STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN S. ROBERTS
DIRECTOR

December 28, 2016

MEMORANDUM

TO: Office of Internal Audit Services
            State Budget Office

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

SUBJECT: Fiscal Year 2015 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, 2015.

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.

Attachment

cc: Executive Office
     Doug Ringler, Auditor General
     Kevin Cotter, Speaker of the House
     Tim Greimel, House Minority Leader
     Arlan Meekhof, Senate Majority Leader
     Jim Ananich, Senate Minority Leader
     John Roberts, State Budget Director
     Nancy Duncan, Deputy State Budget Director
     Kyle Jen, Deputy State Budget Director
     Heather Boyd, 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, 2015

1. **Audit Recommendations the Agency has complied with:**
   2015-009, 2015-012, 2015-016, 2015-019, 2015-020, 2015-022, 2015-024, 2015-025, 2015-026, 2015-027, 2015-030, 2015-032, 2015-035, 2015-036, 2015-048, 2015-054, 2015-057, 2015-059 (part b), 2015-062, 2015-065, 2015-068

2. **Audit Recommendations the agency agrees with and will comply:**
   2015-001, 2015-002 (*part b), 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-010, 2015-011, 2015-013, 2015-014, 2015-015, 2015-017, 2015-018, 2015-021, 2015-023, 2015-028, 2015-029, 2015-031, 2015-033, 2015-034, 2015-037*, 2015-038, 2015-039, 2015-040, 2015-041, 2015-042, 2015-043, 2015-044, 2015-045, 2015-046, 2015-047, 2015-049, 2015-050, 2015-051, 2015-052, 2015-053, 2015-055, 2015-056, 2015-058, 2015-059 (part a), 2015-060, 2015-061, 2015-063, 2015-064

3. **Audit Recommendations the agency disagrees with:**
   2015-066, 2015-067

4. **Audit Recommendations Related to Other Audits:**
   2015-069, 2015-070, 2015-071

   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.

*Agency disagrees with the finding, but agrees to comply with the recommendation.

Finding 2015-001
Bridges Interface and Change Controls

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

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

Anticipated Completion Date:
July 31, 2019, subject to the pending Medicaid Modernization Project schedule.

Finding 2015-002
Bridges Security Management and Access Controls

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

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

MDHHS and DTMB will perform the following corrective actions:

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

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

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

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

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

Anticipated Completion Date:
  a. November 1, 2016
  b. November 1, 2016
  c. June 30, 2017
  d. November 1, 2016
  e. July 15, 2017

Finding 2015-003
Income Eligibility and Verification System

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

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

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

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

For part d., MDHHS Children's Services Administration identified the data elements that are to be shared between Michigan Statewide Automated Child Welfare Information System (MiSACWIS) and Bridges for the IEVS match process; however, project

requirements have not yet been identified so that WRs can be written and prioritized through the information technology governance process.

Anticipated Completion Date:
    a. July 31, 2019, subject to the pending Medicaid Modernization Project Schedule.

    b. and c. Issuance of the FOA Memo for local office staff education by October 2016. MDHHS expects the work group to be completed by December 2016, with a WR written if needed.

    d. MDHHS expects to have any WRs written and prioritized by December 31, 2016.

Finding 2015-004
ADP Security Program

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

Management Views and Corrective Action Plan
MDHHS and DTMB has worked with the business owners to develop a timeline for completion of all outstanding system ADP security programs. Implementation of the ADP security programs is expected to be completed by September 30, 2017.

Anticipated Completion Date:
The timeline for completion of the outstanding system ADP security programs is complete. Implementation of the specific system ADP security programs is expected to be completed by September 30, 2017.

Finding 2015-005
High-Risk Security and Access Controls

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

Management Views and Corrective Action Plan
For part a., MDHHS and DTMB will work with the business owners and vendors to establish and implement effective database security management and access controls over the operating systems for the Community Health Automated Medicaid Processing System (CHAMPS) and the Michigan Women, Infants, and Children Information System (MI-WIC).

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

Anticipated Completion Date:
September 30, 2016

Finding 2015-006
MiSACWIS Security Management and Access Controls

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

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

For part b., MDHHS completed a project review on December 31, 2015 of incompatible roles and ensured that the DHS-1029 (Request for Incompatible Roles) was completed for those who had a business need for the incompatible roles. In addition, MDHHS recently completed a review of roles that were identified as incompatible after the MiSACWIS rollout. The review disclosed that most incompatible role requests were related to one user group. MDHHS reviewed the system and business processes for that role. MDHHS determined that with the system enhancements that were put in place, the risk of improper authorizations and billings has been mitigated. MDHHS is in the process of updating its policies for incompatible roles for the MiSACWIS application.

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

Anticipated Completion Date:
    a. and b. November 30, 2016
    c. and d. October 1, 2016

Finding 2015-007
CHAMPS Security and Access Controls

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

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

Anticipated Completion Date:
October 1, 2016

Finding 2015-008
CHAMPS Claims Edits

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

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

Anticipated Completion Date:
September 2016

Finding 2015-009
MDE, IT Security and Controls

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

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

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

For part c., the DTMB database administrator team monitors an automated report on database activity weekly. The monitoring report includes logging a random sample of entries in a spreadsheet saved on SharePoint. Each entry that is logged into the spreadsheet is tracked back through the Team Foundation Server (TFS) to ensure the client has approved of the changes implemented and that it has been documented in TFS.

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

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

Anticipated Completion Date:
Completed

Finding 2015-010
MDHHS, PACAP - Accuracy of the PACAP

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

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

State's accounting system in the 4 sampled cost pools, even if the cost pool codes did not match.

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

Anticipated Completion Date:
October 1, 2016

Finding 2015-011
MDHHS, PACAP - Inappropriate PACAP Allocation

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

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

round out the CAP section include hiring two financial analysts/specialists. When fully
staffed, internal quality control efforts, including ensuring the accuracy of PACAP
quarterly cost allocation documentation, will be an integral part of the CAP section work.

Anticipated Completion Date:
October 1, 2016

Finding 2015-012
MDHHS, PACAP - Inappropriate Expenditures Charged to the PACAP

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

Management Views and Corrective Action Plan
For part a., MiSACWIS has implemented change control that will not allow payments to
include the placement end date.

For part b., recoupment functionality has been built into MiSACWIS to eliminate duplicate
payments and automatically process any recoupments.

Anticipated Completion Date:
Completed

Finding 2015-013
MDHHS, PACAP - Inappropriate PACAP Allocation Basis

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

Management Views and Corrective Action Plan
In March 2016, MDHHS implemented a new Cost Allocation Section within the Bureau of
Budget. This centralized unit is intended to enhance the effectiveness and quality of the
MDHHS PACAP development, implementation, and maintenance processes. The current
staffing of the section includes a manager, two departmental specialist/analyst positions
dedicated to the Random Moment Time Studies, a CAP maintenance analyst, and a CAP
implementation analyst. The CAP implementation analyst was hired in late April 2016.
This position is responsible for the development and maintenance of the statistical tools
needed for cost allocation methodologies and for working with the program areas to ensure
they are using the statistical tools to correctly capture and report level-of-effort detail for
quarterly cost allocation purposes. In addition, this analyst has lead responsibility for
coordinating the development of new account coding and staff recoding to ensure costs are
allocated in accordance with the department's CAP. The analyst will review quarterly data

for reasonableness and accuracy and serve as a liaison with the Bureau of Finance and Accounting in the use of cost allocation data for federal reporting purposes. Future plans to round out the CAP section include hiring two financial analysts/specialists. When fully staffed, internal quality control efforts, including ensuring the appropriateness of the PACAP allocation basis, will be an integral part of the CAP section work.

Anticipated Completion Date:
October 1, 2016

Finding 2015-014
MDHHS, PACAP - Service Organization Controls

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

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

Anticipated Completion Date:
September 2017

Finding 2015-015
MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Foster Care Payments on Behalf of Ineligible Children

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

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

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

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

Anticipated Completion Date:
June 2017

Finding 2015-016
MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking - Foster Care Payments to Ineligible Providers

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

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

Anticipated Completion Date:
Completed

Finding 2015-017
MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; Special Tests and Provisions - Payment Rate Setting and Application - Inappropriate Allocation of Foster Care Maintenance Payments

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

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

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

Anticipated Completion Date:
September 30, 2016

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

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

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

Management Views and Corrective Action Plan
MDHHS has updated the screening and disclosure form to meet all federal regulations 42
CFR 455.104 through 455.106 and includes submission of all required disclosure elements.
MDHHS received the screening and disclosure information from MHP entities utilizing the
new form following the new contract date in January 1, 2016. The information will be
updated in CHAMPS by September 30, 2016. For all remaining providers, MDHHS will
utilize a schedule to collect, update and enter in CHAMPS all required disclosures, and
monitor as applicable.

Anticipated Completion Date:
September 30, 2016

Finding 2015-019
MDE, Subrecipient Monitoring - Subaward Information

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

Management Views and Corrective Action Plan
MEGS+ was modified to display Federal Award Identifying Number (FAIN) information in all system generated grant award notifications (GANs) for all grants awarded after December 26, 2014. GANs for all fiscal year 2016 grant awards were able to display FAIN information if the grant was properly configured in MEGS+. The changes are backward compatible. MDE has updated the federal award information for all fiscal year 2015 grants so that the GANs generated through MEGS+ display the FAIN for all subawards.

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

Anticipated Completion Date:
Completed

Finding 2015-020
MDE, Subrecipient Monitoring - Function Codes

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

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

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

Anticipated Completion Date:
Completed

Finding 2015-021
Food Distribution Cluster, *CFDA* 10.565, 10.568, and 10.569, Subrecipient Monitoring - Annual Reviews

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

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

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

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

Finding 2015-022
Child and Adult Care Food Program, *CFDA* 10.558, Allowable Costs/Cost Principles and Subrecipient Monitoring - MiND Read-Only User Access

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

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

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

Anticipated Completion Date:
Completed

Finding 2015-023
Fish and Wildlife Cluster, *CFDA* 15.605, 15.611, and 15.626, Reporting and Special Tests and Provisions - RSS Controls

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

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

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

Anticipated Completion Date:
December 31, 2017

Finding 2015-024
Highway Planning and Construction Cluster, *CFDA* 20.205, 20.205 (ARRA), and 20.219, MAP Financial Obligation System and Project Accounting and Billing System - Access Controls

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

Anticipated Completion Date:
Completed

Finding 2015-025
Clean Water State Revolving Fund Cluster, *CFDA* 66.458, Cash Management - Inappropriate Funding Technique

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

Management Views and Corrective Action Plan
DEQ will make CWRSF administrative and payroll cash draws monthly, in accordance with the funding technique as required by the CMIA agreement while also incorporating EPA guidance. Also, DEQ incorporated into its year-end processes a full review of all grants for CMIA eligibility in cooperation with the Department of Treasury. The CWSRF Cluster moves in and out of the CMIA agreement depending on the funding level per fiscal year.

Anticipated Completion Date:
Completed

Finding 2015-026
Clean Water State Revolving Fund Cluster, *CFDA* 66.458, Subrecipient Monitoring - Obtaining Subrecipient Single Audit Reports

Recommendation
We recommend that DEQ obtain required subrecipient single audit reports.

Management Views and Corrective Action Plan
Untimely staff turnover in DEQ's Federal Aid section caused the items to become delayed. DEQ added a review process to ensure that CWSRF loan expenditures are considered when determining whether a subrecipient is required to submit an audit. The Financial Manager will also review the tracking sheet to ensure that staff continues to follow up with subrecipients that did not respond to inquiries as required by federal regulations.

Anticipated Completion Date:
Completed

Finding 2015-027
Clean Water State Revolving Fund Cluster, *CFDA* 66.458, Subrecipient Monitoring - Untimely Management Decisions

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

Management Views and Corrective Action Plan
Untimely staff turnover in DEQ's Federal Aid section caused these items to become
delayed. DEQ will issue management decisions within six months after receipt of a
subrecipient's single audit report per federal regulations. The process design has been
altered to include an additional review of the tracking log. The Federal Aid Coordinator
will review the tracking sheet at least monthly to ensure that staff are following up
appropriately.

Anticipated Completion Date:
Completed

Finding 2015-028
Special Education Cluster (IDEA), *CFDA* 84.027 and 84.173, Subrecipient
Monitoring - Final Expenditure Reports

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

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

A report will be run in CMS that identifies all grants with deviations of 10% or more on
FERs from approved budgets in MEGS+. All FERs from fiscal year 2015 that deviate 10%
or more will be reviewed and approved by Office of Great Start staff working with the Early
Childhood Special Education program.

Anticipated Completion Date:
All IDEA preschool subrecipient FERs (IDEA, Part B, 619) that were submitted in CMS
have been completed; however, additional FERs are due September 30, 2016 and November
30, 2016. Once submitted, all remaining fiscal year 2015 FERs will be reviewed by
December 31, 2016.

Finding 2015-029
Title I Grants to Local Educational Agencies, *CFDA* 84.010, Subrecipient
Monitoring - Cash Management

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

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

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

Finding 2015-030
Rehabilitation Services - Vocational Rehabilitation Grants to States, *CFDA* 84.126, Cash Management - Incorrect Quarterly Cash Settlement

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

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

Anticipated Completion Date:
Completed

Finding 2015-031
Rehabilitation Services - Vocational Rehabilitation Grants to States, *CFDA* 84.126, Eligibility - Timeliness of Eligibility Determinations

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

Management Views and Corrective Action Plan
LARA notes that no services were withheld or denied as a result of the lack of timeliness in the LARA cases and that all individuals in the cited cases were determined to be eligible for services.

LARA corrective actions include:

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

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

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

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

MDHHS corrective actions include:

1. MDHHS modified agency policy (MRS-PD-16-01) by strengthening monitoring protocols and adding new protocols to ensure that the customer eligibility assessment, eligibility determination, and eligibility determination extension and plan development meet all federal guidelines. These policy changes also included system enhancements.

2. MDHHS has implemented additional managerial oversite of Accessible Web-Based Activity and Reporting Environment (AWARE) database "Activity Due" reports to monitor application and eligibility time frame compliance. This action will include Site Managers, District Managers, and Division Directors.

3. MDHHS will train/retrain managers, counselors, and rehabilitation assistants on how to obtain and utilize reports in the AWARE system relating to the management of cases moving to eligibility status.

4. MDHHS will enhance counselor support through additional, already approved clerical staff hiring. Support staff will assist with following up with customers to obtain all necessary supporting documentation.

Anticipated Completion Date:
LARA completed and implemented the internal control policy April 15, 2016.

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

Finding 2015-032
Twenty-First Century Community Learning Centers, *CFDA* 84.287, Procurement and Suspension and Debarment - Suspension and Debarment Certification

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

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

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

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

Once the grant application went "live" within MEGS+, 21st CCLC staff reviewed the AAA-Test application to positively verify that the grant application programming achieved the desired result of including the specific language related to federal regulation 2 CFR 180.300 in the Assurances. This occurred before notification to grantees on April 18, 2016 that the grant application was "live" in MEGS+ and ready to be filled out and submitted to the department. 21st CCLC staff also re-verified that each application had the specific language included prior to approving the application for funding and before the grant award notification packet was approved through the department's approval process.

Finding 2015-033
TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Lack of Income Eligibility Documentation

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

Management Views and Corrective Action Plan
A CI system enhancement was completed during the March 2016 Bridges release, which allows for auto-storage of the CI results in the Electronic Case File (ECF). A SOLQ system enhancement, for auto-storage results in the ECF, has been built into Bridges and is scheduled for release on October 31, 2016.

Anticipated Completion Date:
The CI system enhancement has been completed. The SOLQ system enhancement is scheduled for release on October 31, 2016.

Finding 2015-034
TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Eligibility Documentation

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

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

- Family Automated Screening Tool (FAST) and Family Self-Sufficiency Plan (FSSP) - A work request (WR) was completed during the March 2016 Bridges release that addresses reissuing of the FAST and FSSP during reinstatement of cases. However, the WR that was implemented to address the identified issue necessitated an additional WR. This additional WR was written and prioritized as an immediate release; the release is expected by September 2016.

- Immunizations - Ongoing education for the local office staff will take place regarding the importance of case documentation.

- Age and relationship - A completed WR for the Birth Registry enhancement, which identifies an individual's age along with parent's detail, was part of the September 2015 Bridges release.

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

Finding 2015-035
TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

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

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

Anticipated Completion Date:
Completed

Finding 2015-036
TANF Cluster, *CFDA* 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Lack of Documentation to Identify Drug Felony Convictions and Parole/Probation Violations

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

Management Views and Corrective Action Plan
MDHHS FOA processed a work request that addressed the drug felony and probation or parole questions not listed on the on-line pdf version of the applications and redeterminations. However, it was subsequently removed from the pdf version in error.

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

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

Anticipated Completion Date:
Completed

Finding 2015-037
TANF Cluster, *CFDA* 93.558, Matching, Level of Effort, and Earmarking and Reporting - MOE New Spending Test

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

Management Views and Corrective Action Plan
Although MDHHS disagrees with the finding, MDHHS will continue to seek guidance from the HHS to ascertain whether these programs are exempt from the new spending test by sending a follow-up letter to HHS.

Anticipated Completion Date:
October 1, 2016

Finding 2015-038
TANF Cluster, *CFDA* 93.558, Special Tests and Provisions - Penalty for Refusal to Work and Adult Custodial Parent of Child Under Six When Child Care Not Available

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

Management Views and Corrective Action Plan
MDHHS will continue to educate workers on policy and verification requirements. MDHHS FOA will issue correspondence outlining the fiscal year 2015 single audit findings, so that they can be adequately addressed. Additional trainings and documentation examples will be provided to the Projects for Assistance in Transition from Homelessness

(PATH) Coordinators during monthly PATH calls. In addition, the Office of Quality Assurance and Internal Control and policy staff will continue ongoing case reads to help ensure compliance. During the May 6, 2016 PATH Coordinator meeting, discussion took place about ensuring good cause or why not giving good cause is clearly documented in Bridges.

Anticipated Completion Date:
FOA will issue correspondence by October 2016. PATH coordination occurred in July 2016. Case reads are ongoing.

Finding 2015-039
CCDF Cluster, *CFDA* 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Documentation

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

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

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

Anticipated Completion Date:
October 1, 2016

Finding 2015-040
CCDF Cluster, *CFDA* 93.575 and 93.596, Cash Management - Cash Management Process

Recommendation

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

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

Anticipated Completion Date:
September 30, 2016

Finding 2015-041
CCDF Cluster, *CFDA* 93.575 and 93.596, Eligibility - Disqualification of Clients and Providers

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

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

- CDC Reconciliation Report

- CDC Disqualification (DQ) Monitoring Report

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

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

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

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

Finding 2015-042
CCDF Cluster, *CFDA* 93.575 and 93.596, Special Tests and Provisions - Fraud Detection and Repayment

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

Management Views and Corrective Action Plan
Previous work requests (WRs) were initiated by the former Department of Human Services; however, due to information technology resource limitations, both were subsequently closed. MDHHS and MDE's 2015 interdepartmental performance agreement pertaining to Audits and Data Systems Technology outlined MDE's role of managing the identification of a time period for implementing CDC systems changes via DTMB. MDE has submitted new WRs applicable to Setting of Delinquency Date and Minimum Cash Payments Requirements; both are currently open and pending prioritization.

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

Anticipated Completion Date:
Completion is contingent upon prioritization and commitment of DTMB resources.

Finding 2015-043
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Transitional Medicaid Eligibility

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

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

Anticipated Completion Date:
November 2016

Finding 2015-044
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Beneficiary Eligibility

Recommendations
We recommend that MDHHS properly consider Medicaid eligibility documentation in accordance with eligibility requirements.

We also recommend that MDHHS maintain documentation to support that beneficiary eligibility was determined in accordance with eligibility requirements.

Management Views and Corrective Action Plan
For parts a. and b., MDHHS will develop a worker training module addressing the importance of utilizing available documentation when determining eligibility as well as the importance of maintaining copies of documentation used in the case file.

For part c., MDHHS will conduct a review of the eligibility determination system (modified adjusted gross income (MAGI) rules engine and Bridges case maintenance system) to ensure that MAGI budgets are being properly run, utilized in eligibility determinations, and stored appropriately.

Anticipated Completion Date:
January 2017

Finding 2015-045
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Under Age 21 Eligibility Group

Recommendation
We recommend that MDHHS ensure that Bridges and CHAMPS contain the appropriate termination date for beneficiaries in the "under age 21" Medicaid eligibility group.

Management Views and Corrective Action Plan
MDHHS will continue to review and monitor beneficiaries in the "under age 21" Medicaid eligibility group on a monthly basis to ensure the cases are redetermined when an individual ages out.

Anticipated Completion Date:
Ongoing

Finding 2015-046
Medicaid Cluster, *CFDA* **93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible Payments**

Recommendation
We recommend that MDHHS ensure that HHP clients meet HHP eligibility criteria prior to paying for HHP services.

Management Views and Corrective Action Plan
The ADL cases identified in part a. were for assessment errors and adjustments made to allow for proper payments following a case closure. These conditions will be addressed through ongoing staff training and monitored through the case read process conducted by local county supervision and MDHHS's monitoring vendor.

Related to parts b. and c., MDHHS produces point-in-time monthly reports that identify home help payments in conjunction with client hospitalizations or nursing facility stays. These reports are forwarded to the local office adult services staff for analysis and applicable recoupment, if necessary. However, due to the potential lag time for claim submission, these point-in-time reports are sometimes not capturing all overlapping services. Therefore, MDHHS will periodically conduct queries with a longer look-back period in order to identify any potential overlapping services that may not have been captured during previous reporting periods.

Anticipated Completion Date:
Training and case read monitoring is ongoing. MDHHS anticipates applying the longer look-back period in Home Help payment reports by September 30, 2016.

Finding 2015-047
Medicaid Cluster, *CFDA* **93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Benefit Reduction and Certification of Medical Needs**

Recommendation
We recommend that MDHHS ensure that it makes required client benefit reductions and timely obtains client certifications of medical need.

Management Views and Corrective Action Plan
MDHHS provided guidance to the Adult Services Workers on requirements such as prorating instrumental activities of daily living (IADLs) and obtaining the Medical Needs form (DHS-54A). Policy allows for exceptions to prorating, but those circumstances should have been identified in the record. In addition, MDHHS has reviewed department policy

regarding the DHS-54A and is testing changes to make its use more effective and efficient. Currently, there are obstacles to obtaining the DHS-54A that are beyond the Adult Services specialists' control. MDHHS is considering policy changes to minimize the obstacles and improve documentation compliance.

Anticipated Completion Date:
December 2016

Finding 2015-048
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - ASW Contact With Clients and Providers

Recommendation
We recommend that MDHHS ensure that ASWs timely complete six-month reviews and annual redeterminations for their assigned clients and providers.

Management Views and Corrective Action Plan
In October 2014, MDHHS implemented changes in the payment system that reduced the authorization period from 13 months to 6 months and allows payment only if there is a current review/redetermination date in the Adult Services Comprehensive Assessment Program (ASCAP). The authorization can only be posted following a face-to-face visit with the client. These changes tie together the home visits, authorizations, and payments in a way that decreases the likelihood of untimely home visits.

Anticipated Completion Date:
Completed

Finding 2015-049
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Health Services and Documentation

Recommendation
We recommend that MDHHS ensure that HHAs obtain the necessary approvals prior to providing services and that HHAs maintain appropriate documentation.

Management Views and Corrective Action Plan
MDHHS will reiterate the requirement for obtaining documentation of physician orders (written or verbal) prior to providing care or services. Subsequent to implementation of enhanced claim edits in December 2015, MDHHS recouped payments associated with inappropriate intermittent nurse visits in January 2016.

The Medicaid Provider Manual HHA chapter will be reviewed for areas that may benefit from additional guidance on documentation requirements and updated as necessary.

MDHHS will reiterate to HHAs their obligation to abide by all Medicare Conditions of Participation and policies in the Medicaid Provider Manual. In addition, providers are contractually responsible for being informed of all Medicaid updates. The MDHHS Listserv is offered as a means to communicate changes directly to providers. However, an HHA provider may choose to forgo this option and instead manually obtain updates through the MDHHS Web site. Communication will be sent to all HHAs via the HHAs' addresses listed in CHAMPS reminding providers of their contractual obligation to be informed of all Medicaid updates.

Anticipated Completion Date:
October 1, 2016

Finding 2015-050
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Emergency Services Only - Pharmacy Payments

Recommendation
We recommend that MDHHS provide eligible undocumented aliens with pharmacy services directly related to only an emergency condition.

Management Views and Corrective Action Plan
MDHHS partially agrees with the finding. MDHHS agrees that an Emergency Services Only (ESO) pharmacy claim is limited to those medications directly related to an emergency condition, but this should not be interpreted to mean a corresponding medical claim is required. Having a medical service claim paid prior to an ESO prescription is not a policy requirement. However, MDHHS acknowledges that it is sometimes difficult to determine emergency condition status on an ESO pharmacy stand-alone claim.

As a follow-up to the prior audit finding, the Pharmacy Management Division has initiated the following corrective actions:

1) Implementing point-of-sale coding to deny and require a beneficiary medication specific prior authorization for medications in select drug classes for ESO beneficiaries.

2) Sending an MDHHS Office of Inspector General referral for targeted post-payment audit prescription claims paid for ESO beneficiaries for products in drug classes the MDHHS Office of Medical Affairs identified as warranting individual clinical/medical necessity review to verify treatment or prevention of a potential life-threatening emergency in accordance with policy.

Anticipated Completion Date:
September 30, 2016

Finding 2015-051
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Provider Log Documentation

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

Management Views and Corrective Action Plan
In July 2015, MDHHS implemented a Web-based system for electronic service verification, as well as a paper service verification alternative for providers unable to use or access the Internet. This system was designed to aid in the timely reporting by providers. Starting in November 2016, payment issuance will be linked to the submission of the service log.

An Explanation of Benefits process will be implemented, in which a sample of clients will receive a record of services reported and will be asked to report any discrepancies with services received.

Anticipated Completion Date:
November 2016

Finding 2015-052
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Practitioner Reimbursement

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

Management Views and Corrective Action Plan
MDHHS will perform an analysis of the identified payments and recover as appropriate.

Anticipated Completion Date:
December 2016

Finding 2015-053
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Agency Provider Overpayments

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

Management Views and Corrective Action Plan
MDHHS reviewed the application documentation for all agencies on the approved list. Letters were sent to agencies with incomplete records requiring them to provide the documentation necessary for approval. Multiple efforts were made to contact agencies that did not reply. Final letters were sent to the agencies that had not complied informing them that their rates would be reduced to the individual provider rates. MDHHS is in the process of replacing the ASCAP application, and additional payment controls will be implemented as part of that process.

Anticipated Completion Date:
ASCAP implementation is expected in early fiscal year 2017.

Finding 2015-054
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Improper DMEPOS Payments

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

Management Views and Corrective Action Plan
MDHHS will research options for preventing duplicate payments for Medicare-submitted crossover claims and provider-submitted claims. MDHHS has processed recoveries for the impacted claims. In addition, MDHHS has implemented a quarterly sweep of claims to identify duplicate payments for recoupment going forward until an automated solution is implemented.

MDHHS will not seek recovery of the payments for beneficiaries in nursing facilities because when the claim adjudicated, the beneficiary eligibility record indicated that the beneficiary was not in a nursing facility for the date of service.

Anticipated Completion Date:
Completed

Finding 2015-055
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Beneficiaries With Multiple Medicaid Identification Numbers

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

Management Views and Corrective Action Plan
MDHHS will research additional options for preventing the creation of multiple Medicaid identification numbers for the same beneficiary. MDHHS will also develop a monitoring process to identify and correct any potential multiple Medicaid identification numbers that are assigned to the same beneficiary. In addition, MDHHS will develop a process to recover any potential improper payments.

Anticipated Completion Date:
October 2016

Finding 2015-056
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - MI Choice Overpayments

Recommendation
We recommend that MDHHS ensure that payments to long-term care providers are terminated for beneficiaries no longer eligible to receive services.

Management Views and Corrective Action Plan
MDHHS staff entered the correct level of care and the correct range of service dates, which should have triggered an automatic recoupment of the payments. However, a system defect prevented that from occurring. MDHHS has manually recouped the funds.   MDHHS will work with the system contractor to determine which release the system defect will be addressed in.

Anticipated Completion Date:
October 2016

Finding 2015-057
Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles - Third Party Liability - Pregnancy and Birthing-Related Costs

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

Management Views and Corrective Action Plan
In February 2016, system changes were implemented within MDHHS's Paternity Casualty Recovery System. This enabled MDHHS to include Maternal Infant Health Program (formerly Maternal Support Services/Infant Support Services) claims within future requests for considering court-ordered child support obligations.

Anticipated Completion Date:
Completed

Finding 2015-058
Refugee and Entrant Assistance - State Administered Programs, *CFDA* 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Assistance to Ineligible Refugees

Recommendation
We recommend that MDHHS redetermine the eligibility of all clients receiving refugee medical assistance for expanded Medicaid.

Management Views and Corrective Action Plan
MDHHS will develop a query to identify claims for beneficiaries that are retroactively enrolled in Medicaid subsequent to claim adjudication. These claims will be voided/reprocessed, so they are appropriately charged to Medicaid instead of REAP.

Anticipated Completion Date:
September 30, 2016

Finding 2015-059
Low-Income Home Energy Assistance, *CFDA* 93.568, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Incorrect Eligibility Determinations

<u>**Recommendation**</u>
We recommend that MDHHS ensure that clients receiving LIHEAP-funded SER energy
payments are eligible.

<u>**Management Views and Corrective Action Plan**</u>
For part a., MDHHS will continue worker education in regards to policy and required
verification. Also, the Office of Quality Assurance and Internal Control has recently pulled
a case read sample on SER energy payments. SER reads are done on a monthly basis. The
results are shared with LIHEAP program policy staff to identify potential issues.

For part b., MDHHS implemented a work request in February 2016 that requires
verification for any required client contribution prior to making payment.

Anticipated Completion Date:
    a. MDHHS worker education and case reads are ongoing.
    b. Completed

Finding 2015-060
<u>**Low-Income Home Energy Assistance, *CFDA* 93.568, Allowable Costs/Cost
Principles and Eligibility - Home Heating Credit Payment Errors**</u>

<u>**Recommendation**</u>
We recommend that MDHHS and the Department of Treasury ensure that they properly
calculate payments to individuals claiming the HHC.

<u>**Management Views and Corrective Action Plan**</u>
The Department of Treasury notes that it identified and corrected a system error related to
exemption amounts very early in the 2014 tax processing season, prior to processing the
majority of the credits for the tax year.

MDHHS will work with the Michigan Department of Treasury to establish a review
protocol that ensures reasonable assurance that payments are properly calculated.

Anticipated Completion Date:
October 1, 2016

Finding 2015-061
<u>**Low-Income Home Energy Assistance, *CFDA* 93.568, Subrecipient Monitoring -
Lack of Information**</u>

<u>**Recommendation**</u>
We recommend that LARA ensure that its LIHEAP subrecipients receiving grants through
MEAP are notified of the required federal award information at the time of the subaward.

Management Views and Corrective Action Plan
LARA will ensure that its LIHEAP subrecipients receiving grants through MEAP are
notified of the required federal award information at the time of the subaward.

Anticipated Completion Date:
September 30, 2016 for all fiscal year 2017 funded awards

Finding 2015-062
**Adoption Assistance, *CFDA* 93.659, Activities Allowed or Unallowed and
Eligibility - Determination of Eligibility for Children Adopted Prior to July 2009**

Recommendation
We recommend that MDHHS continue to work with HHS to obtain a resolution concerning
the funding of adoption subsidies for children adopted prior to July 2009 and whose
eligibility for adoption subsidy was based on former AFDC eligibility and judicial
determinations.

Management Views and Corrective Action Plan
MDHHS agrees that adoption subsidy payments were made largely on determinations
made prior to 2009; however, MDHHS does not necessarily agree that 10.7% of the pre-
2009 determinations do not meet eligibility requirements. Therefore, as noted in the
finding, MDHHS sought guidance from HHS and since 2013 has continued to attempt to
work with HHS to resolve this finding. In April 2016, MDHHS again reached out to HHS
Region 5 and it has committed to helping MDHHS receive an administrative determination
letter from the HHS commissioner.

Anticipated Completion Date:
Completed

Finding 2015-063
**Adoption Assistance, *CFDA* 93.659, Matching, Level of Effort, and Earmarking and
Reporting - Annual Adoption Savings Calculation and Accounting Report**

Recommendation
We recommend that MDHHS ensure the accuracy of the savings reported to HHS and track
the expenditure savings to ensure compliance with federal requirements.

Management Views and Corrective Action Plan
The savings report is a new process implemented by HHS; MDHHS has been actively
engaged with HHS as it continues to revise and refine the Annual Adoption Savings
Calculation and Accounting Report. MDHHS will continue to pursue HHS guidance to
identify the elements that are required to complete an accurate query to correctly identify

annual savings. In addition, MDHHS will create specific appropriations coding to distinguish how annual savings are dispersed and appropriated for future reporting to HHS.

Anticipated Completion Date:
September 30, 2016

Finding 2015-064
Children's Health Insurance Program, *CFDA* 93.767, Eligibility - Beneficiary Eligibility

Recommendations
We recommend that MDHHS maintain documentation to support that beneficiary eligibility was determined in accordance with eligibility requirements.

We also recommend that MDHHS determine eligibility in accordance with eligibility requirements.

Management Views and Corrective Action Plan
For part a., MDHHS believes that the migration of MiChild cases to State MDHHS caseloads will help to solve issues related to missing documentation. MDHHS has implemented an electronic document management (EDM) system that allows for records to be stored electronically, which has greatly reduced inadequate case file documentation issues with other aid categories.

For part b., MDHHS partially agrees. MDHHS acknowledges that it did not follow its policy in place at the time with its MiChild eligibility broker; however, MDHHS was following existing Bridges policy and federal regulations. The MiChild manual became obsolete with the conversion of the program to full Medicaid Expansion and the conversion of MiChild cases from MDHHS's vendor to State staff. Until all cases could be converted to State staff, MDHHS instructed its vendor to follow current Bridges practice, which prohibits verification of head of household identity for determining the child's eligibility. MDHHS relied on federal regulation 42 *CFR* 435.907(e) - Limits on information (1), which states "The agency may only require an applicant to provide the information necessary to make an eligibility determination or for a purpose directly connected to the administration of the State plan" and therefore provided guidance to the contractor not to obtain verification of the head of household's identity.

For part c., as part of the conversion to the Affordable Care Act, if a beneficiary's eligibility was not up for redetermination for another year, MDHHS froze the beneficiary's type of assistance (TOA). This precluded any MAGI driven case changes to be temporarily suspended until annual redetermination. However, MDHHS acknowledges that Bridges did not always appropriately unfreeze the TOA at redetermination. MDHHS subsequently

identified any cases where the TOA was frozen and has forwarded them to the local offices for processing.

Anticipated Completion Date:
January 2017

Finding 2015-065
Block Grants for Community Mental Health Services, *CFDA* 93.958, Matching, Level of Effort, and Earmarking - Level of Effort for Aggregate State Expenditures

Recommendation
We recommend that MDHHS comply with federal regulations regarding level of effort.

Management Views and Corrective Action Plan
MDHHS agrees it could not document compliance with the limited expenditure criteria cited in the finding; however, MDHHS believes that it is currently complying with federal regulations regarding maintenance of effort. SAMHSA's process for determining whether maintenance of effort requirements are met is much more in-depth than the criteria identified above and is not limited to a simple calculation of annual expenditures over the two preceding years. States that do not meet the expenditure threshold can also request a waiver of maintenance of effort requirements based on economic criteria. States can also request a finding of material compliance with maintenance of effort requirements where they provide additional information and data, such as changes in service levels over the last five years, expenditure history, and future funding commitments to providing services.

A request for a finding of material compliance was also submitted to SAMHSA by MDHHS for fiscal year 2015.

Anticipated Completion Date:
Completed

Finding 2015-066
Block Grants for Community Mental Health Services, *CFDA* 93.958, Procurement and Suspension and Debarment - Procurement Procedures

Recommendation
We recommend that MDHHS procure services in accordance with State policies and procedures.

Management Views and Corrective Action Plan
MDHHS disagrees with the finding. The agreements reviewed in the audit represent a subrecipient relationship where MDHHS passed through federal grant dollars to

accomplish activities of a federal program. These grant agreements are not subject to state procurement or the CS-138 process. MDHHS acknowledges that the agreements were inappropriately classified as contractor relationships. MDHHS is in the process of developing guidance for the program areas in appropriately determining contractor versus subrecipient relationships.

Anticipated Completion Date:
September 30, 2016

Finding 2015-067
Block Grants for Community Mental Health Services, *CFDA* 93.958, Subrecipient Monitoring - During-the-Award Monitoring

Recommendation
We recommend that MDHHS ensure that quarterly narrative reports are obtained and reviewed, documenting MDHHS's during-the-award subrecipient monitoring.

Management Views and Corrective Action Plan
MDHHS disagrees with the finding. During fiscal year 2015, the BGCMHS subrecipients were converted to the Electronic Grants Administration and Management System. This conversion caused many difficulties with subrecipients in submitting all quarterly progress reports. However, the quarterly progress report was not the only method utilized by staff to monitor subrecipients. MDHHS staff were in contact monitoring its subrecipients throughout fiscal year 2015 via e-mail, monthly meetings, financial status reports, and ongoing contact. MDHHS acknowledges that it did not obtain the quarterly narrative reports for all of the pertinent quarters for 2 projects; however, subrecipients are monitored through various methods and MDHHS does not believe that missing some of the reports applicable for a subrecipient means that a subrecipient was not monitored appropriately for the entire award or that adequate monitoring was not conducted. MDHHS believes the monitoring activities performed provide reasonable assurance that federal awards were managed in compliance with laws, regulations, and provisions of contracts or grant agreements.

Anticipated Completion Date:
Not applicable

Finding 2015-068
Block Grants for Prevention and Treatment of Substance Abuse, *CFDA* 93.959, Special Tests and Provisions - Independent Peer Reviews

Recommendation
We recommend that MDHHS develop a process to demonstrate that at least 5% of substance abuse and prevention service providers obtained accreditation.

Management Views and Corrective Action Plan
MDHHS partially agrees with the finding. MDHHS contracts with the Prepaid Inpatient Health Plans (PIHPs), which requires them to ensure that all substance abuse treatment providers in Michigan are both licensed and accredited. Federal law 42 *USC* 300x-53(a) requires that a minimum of 5% be reviewed for compliance. Accordingly, MDHHS's position is that the underlying contractual requirements performed by the PIHPs have surpassed the federal requirement that 5% of substance abuse and prevention service providers have undergone an independent peer review process. During the audit, MDHHS reached out to its federal contact and she confirmed that MDHHS fully complies with the independent peer review requirements of the Substance Abuse Block Grant. However, MDHHS acknowledges that during the audit period it relied solely on the monitoring completed at the PIHP level. Site review protocols for fiscal year 2016 will be more comprehensive.

Anticipated Completion Date:
Completed

Finding 2015-069
See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2015, Finding 2015-002.

Finding 2015-070
See Talent Investment Agency, Unemployment Insurance Agency – Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 0215, Finding 15-01.

Finding 2015-071
See Talent Investment Agency, Unemployment Insurance Agency – Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 0215, Finding 15-02.