refresher training to all foster care supervisors regarding documentation requirements. A communication to all DHS county offices will be issued by October 1, 2014 reiterating to staff the importance of proper documentation.

**FINDING 2013-088**

**ADOPTION ASSISTANCE, CFDA 93.659 AND 93.659 (ARRA), CASH MANAGEMENT - CASH DRAWS PRIOR TO DATE OF DISBURSEMENT**

**RECOMMENDATIONS**

We recommend that DHS make Adoption Assistance cash draws within the appropriate number of days after the date of adoption subsidy disbursement.

We also recommend that DHS report early cash draws on its annual interest report to the Department of Treasury for inclusion in the State's calculation of interest due to the federal government.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS will work with the Department of Treasury to attempt to identify a funding technique that is interest neutral and that can be accomplished within existing resources.

DHS will also work with the Department of Treasury to establish a reporting method to report the payments that are not immediately disbursed for inclusion in the State's calculation of interest due to the federal government if a new funding technique cannot be identified.

DHS anticipates completion by October 1, 2014.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-090**

**CHAFEE FOSTER CARE INDEPENDENCE PROGRAM, CFDA 93.674, ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING – INAPPROPRIATE PAYROLL EXPENDITURES**

**RECOMMENDATION**

We recommend that DHS ensure that payroll expenditures charged to CFCIP are incurred for CFCIP activities and meet the payroll documentation requirements of OMB Circular A-87 (federal regulation 2 CFR 225).

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

Federal regulations allow DHS to make adjustments retroactively for eight quarters. DHS plans to move the employees into the appropriate cost pool, make adjusting entries, and revise the federal reports. DHS anticipates completion by October 1, 2014.

**FINDING 2013-091**

**CHAFEE FOSTER CARE INDEPENDENCE PROGRAM, CFDA 93.674, ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; AND MATCHING, LEVEL OF EFFORT, AND EARMARKING - LACK OF DOCUMENTATION**

**RECOMMENDATION**

We recommend that DHS maintain documentation to support its appropriate use of CFCIP funds.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The program office began conducting internal reviews of YIT requests in fiscal year 2011-12. As cases are reviewed, caseworkers and supervisors in public and private agencies are asked to secure missing documents and make corrections as appropriate. County office directors are provided a summary of the findings for cases reviewed in their counties and are asked to take appropriate action. Technical assistance is offered to all DHS county offices that request it or are identified as needing technical assistance. The program office utilizes monthly supervisory phone calls coordinated by Child Welfare Field Operations to provide information related to YIT expenditures and documentation. Monthly technical assistance phone calls with coordinators of MYOI by the MYOI departmental analyst are used to address the appropriate use and documentation for YIT funds.

The program office will prepare a communication to be distributed to child welfare workers, supervisors, and administrators documenting the CFCIP findings from the fiscal year 2012-13

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

single audit. The communication will highlight areas of appropriate documentation, completion of required forms, and the need to obtain receipts. The program office will include instruction for obtaining receipts when making purchases from Internet sites. DHS anticipates completion by September 1, 2014.

**3. AUDIT RECOMMENDATIONS THE AGENCY DISAGREES WITH:**

**FINDING 2013-039**

**TANF CLUSTER, CFDA 93.558, ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES - USE OF FUNDS**

**RECOMMENDATION**

We recommend that DHS document that it appropriately used TANF Cluster funds it received for previously authorized AFDC State Plan expenditures.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS disagrees with the finding and is currently working with ACF to resolve the issue. DHS does not intend to take further action at this time.

**FINDING 2013-044**

**TANF CLUSTER, CFDA 93.558, MATCHING, LEVEL OF EFFORT, AND EARMARKING AND REPORTING - LACK OF SIGNED AGREEMENTS TO SUPPORT MOE EXPENDITURES**

**RECOMMENDATION**

We recommend that DHS timely execute all agreements with nonfederal third parties to appropriately count the third parties' expenditures toward the TANF Cluster MOE requirement.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

The federal regulations cited in the finding do not specify an agreement format nor require agreements with nonfederal third parties to be executed by both parties prior to the submission of TANF Cluster reports.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

DHS did have agreements with the third parties to count their expenditures toward its MOE requirement. The department corresponded, beginning in May 2013, with third parties in preparation for counting their expenditures toward its MOE requirement. These communications occurred in a variety of formats including teleconference, in-person meetings, Web-ex trainings, e-mail, and U.S. mail. The third party agencies voluntarily provided expenditure information prior to submission of the TANF reports, in a State-specified format, with the knowledge the information was to be used for MOE purposes. Also, DHS had provided the final version of the memorandum of understanding to 6 of the 8 nonfederal third parties prior to submission of the TANF Cluster reports. The remaining two nonfederal third parties had participated in the TANF MOE project every year since fiscal year 2008-09 and were aware of the third-party claiming and memorandum of understanding processes. DHS executed agreements with the 8 nonfederal third parties, beginning in December 2013 through February 2014, subsequent to submission of the TANF Cluster reports.

Although DHS disagrees with the finding, DHS will make efforts in the future to execute agreements with nonfederal third parties for the purpose of counting the third parties' expenditures toward the State's TANF MOE requirement prior to submission of federal TANF reports.

**FINDING 2013-045**

**TANF CLUSTER, CFDA 93.558, MATCHING, LEVEL OF EFFORT, AND EARMARKING AND REPORTING - MOE NEW SPENDING TEST**

**RECOMMENDATION**

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

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DHS disagrees with the finding and does not intend to take further action. The 1995 new spending limitation in federal regulation 45 CFR 263.5 applies unless there has been a change in the program since 1995. HHS's ACF has indicated that the new spending test applies where an "apples to apples" comparison can be made between current expenditures and fiscal year 1994-95 expenditures. If a State or local program has undergone any changes to its mission, purpose, costs, procedures, etc., then the "apples to apples" comparison is not possible. If a State or local program operating since fiscal year 1994-95 has undergone any changes in its operational components, it is reasonable to conclude that the program is no longer a pre-existing program and therefore it is not necessary to apply the new spending test to the program.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

The Great Start Readiness is a new program initiated in fiscal year 2008-09 Public Act 268. A prior program, known as the Michigan School Readiness Program, was in existence from 1985 to 2008. The new program has different program standards including comprehensive developmental screening as described in the Early Childhood Standards of Quality Pre-Kindergarten. Since 1995, the once exclusively part-day program has expanded to include full-day awards. The Great Start Readiness program includes a part day award of \$3,400 whereby the Michigan School Readiness program had an original part day award of \$2,500.

Therefore, the Great Start Readiness program was not funded in 1995 because an "apples to apples" comparison is not possible, which means the program is not subject to the new spending test.

**FINDING 2013-055**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES - THIRD PARTY LIABILITY - PREGNANCY AND BIRTHING-RELATED COSTS**

**RECOMMENDATION**

We recommend that DCH report all pregnancy and birthing-related Medicaid costs to FOC or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH disagrees with the finding and does not intend to take further action. As noted in the finding, federal regulation 42 CFR 433.138 requires DCH to develop a methodology for identifying third parties, determining third party liabilities, and recovering reimbursement. DCH has developed a methodology and has consistently applied the methodology for several years. The Medicaid state plan further allows for the State to determine confinement expenses for inclusion into the court order. The Medicaid state plan does not dictate what should be incorporated into confinement expenses. DCH made a conscious decision as to what services would be incorporated into its pregnancy and birthing-related cost methodology and specifically excluded some services.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-056**

**MEDICAID CLUSTER, CFDA 93.775, 93.777, 93.778, AND 93.778 (ARRA), ALLOWABLE COSTS/COST PRINCIPLES - THIRD PARTY LIABILITY - SUSPENSION OF BIRTH EXPENSE REPORTING**

**RECOMMENDATION**

We recommend that DCH ensure that it receives DHS's OCS birth expense requests to identify and report pregnancy and birthing-related Medicaid costs to FOC or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support.

**MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN**

DCH agrees that it did not receive birthing expense requests from the FOC and will continue work with DHS leadership on the importance of identifying cases that require birthing-related Medicaid costs. However, the statutory requirements place responsibility on the Office of Child Support or its designee to obtain Medicaid covered expenses and do not provide DCH a method to ensure the submission of birthing expense requests. The Medicaid State Plan states: The prosecutor and/or court requests from the Third Party Liability Division a statement of confinement (birthing) expenses for inclusion in the court order. Throughout the fiscal year, DCH provided all confinement expenses for cases requested by the prosecutor and/or FOC. However, if DCH is not contacted, it does not have a method for identifying who to provide confinement expenses for.

**4. AUDIT RECOMMENDATIONS RELATED TO OTHER AUDITS:**

**FINDING 2013-099**

**Home Investment Partnerships Program, CFDA 14.239**

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2013, Finding 2013-002.

**FINDING 2013-100**

**Emergency Solutions Grant Program, CFDA 14.231 and Home Investment Partnerships Program, CFDA 14.239**

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2013, Finding 2013-003.

**STATE OF MICHIGAN  
SINGLE AUDIT REPORT  
CORRECTIVE ACTION PLAN  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**FINDING 2013-101**

**Unemployment Insurance, CFDA 17.225**

See Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2013, Finding 13-01.

**FINDING 2013-102**

**Unemployment Insurance, CFDA 17.225**

See Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2013, Finding 13-02.