



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



ISMAEL AHMED
DIRECTOR

November 1, 2007

Mr. Michael Moody, Director
Office of Financial Management
Department of Management and Budget
George W. Romney Building, 7th Floor
111 South Capitol Avenue
Lansing, Michigan 48913

Dear Mr. Moody:

Enclosed is the Department of Human Services' response and corrective action plan to the Auditor General's report of the Financial Audit Including the Provisions for the Single Audit Act for the period of October 2000 through September 2006.

If you have any questions concerning the enclosed documents, please contact Bill Addison at 335-3961.

Sincerely,

Signature Redacted

Ismael Ahmed

Enclosure

c: State Budget Office
Office of the Auditor General
Stanley Stewart
John Sorbet
Bill Addison
Cindy Osga



State of Michigan
Department of Human Services
Response to the Auditor General's Report
Summary of Findings

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Single Audit for the Two Years Ended September 30, 2006
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Department of Human Services
Corrective Action Plan and Status of the Audit Recommendations
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| OAG Audit Finding | Responsible Administration | Proposed Implementation Date | Corrective Action/Update | Status |
|--|----------------------------|------------------------------|---|--------|
| Finding 4310701—Backup and Disaster Recovery Plans | | | | |
| The OAG recommends that DHS, in conjunction with DIT, establish and implement comprehensive, up-to-date, and tested backup and disaster recovery plans for its critical automated information systems. | | | | |
| a. DHS and DIT did not document backup and disaster recovery plans for 5 of 7 systems housed in the client/server environment. | PF | 10/31/2008 | Some of the client-server systems included in the audit finding have been replaced and no longer operational. Plans will not be created for those systems. DIT will develop disaster recovery plans for the other systems. | open |
| b. DHS and DIT did not periodically review and update the backup and disaster recovery plans for the 2 systems housed in the client/server environment and 7 systems housed in the mainframe environment that had documented backup and disaster recovery plans. | PF | 10/31/2008 | See item a. of this finding. | open |
| c. DIS and DIT did not periodically test backup and disaster recovery plans for any of the DHS systems reviewed. | PF | 10/31/2008 | DIT is evaluating the feasibility of testing disaster recovery plans and will design an enterprise-wide strategy for establishing standards and requirements. Once established, DHS will participate in the periodic testing of DIT established disaster recovery plans. | open |
| Finding 4310702—Children's Trust Fund | | | | |
| The OAG recommends that CTF improve its internal control over fund-raising activities to help ensure that CTF assets are safeguarded, transactions are properly recorded, and errors are prevented or detected in a timely manner. | | | | |
| a. DHS did not maintain proper internal control over the fiscal year 2005-2006 CTF auction. | CTF | n/a | CTF disagrees with the finding. Custody of Cash: There were volunteer cashiers who took the money in. There were other volunteers (volunteers different from the cashiers) who counted cash and prepared the bank deposit. The individual and another and another volunteer deposited the cash at the bank Financial recording of the bank deposit into the MAIN system was done by the DHS Cashier's Office the day after the Auction. The individual above does not work in the Cashier's Office. A reconciliation of the bank deposit to the Auction software was completed by a volunteer, who was not a cashier. The e-mail reviewed by the OAG indicated there was a difference was from the volunteer who performed the reconciliation. That e-mail alone documents that the DHS employee did not do the reconciliation. The individual indicated to the volunteer that she | closed |

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| | | | <p>wanted reconciliation of payments recorded in the software to the bank deposit and may have showed the volunteer how to retrieve info from the software, but the volunteer actually performed the reconciliation.</p> <p>Based on MAIN reports, the individual did the financial reporting on the Auction.</p> <p>The DHS staff person provided the volunteer with the Auction bank deposit and credit card totals for the evening and asked the volunteer to reconcile with the Auction software PAYMENTS (NOT SALES) for the day of the Auction. In doing the reconciliation, the volunteer noticed that a payment was recorded in the software twice, so one of the PAYMENTS (NOT A SALE TRANSACTION) had to be voided. The actual sale transaction for which the payment was for remained. The sale itself was not voided; just one of the duplicate payments that were entered into the Auction software in error was voided.</p> <p>This is a standard reconciliation process that is used and the procedure used was found to be effective for the duplicate payment was found and corrected. This reconciliation practice simulates the process used when DHS cashiers have to adjust their entries in MAIN when Treasury finds discrepancies between what was recorded in MAIN and what was actually deposited.</p> | |
| b. DHS did not maintain proper internal control over CTF inventory items. | CTF | implemented | Additional inventory controls have been implemented, including establishing coding to track inventory sales separately, an annual physical count, and an update to the inventory database. | closed |
| Finding 4310703—Internal Control Over Federal Programs | | | | |
| The OAG recommends that DHS implement effective internal control to ensure federal program compliance. | | | | |
| a. DHS did not provide the oversight necessary to ensure that its internal control over various organizational units of its major federal programs was properly designed and effective. | CDDO | 11/01/2007 | See Finding 4310720. | open |
| b. DHS did not provide the oversight necessary to ensure that internal control weaknesses and resulting noncompliance of its federal | CDDO | 11/01/2007 | See Finding 4310720. | open |

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| programs disclosed in prior single audits were corrected effectively and in a timely manner. | | | | |
| c. DHS had not established a process to ensure that for-profit subrecipients and vendors with program responsibilities were monitored to ensure program compliance. | CDDO | 11/01/2007 | See Finding 4310720. | open |
| Finding 4310704—Food Stamp Cluster | | | | |
| The OAG recommends that DHS improve its internal control over the Food Stamp Cluster program to ensure its compliance with federal laws and regulations regarding (a) reporting, and (b) special tests and provisions. | | | | |
| a. DHS did not ensure that the correct payroll distribution rates were applied to cost pools. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| b. DHS's internal control did not ensure it submitted complete and accurate information to the Michigan Department of Treasury in its annual federal CMIA report. See Finding 4310721, item b.(3). | CAO | implemented | See Finding 4310721. | closed |
| c.(1) DHS did not ensure that 3 (60 percent) of 5 local offices reconciled their recoupment activity report (GH-280) to source documents. | FO | 03/31/2008 | DHS local offices use the Recoupment Activity Report (GH-280) or the Monthly Cash Reconciliation Report (GH-370) to reconcile recoupment collections. The Accounting Manual, Item 481-5, contains the procedure for the reconciliation process. These reports are currently sent to the local offices in paper format. Upon implementation of Bridges, the reports will be distributed electronically with an alert to the person(s) designated to receive reports. There will continue to be risk that the reports are not reconciled due to limited administrative staffing resources. | open |
| c.(2) DHS did not reconcile amounts contained in its food stamp summary report (FT-471) to data contained in CIMS and the data warehouse. | BAFS | 12/31/2007 | DHS will review the MA-010 (Transaction Control) reconciliation as part of the food assistance management evaluators local office monitoring. The FT-471 report is generated based on information in CIMS. The MA-010 reconciliation process requires an independent person to pull the case files for flagged cases to ensure the information entered into CIMS is accurate. By reviewing the MA-010 reconciliation, DHS is verifying that information in CIMS is accurate, which in turn verifies that information on the FT-471 is accurate. DHS will send an L-letter communication to local offices reminding them that flagged cases on the MA-010 must be reviewed. The communication will provide direction on how to monitor and report on the MA-010. | open |
| d. DHS did not ensure it issued Food Stamp Cluster benefits to only | FO | implemented | The food assistance management evaluators review over the counter EBT | closed |

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| eligible grantees. DHS did not account for all issuance of EBT bridge cards issued by its local offices through a reconciliation process. DHS did not have a process to reconcile local office EBT bridge card issuance logs with the report of EBT cards authorized by the EBT contractor. | | | issuance as part of their monitoring. DHS local fiscal offices were trained by the vendor. | |
| Finding 4310705—Violence Against Women Formula Grant | | | | |
| The OAG recommends that DHS comply with federal laws and regulations regarding matching level of effort and earmarking for the VAW program. | | | | |
| DHS was required to provide matching funds of \$2,528,333 during the fiscal years ended 09/30/2006 and 09/30/2005. DHS provided \$162,305 of the matching funds and required nonprofit, nongovernmental victim services programs to provide the remaining \$2,366,028 of matching funds. DHS followed guidance provided by the U.S. Department of Justice, Office on Violence Against Women, however, this guidance was not consistent with the federal program regulations. | DV | n/a | DHS disagrees with the finding. In June 2007, the U.S. Department of Justice, Office on Violence Against Women, responding to a DHS request for clarification about the match requirement, stated it would not request DHS repay the \$2,366,028 questioned cost because DHS had followed the guidance in their 2002 letter. The federal funding source disagreed with the auditor's finding. | closed |
| Finding 4310706—Promoting Safe and Stable Families | | | | |
| The OAG recommends that DHS improve its internal control over the PSSF program to ensure compliance with federal laws and regulations regarding subrecipient monitoring. | | | | |
| a. DHS did not ensure that payroll costs charged to the PSSF program were properly documented. See Finding 4310719, items a and b. | CAO | implemented | See Finding 4310719. | closed |
| b. DHS did not obtain assurance that the subrecipients and vendors with program compliance responsibilities used PSSF funds in compliance with federal laws and regulations. | CDDO | 11/01/2007 | See Finding 4310720. | open |
| Finding 4310707—Temporary Assistance for Needy Families | | | | |
| The OAG recommends that DHS improve its internal control over the TANF program to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, (c) eligibility, (d) special tests and provisions, and (e) subrecipient monitoring. | | | | |
| a.(1) DHS claimed foster care expenditures in the TANF program that the State did not incur but rather were County foster care program expenditures. | CAO | n/a | DHS disagrees with the finding. On advice from legal counsel and at the direction of the State Budget Office, TANF funds were drawn down based on the county and the state share of expenditures and these claims have been honored by the federal funding source. The DHS budget, as recommended by the Governor and passed by the Legislature, assumes continuation of the current claiming practice. The Senate and House DHS | closed |

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| | | | budget proposals for fiscal year 2008 assume the same assumptions with regard to TANF claims. Reducing the TANF claim to the amount of the 50 percent reimbursement payments made by the State to counties would require substantially increasing the amount of State GF/GP revenue budgeted in the Child Care Fund line item. Maintaining the current TANF claim but passing 100 percent of the resulting federal revenue through to counties would require (a) amending the State law that provides for reimbursement of only 50 percent of counties' costs, and (b) increasing the gross appropriation for the Child Care Fund to allow for reimbursement of 100 percent of costs, and (c) replacing the additional TANF to be passed on to counties with State GF/GP to finance the other Child Care Fund payments currently financed with TANF revenues claimed based on County expenditures and now retained by the State. | |
| a.(2) DHS did not maintain documentation to support the recipients' need and eligibility for TANF program assistance for 5 (8 percent) of 63 expenditures reviewed. See item b.(3) of this finding. | FO | 03/31/2008 | Bridges and the SWSS enhancements contain functionality which require the worker to verify within the system that required documentation has been obtained. This will remind workers what documentation is needed. The systems will not allow further eligibility determinations until the worker has indicated the documents have been obtained. There will continue to be risks that the documents are not placed in the case file or become separated from the case file. There will continue to be risk associated with transferring the paper case files between local offices when clients move. | open |
| a.(3) DHS's internal control did not prevent TANF program day care payments from being issued to or on behalf of, individuals who were incarcerated or deceased. See item d.(3) of this finding. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| b.(1) DHS claimed expenditures in the TANF program that were not incurred by the State. See item a.(1) of this finding. | CAO | n/a | See item a.(1) of this finding. | closed |
| b.(2) DHS could not reconcile supporting expenditure data to the foster care expenditures claimed in the TANF program during the fiscal year ended 09/30/2005. DHS had to recreate the supporting detail for the expenditures and could not account for \$906,715 claimed in the TANF program. | CS | implemented | DIT now makes a compact disk of the year end database when the fiscal year is complete so that all documentation for that year is available. BOA works with DIT to ensure a compact disk is made, forwarded to DHS, and then retained in accordance with retention requirements. | closed |
| b.(3) DHS did not maintain case file documentation to support client eligibility, authorization for client services, or the amount of assistance provided. | FO | 03/31/2008 | See item a.(2) of this finding. | open |

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| b.(4) DHS did properly authorize 1 (2 percent) of 63 expenditures reviewed. | CS | implemented | All staff who process expenditure claims and persons with PAL authority are provided with written reminder information annually about the dollar level of approval authority and the conditions for approving within that level. | closed |
| b.(5) DHS issued TANF-funded adoption subsidy payments to an adoptive parent who was convicted of a specified crime that rendered the parent ineligible for received TANF program assistance. See item d.(2) of this finding. | CS | 01/01/2008 | There is a new federal requirement, under the Adam Walsh Act, that any time a pre-adoptive parent is charged with a felony they must report this information to the DHS adoption worker. Effective January 1, 2008, there will be a monthly LEIN check on all pre-adoptive homes. | open |
| b.(6) DHS incorrectly charged 2 adoption subsidy payments to the TANF program which should have been charged to the Adoption Assistance program. | CS | implemented | The Adoption Subsidy unit supervisor has trained staff on the interim manual document review process to improve accuracy and reviewed the account coding. | closed |
| b.(7) DHS's internal control did not prevent TANF program day care payments from being issued to, or on behalf of, individuals who were incarcerated or deceased. See item d.(3) of this finding. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| b.(8) DHS did not analyze the estimated daily foster care rates to determine if the non-Title IV-E foster care expenditures claimed in the TANF program were reasonable. | CS | implemented | DHS uses the published foster care rate to claim non-Title IV-E foster care expenditures in the TANF program for children placed in out-of-home living arrangements for less than 365 days. | closed |
| b.(9) DHS did not ensure that payroll costs charged to the TANF program were properly documented. See Finding 4310719, item a. | CAO | implemented | See Finding 4310719. | closed |
| b.(10) DHS's internal control did not ensure that the correct payroll distribution were applied to the cost pools. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| c. DHS's internal control did not ensure it drew the federal funds for the TANF program in accordance with the CMIA agreement. In addition, DHS did not submit complete and accurate information to the Michigan Department of Treasury in its annual CMIA report. See Finding 4310721, items a.(3) and b.(2). | CAO | implemented | See Finding 4310721. | closed |
| d.(1) DHS's internal control did not ensure that assistance and services were provided only to eligible recipients. See items b.(3)(a), and e.(1)(a) of this finding. | FO | 03/31/2008 | See item a.(2) of this finding. | open |
| d.(2) DHS internal control did not prevent it from issuing TANF-funded adoption subsidy payments to an adoptive parent convicted of a specified crime. See item b.(5) of this finding. | CS | 01/01/2008 | See item b.(5) of this finding. | open |
| d.(3) DHS's internal control did not prevent TANF day-care payments from being issued to, or on behalf of, individuals who were | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |

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| incarcerated or deceased. | | | | |
| e.(1)(a) DHS did not maintain documentation to support the recipients' need and eligibility for TANF program assistance for 5 (11 percent) of 44 MOE expenditures. See item b.(3) of this finding. | FO | 03/31/2008 | See Finding 4310707, item a.(2). | open |
| e.(1)(b) DHS did not establish an interagency agreement with the MPSC for MPSC's expenditures claimed as TANF MOE. | CAO | n/a | DHS agrees with the finding but does not feel an interagency agreement is necessary because no funds are exchanged. | closed |
| e.(2) DHS's internal control did not ensure that the total number of months a recipient received TANF program assistance was appropriately counted toward the 60-month federal limit. | BAFS | 11/30/2008 | Bridges will have functionality to ensure that the total number of months a recipient receives TANF Program assistance is appropriately counted toward the 60-month federal TANF Program funding limit. | open |
| f.(1) DHS's internal control did not ensure that 2 (25 percent) of the 8 TANF program subrecipients reviewed were monitored during the award period to ensure they complied with TANF program federal requirements. | CDDO | 11/01/2007 | See Finding 4310720. | open |
| f.(2) DHS's internal control did not ensure that it always maintained supporting documentation of issuing management decisions on TANF programs subrecipient single audit findings. See Finding 4310720. | CS | implemented | New processes have been put into place to maintain files with all supporting documentation for management decisions made on audit findings. | closed |
| g.(1) DHS's internal control did not ensure that TANF program families who did not cooperate with establishing paternity and child support orders were sanctioned as required by federal law and DHS's TANF state plan. | CDDO BAFS | 11/01/2007 09/29/2008 | See Finding 4310720. DHS developed a corrective compliance plan and submitted this plan to HHS in July 2005. The plan was accepted by HHS in September 2005, and DHS continues to meet the corrective compliance activities and timelines in this plan. The corrective action compliance plan included developing a desk aid and training staff in the fall of 2005. The desk aid and web based training continue to be available to local DHS offices. Changes to MICSES were implemented timely in the fall of 2005 and early 2006 to improve the notification process for both non-cooperation forms and cooperation forms sent from the child support specialist to the local DHS office staff. Monthly non-cooperation reports to monitor TANF closures were developed in late 2005 and continue to be issued to local offices. DHS developed quarterly error rate outcomes and continues to monitor and meet or exceed the target error rate specified in the compliance plan. When the Bridges is implemented for local offices in 2008, an interface with the MICSES will automatically close TANF cases when the client does not cooperate with child support requirements. | open open |

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| g.(2)(a) DHS did not retain IEVS information to support the data that was received or reports were prepared for case workers during the audit period. | FO | 03/31/2008 | See Finding 4310707, item a.(2). | open |
| g.(2)(b) DHS did not use the SSA beneficiary exchange record of federal tax return information to determine the recipient's need and eligibility for TANF program assistance. | FO | 03/31/2008 | See Finding 4310707, item a.(2). | open |
| g.(2)(c) DHS did not ensure that recipients' correct social security numbers were properly considered for other IEVS data matches. | FO | 03/31/2008 | See Finding 4310707, item a.(2). | open |
| g.(2)(d) DHS did not maintain documentation to support that the IEVS information was reviewed, verified, and used to determine the recipients' need and eligibility for TANF program assistance for 17 (61 percent) of 28 cases. | FO | 03/31/2008 | See Finding 4310707, item a.(2). | open |
| g.(3) DHS did not always terminate assistance for TANF recipients who refuse to engage in work and are not subject to exceptions established by DHS. | FO | implemented | With the new Family Automated Screening Tool and the Family Self-Sufficiency Plan, both MWA and DHS staff work with more current customer information regarding participation. Triages are scheduled and good cause determinations will be more expedient. This process became statewide October 1, 2007. | closed |
| g.(4) DHS's internal control did not ensure that case workers documented the reason that the TANF program assistance was terminated for recipients with a child less than six years of age. | FO | 03/31/2008 | Bridges will contain an automated edit which will not allow the termination of FAP benefits when there is a child under the age of six in the household. | open |
| Finding 4310708—Refugee and Entrant Assistance | | | | |
| The OAG recommends that DHS improve its internal controls over the Refugee and Entrant Assistance program to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, (c) eligibility, and (d) period of allowability of federal funds. | | | | |
| a.(1) DHS paid for unscheduled services in 4 (15 percent) of 27 UMP expenditures reviewed. | RS | implemented | DHS has notified providers of the eligibility requirements for non-scheduled payments and will review requests to ensure these expenditures are not approved in the future. | closed |
| a.(2) DHS did not maintain adequate documentation for 7 (18 percent) of 38 expenditures reviewed. See items b.(1) and b.(3) of this finding. | RS | 11/30/2007 | DHS will request a corrective action plan from the two URM providers who will identify the documentation they will keep on file at their agency to support the charges they are billing to DHS. A RS monitor will review expenditure documentation each month on-site and any charges made which are not supported will be disallowed. | open |
| a.(3) DHS did not charge \$813 of RSS expenditures to the appropriate REAP grant. See items b.(1), b.(2), and b.(3) of this finding. | RS | implemented | Policy was re-written to state that refugees receiving Family Independence Program benefits are the only refugees eligible to receive county funded | closed |

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| | | | direct support services. Other refugees who need direct support services are to be referred to RSS funded providers for direct supportive services and that provider will determine availability of direct supportive services funding for that customer. | |
| a.(4) DHS inappropriately charged Targeted Assistance Grants to REAP. See item b.(4) of this finding. | RS | implemented | Billings have been corrected to distribute payment between cost codes based on the actual amount expended rather than a percentage distribution. | closed |
| b.(1) DHS did not maintain documentation to support services provided to or goods purchased for the unaccompanied refugee minors. | RS | 10/31/2007 | RS has met with DHS internal auditors and the Chief Deputy Director's Office to develop a corrective action plan for the URM program. RS will implement a procedure where the RS clerk will complete an initial review of URM billings to determine the validity of charges (including non-scheduled payments) submitted on the billing. The analyst will then review the bill and give a recommendation for payment to the RS supervisor who will review the expenditure billing prior to submission to the RS director for approval. As part of the RS corrective action plan a RS supervisor position has been filled. | open |
| b.(2) DHS did not maintain documentation that identified eligible refugees and allowable services for pharmaceutical charges in 1 (17 percent) of 6 Refugee Medical Assistance expenditures reviewed. | RS | 12/03/2007 | RS has requested documentation from DCH for the pharmacy charges. RS has not paid any pharmacy charges in fiscal year 2007 since no documentation was received. Another meeting will be scheduled with DCH to resolve this issue. | open |
| b.(3) DHS did not maintain documentation to support refugee eligibility in 1 (20 percent) of 5 Refugee Cash Assistance expenditures reviewed. | RS | 10/31/2007 | RS will meet with FO to explore further methods to reduce errors in eligibility for refugee cash assistance in the field offices. This meeting will occur by the end of October 2007. | open |
| b.(4) DHS inappropriately allocated Targeted Assistance Grants expenditures to REAP. | RS | implemented | Billings have been corrected to distribute payment between cost codes based on the actual amount expended rather than a percentage distribution | closed |
| b.(5) DHS did not ensure that payroll costs charged to REAP were properly documented. See Finding 4310719, item a. | RS | implemented | RS prints and verifies the PV10 report as scheduled plus verifies documentation sent from payroll each quarter. | closed |
| b.(6) DHS did not ensure that the correct payroll distribution rates were applied to cost pools. See Finding 4310718. | CAO CAO | implemented implemented | See Finding 4310719. See Finding 4310718. | closed closed |
| c. DHS did not document eligibility information for 2 (7 percent) of 30 UMP and Refugee Cash Assistance expenditures reviewed. | FO | 12/31/2007 | The contractor will maintain all records of expenditures. The contractor will randomly review certain invoices to ensure all backup documentation is maintained. DHS will randomly select invoices or questionable billings to | open |

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| d. DHS's internal control did not ensure that UMP expenditures were reported and reimbursed within the correct CMA federal fiscal year that the grant was awarded to DHS for 7 (26 percent) of 27 expenditures. | RS | implemented | review for complete documentation. RS has informed the contractors that expenditures must be reported in the year the services were provided. RS is reviewing billings to ensure the costs are correctly reported. | closed |
| e. DHS did not ensure that one contract for REAP was signed by authorized representatives of all parties before services began. See Finding 4310717, item b. | CAO | implemented | See Finding 4310717. | closed |
| Finding 4310709—Low Income Home Energy Assistance | | | | |
| The OAG recommends that DHS improve its internal controls over LIHEAP to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, (c) matching, level of effort, and earmarking, (d) eligibility, and (e) reporting. | | | | |
| a.(1) DHS did not maintain applications to document that the client requested services or made accurate disclosures in 5 (17 percent) of 30 expenditures reviewed. See item b.(1) of this finding. | BAFS | 11/30/2007 | 1. Local office directors will stress the importance of appropriate documentation with eligibility staff. 2. Documentation supporting benefit eligibility will be reviewed during supervisor case readings as well as field office program reviews completed by Regional Service Centers and Outstate Operations. 3. Bridges includes functionality which requires that the worker to verify within the system that the documentation needed for eligibility determinations have been obtained. See Finding 430707, item a.(2). | open |
| a.(2) DHS did not maintain documentation to support a valid energy related emergency in 4 (13 percent) of 30 expenditures reviewed. See item b.(1) of this finding. | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |
| b.(1)(a) DHS did not maintain documentation to support that all requirements of DHS's LIHEAP State Plan were met for 9 (30 percent) of 30 expenditures reviewed. | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |
| b.(1)(b) DHS did not properly authorize the client's energy related emergency assistance payment for 7 (23 percent) of 30 expenditures reviewed. | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |
| b.(1)(c) DHS did not maintain documentation to support the energy related emergency and the payment amount issued for 5 (17 percent) of 30 expenditures reviewed. | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |
| b.(1)(d) DHS did not ensure that SER energy payments resolved the DHS client's energy related emergency for 1 (17 percent) of 6 | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |

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| expenditures reviewed. | | | | |
| b.(2)(a) The Department of Treasury did not correctly calculate the Home Heating Credit for 3 (11 percent) of 27 claims reviewed. | BAFS | n/a | DHS cannot implement corrective action for the Department of Treasury. Nor can the Department of Treasury audit every home heating credit claim processed. A threshold has been for auditing purposes. The DHS LIHEAP office is in discussion with the Department of Treasury to implement electronic auditing oversight to increase error detection. | closed |
| b.(2)(b) DHS had not implemented a process to periodically reconcile Home Heating Credit claim detail information provided by the Department of Treasury in electronic format to the Department of Treasury's reimbursement billings and summary reports provided in paper format. | BAFS | 01/01/2008 | Though the reconciliation process notes immaterial differences for fiscal year 2007, system changes are being implemented for fiscal year 2008 to aid with the reconciliation | open |
| b.(3) DHS did not maintain detail to support the amount of the energy related emergency payments made on behalf of eligible clients for the fiscal year ended September 30, 2006. | BAFS | implemented | DIT has implemented procedures to ensure detailed files are saved at year-end and kept for the required period of time. The backup of the fiscal year history file is automatic when ED is run for the first time in any October. The error occurred when ED was cancelled for the new fiscal year and it never ran in October. Therefore, the file was never backed up. Because it had a five day retention rate in the Bull's tape management system, it was written over after five days. The process was changed so the retention period on the history file is five generations. This means there will always be five batches of this file retained at all times, regardless of how much time elapses between runs. The backup procedure is programmed into the application. As long as ED is operational, the backup file will be automatically created and retained for seven years. | closed |
| b.(4) DHS did not ensure that the correct payroll distribution rates were applied to cost pools in compliance with federal requirements. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| c. DHS did not draw the federal funds for LIHEAP in accordance with the federal CMA agreement, and did not submit complete and accurate information to the Michigan Department of Treasury in its annual CMA report. See Finding 4310721, items a.(1) and b.(1). | CAO | implemented | See Finding 4310721. | closed |
| d.(1) DHS did not maintain applications to document that the client made accurate disclosures in 5 (17 percent) of 30 expenditures | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |

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| reviewed. The clients were categorically eligible. | | | | |
| d.(2) DHS local office staff did not certify client eligibility for 5 (20 percent) of 25 expenditures reviewed. The clients were categorically eligible. | BAFS | 11/30/2007 | See item a.(1) of this finding. | open |
| e. DHS did not include administrative costs incurred by a subrecipient in its total planning and administrative costs for the fiscal year ended 09/30/2005, which is necessary for DHS to ensure it did not exceed its 10 percent statutory limitation for planning and administrative costs. | BAFS | implemented | The errors noted for this audit finding were substantially corrected for fiscal year 2004-2005, and in full compliance for fiscal year 2005-2006. | closed |
| f. DHS did not include administrative costs incurred by a subrecipient in its total planning and administrative costs for the fiscal year ended 09/30/2005, which is necessary for DHS to ensure it did not exceed its 10 percent statutory limitation for planning and administrative costs. See item e. of this finding. | BAFS | implemented | See item e. of this finding. | closed |
| g. DHS did not always issue management decisions on LIHEAP subrecipient audit findings within six months of receipt of the audit reports. See Finding 4310720. | CDDO | 11/01/2007 | See Finding 4310720. | open |
| Finding 4310710—Community Services Block Grant | | | | |
| The OAG recommends that DHS improve its internal control over the CSBG program to ensure its compliance with federal laws and regulations regarding subrecipient monitoring. | | | | |
| a. DHS did not ensure that two contracts for the CSBG program were signed by authorized representatives of all parties before services began. See Finding 4310717, item b. | BCAEO | implemented | As part of the grant approval process, BCAEO now requires the City of Detroit, Department of Human Services, to provide City Council approval for all sub-contracts prior to the approval by DHS. | closed |
| b.(1) DHS did not ensure that expenditures incurred by CSBG subrecipients were for eligible individuals. DHS entered into a discretionary contract with a subrecipient for tax preparation services in which client participation was extended to individuals or households that were eligible for any service provided by the subrecipient. | BCAEO | 12/31/2007 | DHS disagrees with the finding. DHS is seeking further clarification from the federal funding source. | open |
| b.(2) DHS did not ensure that nonprofit subrecipients used funds for allowable costs. DHS entered into a discretionary contract for housing assistance in which the CSBG funds were to be used for match for another federally funded program. | BCAEO | 12/31/2007 | DHS disagrees with the finding. DHS is seeking further clarification from the federal funding source. | open |
| b.(3) DHS did not always issue management decisions on CSBG | BCAEO | implemented | Management will meet monthly with BCAEO monitoring staff to follow-up | closed |

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| program subrecipient single audit findings within six months from the receipt of the audit report. See Finding 4310720. | | | with any outstanding management decision letters that have not been issued to ensure management decisions are timely. | |
| Finding 4310711—Child Care and Development Fund Cluster | | | | |
| The OAG recommends that DHS improve its internal control over the CCDF cluster to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, and (c) eligibility. | | | | |
| a.(1) DHS did not maintain documentation to support client or provider eligibility for day care benefits in 20 (47 percent) of 43 expenditures reviewed. See item b.(1) of this finding. | EEC | implemented | The OQA Case Review Project, implemented October 1, 2007, will be an ongoing review process to identify the accuracy and completeness of client and provider files with a focus on issuance of accurate CDC benefits. OIA has been reviewing provider records to support time and attendance and billing as part of the CDC Integrity Plan. This is an ongoing project and expected to continue. | closed |
| a.(2) DHS's internal control did not prevent child day care payments from being made to or on behalf of individuals who were incarcerated or deceased. See item c.(2) of this finding. | EEC | 01/31/2008 | Deceased Individuals: DHS submitted a work request on September 11, 2006, to have the CDC program included in the existing Social Security data match on deceased individuals. The match for DHS recipients will be included in Release I of Bridges. The match for DHS child care providers will be included in Release II of Bridges. DHS is working with DCH to create a data match for deceased recipients and providers. An expected date of completion is January 2008. Incarcerated Providers: DHS is in the process of signing an MOU with DOC to run a data match with the MSP. The match will cover OTIS data which will identify incarcerated individuals. The MOU is waiting for final sign-off. | open |
| b.(1) DHS did not maintain documentation to support the amount of child day care payments made, client eligibility, or provider eligibility. | EEC | implemented | See Finding 4310711, item a.(1). | closed |
| b.(2) DHS's internal control did not prevent child day care payments from being made to or on behalf of individuals who were incarcerated or deceased. See item c.(2) of this finding. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| b.(3) DHS did not ensure that payroll costs charged to the CCDF Cluster were properly documented. See Finding 4310719, item b. | CAO | implemented | See Finding 4310719. | closed |

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| b.(4) DHS did not ensure that the correct payroll distribution rates were applied to cost pools. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| c.(1) DHS did not maintain documentation to support client or provider eligibility for day care benefits in 20 (47 percent) of 43 expenditures reviewed. See item b.(1) of this finding. | EEC | implemented | See Finding 4310711, item a.(1). | closed |
| c.(2)(a) DHS authorized and issued child day care payments to or on behalf of 31 deceased providers, 3 deceased children, and 4 deceased parents/substitute parents. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| c.(2)(b) DHS authorized and issued day care payments to or on behalf of 10 incarcerated providers and 5 incarcerated parents/substitute parents. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| Finding 4310712—Child Welfare Services | | | | |
| The OAG recommends that DHS improve its internal control over the CWSS program to ensure its compliance with federal laws and regulations regarding (a) allowable costs/cost principles, and (b) matching, level of effort, and earmarking. | | | | |
| a.(1) DHS paid a premium rate to a contractor for the placement of a child in an adoptive family when the court order placing the child was not signed within six months of the date of permanent wardship. | CS | implemented | DHS policy was reviewed for sufficiency and it has been determined that policies in place are appropriate. Supervisors and their managers will ensure that policies are followed. | closed |
| a.(2) DHS did not properly authorize 5 (5 percent) of 91 program expenditures reviewed. | CS | implemented | See item a.(1) of this finding. | closed |
| a.(3) DHS did not maintain documentation supporting payment for 2 (2 percent) of 91 program expenditures reviewed. | CS | implemented | See item a.(1) of this finding. | closed |
| b. DHS internal control did not ensure it maintained records to verify the 1978-1979 CWSS program expenditures which is used to determine compliance with the program level of effort requirements. | CS | n/a | The level of expenditures since 1979 have increased dramatically while the MOE requirement has remained the same. DHS is confident that it had more MOE than what was required. As noted in the audit report, the 1979 baseline report requirement was eliminated by the Child and Family Services Improvement Act of 2006, federal law 42 USC 623(c), and is not in affect for fiscal year 2007. A new baseline will go into affect for federal fiscal year 2008. Permanent baseline records for 2008 will be maintained in the automated financial files by Bureau of Children's Services. | closed |
| c. DHS did not enter into a written contract with a CWSS program vendor. See Finding 4310717, item a. | CAO | implemented | See Finding 4310717. | closed |

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| Finding 4310713—Foster Care Title IV-E | | | | |
| The OAG recommends that DHS improve its internal control over the Foster Care Title IV-E program to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, and (c) eligibility. | | | | |
| a.(1) DHS divides CCI payments into maintenance and treatment portions based on expenditure reports submitted by the CCIs, but does not have policies or procedures in place to requiring that rates be updated when new expenditure reports are submitted. | CS | implemented | The rates and claiming procedures have been updated for fiscal year 2006-2007 and will continue in the future. | closed |
| a.(2) DHS issued Foster Care Title IV-E payments on behalf of ineligible children. See items c. and e. of this finding. | CS FO | 03/31/2008 | See Finding 4310707, item a.(1). | open |
| b.(1) DHS needs to improve its internal control over payments made to CCIs to ensure expenditures are correctly charged to the Foster Care Title IV-E program. See item a.(1) of this finding. | CS | implemented | See item a.(1) of this finding. | closed |
| b.(2) DHS had not established a process to reconcile claim detail information to the subrecipient's reimbursement billings to ensure the correct amount was paid. See item e.(1) of this finding. | CS | implemented | See item e.(1) of this finding. | closed |
| b.(3) DHS inappropriately charged Michigan Adoption Resource Exchange expenditures to the Foster Care Title IV-E program for indirect expenditure which benefit other federal programs. DHS's PACAP includes these types of expenditures. | CS | implemented | Cost Pool 18 was established to accumulate charges for operating the Michigan Adoption Resource Exchange. The allocation is based on the quarter's Title IV-E penetration rate for the Adoption Subsidy Program, and the balance is allocated to SSBG. | closed |
| b.(4) DHS issued Foster Care Title IV-E payments on behalf of ineligible children. See items c. and e. of this finding. | CS | implemented | DHS enhanced its internal controls since the prior audit period which resulted in reduced errors for case file documentation. The federal funding source conducted a review of 150 cases and found the program to be in substantial compliance. | closed |
| b.(5) DHS did not ensure that the correct payroll distribution rates were applied to cost pools. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| c.(1) DHS improperly claimed Foster Care Title IV-E program funding for maintenance payments issued on behalf of children who were ineligible at the time the service was rendered because DHS could not provide judicial determination, and court orders did not contain language required by federal regulations. | FO | 03/31/2008 | See Finding 4310707, item a.(1). | open |
| c.(2) DHS improperly claimed Foster Care Title IV-E program funding for a maintenance payment on behalf of a child who was ineligible because the child was not placed with a provider who was licensed during the billing period. | CS | implemented | The licensing provider system (BITS) and SWSS were modified so that payments are not allowed to a provider with an expired license. | closed |

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| c.(3) DHS inappropriately charged Michigan Adoption Resource Exchange expenditures to the Foster Care Title IV-E program for indirect expenditure which benefit other federal programs. DHS's PACAP includes these types of expenditures. See item b.(3) of this finding. | CS | implemented | See item b.(3) of this finding. | closed |
| d. DHS did not enter into written contracts with four vendors that provided general and specialized foster care services. See Finding 4310717, item a. | CAO | implemented | See Finding 43107217. | closed |
| e.(1) DHS did not ensure that it monitored Wayne County's eligibility determinations for juvenile justice children. | CS | implemented | A work request was submitted to modify the system to ensure that procedures are adhered to in determining and re-determining Title IV-E eligibility and payments for County of Wayne youth. | closed |
| e.(2) DHS did not always issue management decisions on Foster Care Title IV-E program subrecipient single audit reports within six months of receiving the audit reports. | CS | 11/01/2007 implemented | See Finding 4310720. Audits have been reassigned and new procedures are in place to ensure management decisions are released in response to findings and their respective corrective action plans within six months of receiving such reports. | open closed |
| | CDDO | 11/01/2007 | See Finding 4310720. | open |
| Finding 4310714—Adoption Assistance | | | | |
| The OAG recommends that DHS improve its internal control over the Adoption Assistance Program to ensure its compliance with federal laws and regulations regarding (a) eligibility, and (b) activities allowed or unallowed. | | | | |
| a.(1) DHS incorrectly charged a TANF program medical subsidy payment to the Adoption Assistance program. | CS | implemented | DHS has reviewed policy and proper account coding and the unit supervisor has trained staff on the interim manual document review process to improve accuracy and reconcile reports. | closed |
| a.(2) DHS incorrectly charged 1 (14 percent) of 7 reissued payments reviewed to the Adoption Assistance program. | CS | implemented | See item a.(1) of this finding. | closed |
| b. DHS did not ensure that the correct payroll distribution rates were applied to cost pools. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| c. DHS did not ensure that it issued adoption subsidy payments on behalf of eligible children. See Finding 4310713, item c.(1)(c). | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |

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| Finding 4310715—Social Services Block Grant | | | | |
| The OAG recommends that DHS improve its internal control over the Social Service Block Grant program to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, and (c) eligibility. | | | | |
| a.(1)(a) DHS claimed expenditure for information, referral, and advocacy services, and homeless youth expenditures but did not include these activities in the State Plan. | CAO | 12/31/2007 | The SSBG State Plan is coordinated by the DHS Division of Budget. Input is received from the various program areas which utilize the funds. After the SSBG plan is approved by the federal funding source, the Division of Budget will distribute the plan to the program areas spending the funds. The program areas will be responsible for ensuring that the parties involved are made aware of what has been approved in the plan and will spend accordingly. | open |
| a.(1)(b) DHS did not ensure that SSBG child day care expenditure for the fiscal year ended 09/30/2005 were for eligible clients. See item d.(1) of this finding. | CAO | 12/31/2007 | See Finding 4310715 a.(1)(2). | open |
| a.(2) DHS did not maintain documentation to support client eligibility for child day care payments in 18 (35 percent) of 51 expenditures reviewed. See item b.(1)(c) of this finding. | FO | 03/31/0008 | See Finding 4310707, item a.(1). | open |
| a.(3) DHS did not prevent SSBG child day care payments from being issued to one day care aide provider who was convicted of a specified crime. See item d.(2) of this finding. | EEC | implemented | This situation occurred because of the time delay in updating manual pages for field staff. Effective August 2007, DHS created a web-based page where the CDC crime codes can be updated and available to field staff at the point in time they are updated. In this instance, the provider reported the misdemeanor crime at the time of enrollment. The crime was not on the list the worker had available to deny the enrollment due to the above. | closed |
| a.(4) DHS did not prevent SSBG child day care payments from being issued to or on behalf of individuals who were deceased. See item d.(1) of this finding. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| b.(1)(a) DHS did not maintain adequate documentation to support the payment amount in 2 (5 percent) of 44 evaluation/diagnostic examination and CCI treatment expenditures reviewed. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(b) DHS did not properly approve 7 (25 percent) of 28 medical service expenditures. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |

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| b.(1)(c) DHS did not maintain documentation to support client eligibility for 18 (35 percent) of 51 expenditures reviewed. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(d) DHS did not maintain documentation to support the child day care payment amounts for 2 (4 percent) of the 51 expenditures reviewed. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(e) DHS did not maintain supporting documentation that 2 (50 percent) of 4 representative payee services payments met SSBG eligibility requirements. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(2) DHS did not prevent SSBG child day care payments from being issued to one day care aid provider who was convicted of a specified crime. | EEC | implemented | The Office of Early Education and Care will begin a project to review CDC case files and CDC provider files. This will be done by the Office of Quality Assurance Case Review Project. The project was approved to begin October 2007 and will be an ongoing review process. The reviews will identify the accuracy and completeness of client and provider files with a focus on issuance of accurate CDC benefits. The Regional and Outstate Offices are also completing county/district assistance payment reviews which now include CDC case readings. | closed |
| b.(3) DHS did not ensure that expenditures were incurred for allowable activities as reported in the SSBG State Plan for information, referral, advocacy service, and homeless youth expenditures. | CAO | 12/31/2007 | See Finding 4310715 a.(1)(2). | open |
| b.(4) DHS did not prevent SSBG child day care payments from being issued to, or on behalf of, individuals who were deceased. | EEC | 01/31/2008 | DHS submitted a work request on September 11, 2006, to have the CDC program included in the existing Social Security data match on deceased individuals. The match for DHS recipients will be included in Release I of Bridges. The match for DHS child care providers will be included in Release II of Bridges. DHS is also in the process of working with DCH to create a data match for deceased recipients and providers. An expected date of completion is January 2008. | open |
| b.(5) DHS did not ensure that the correct payroll distribution rates were applied to the cost pools. See Finding 4310718. | CAO | implemented | See Finding 4310718. | closed |
| c. DHS did not draw federal funds in accordance with the federal CMA agreement, and it did not submit complete and accurate information to the Michigan Department of Treasury in its annual | CAO | implemented | See Finding 4310721. | closed |

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| CMIA report. See Finding 4310721, items a.(2) and b.(1). | | | | |
| d.(1) DHS did not ensure that fiscal year 2004-2004 SSBG child care expenditures were incurred for eligible clients as reported in the SSBG State Plan. | EEC | implemented | See item b.(2) of this finding. | closed |
| d.(2) DHS did not prevent SSBG child day care payments from being issued to one day care aide provider who was convicted of a specified crime. | EEC | implemented | See item a.(3) of this finding. | closed |
| d.(3) DHS did not maintain documentation to support client eligibility for 18 (35 percent) of 51 expenditures reviewed. See item b.(1)(c) of this finding. | EEC | implemented | See item b.(2) of this finding. | closed |
| d.(4) DHS did not maintain supporting documentation that 2 (50 percent) of 4 representative payee services payments met SSBG eligibility requirements. See item b.(1)(e) of this finding. | FO | 03/31/2008 | See Finding 4310707, item a.(2). | open |
| d.(5) DHS did not prevent SSBG child day care payments from being issued to or on behalf of individuals who were deceased. See item d.(1) of this finding. | EEC | 01/31/2008 | See Finding 4310711, item a.(2). | open |
| e. DHS did not ensure that one contract amendment was signed by authorized representatives of all parties before services began. | CAO | implemented | See Finding 4310717. | closed |
| Finding 4310716—Chafee Foster Care Independent Living | | | | |
| The OAG recommends that DHS improve its internal control over Chafee Foster Care Independent Living program to ensure its compliance with federal laws and regulations regarding (a) activities allowed or unallowed, (b) allowable costs/cost principles, (c) eligibility, (d) matching, level of effort, and earmarking, and (d) subrecipient monitoring. | | | | |
| a.(1) DHS issued payments for services that were not based on the youth's approved service plan. See item c. of this finding. | CS | 04/01/2008 | DHS is updating the Youth Service Profile Report, DHS 4713, to include a supervisor signature attesting to the fact that the service plan has been updated with the new service and that the service plan is in place prior to the new service being delivered. The completed DHS 4713s will continue to be forwarded to the program office, at which point the form will be again reviewed for supervisory signature. | open |
| a.(2) DHS inappropriately made payments for CFCIP services for youth adjudicated as juvenile justice wards. See item c.(3) of this finding. | CS | 04/30/2008 | DHS is collaborating with HHS, Administration for Children and Families, to clarify the policy and the State five year plan regarding the issue of juvenile justice wards eligibility for Chafee funded services. | open |
| a.(3) DHS did not maintain adequate documentation of birth certificates, service plans, and the contractor's roster of children served to support that the youth were of the proper age and | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |

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| eligible to receive assistance, and to ensure that payments were for reasonable and necessary services. See item b.(1) of this finding. | | | | |
| b.(1)(a) DHS did not maintain birth certificates to support the youth's age and eligibility. See item c.(2) of this finding. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(b) DHS did not maintain service plans for youths for the period of payment to support that the services were reasonable and necessary. See item c.(2) of this finding. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(c) DHS did not maintain invoices or receipts to support the amount of the payment made. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(d) DHS did not maintain the roster of children served for the contract billing period. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(1)(e) DHS did not maintain documentation of the supervisor's payment authorization. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| b.(2) DHS did not ensure that payroll costs charged to CFCIP were properly documented. See Finding 4310719, item b. | CAO | implemented | See Finding 4310719. | closed |
| c.(1) DHS homeless contracts did not contain the appropriate eligibility criteria for subrecipients to following when determining a youth's eligibility to receive program services. See item b. of this finding. | CAO | implemented | See Finding 4310717. | closed |
| c.(2) DHS did maintain adequate documentation for birth certificates to support the youth's eligibility to receive program services. See item b. of this finding. | FO | 03/31/0008 | See Finding 4310707, item a.(2). | open |
| c.(3) DHS inappropriately made payments for services for youth adjudicated at juvenile justice wards. | CS | 04/30/2008 | See item a.(2) of this finding. | open |
| d. DHS did not have controls in place to ensure that the federal matching, level of effort, and earmarking requirement was met. | CS | implemented | Corrective action was implemented October 1, 2007. The audit finding cited DHS because the program office did not ensure all Service Youth Profile Reports (DHS-4713) and information entered into the database was reliable. The DHS-4713 contains information related to the housing services provided to CFCIP eligible youth which cannot exceed the 30 percent maximum. The central office program staff compares the information on the Monthly Financial Report (DHS-206A) to the individual DHS-4713s to ensure the program office has all DHS-4713s. DHS is currently in the process of developing a new data system through | closed |

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| e. DHS did not ensure that 12 (63 percent) of contracts reviewed were signed by authorized representatives of all parties before services began. | CAO | implemented | JJOLT (Juvenile Justice On-Line Technology) that is scheduled for release this year. Through this process, all payments will be recorded and allow DHS to be able to track the services used such as housing. See Finding 4310717. | closed |
| f.(1) DHS did not ensure that it sufficiently monitored the activities of subrecipients to ensure that they used federal awards for authorized purposes. | CS | 10/31/2008 | Available resources have been prioritized to address high dollar contracts, new providers, contractors with prior findings and a subsequent corrective action plan. | open |
| f.(2) DHS did not ensure that expenditures incurred by subrecipients served eligible individuals. | CDDO | 11/01/2007 | See Finding 4310720. | open |
| | CS | implemented | Beginning with fiscal year 2007, program office staff began reviewing the eligibility of each child served by the project to ensure Chafee requirements are met. In addition, the administering agency submits quarterly reports showing all open cases. Upon receipt of these reports program office staff again checks for eligibility of all children in program. A reconciliation is performed to ensure that the percentage of administrative funds provided with Chafee funding corresponds to the percentage of Chafee-eligible youth in the program. | closed |
| | CDDO | 11/01/2007 | See Finding 4310720. | open |
| Finding 4310717—Procurement and Suspension and Debarment | | | | |
| The OAG recommends that DHS its internal control over its procurement and suspension and debarment practices to comply with applicable federal laws and regulations. | | | | |
| a.(1) DHS did not enter into written contracts with four vendors of the Foster Care Title IV-E program that provided general and specialized foster care services to children. | CAO | 10/01/2008 | DHS continues to review its contracting process for improvements so contracts can be executed in a timely manner. DHS has formal written procedures for processing contracts. In addition, contractors may not be paid until a signed contract is in place. However, there are instances where services and expenditures begin before a contract is signed. In most of these cases, DHS and the contractor are serving a vulnerable population (e.g., foster care children), and DHS believes it is in the best interest of the client to continue services. Both DHS and the contractor work in a good faith relationship until the contract or amendment has been signed. | open |

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| a.(2) DHS did not enter into a written contract with a vendor of the CWSS program that provided adult foster care services. | CAO | implemented | See item a.(1) of this finding. | closed |
| a.(3) DHS did not enter into written contracts with three vendors of CFCIP that provided foster care services to children. | CAO | implemented | See item a.(1) of this finding. | closed |
| b. DHS did not ensure that 3 (8 percent) of 37 contracts reviewed and 1 (6 percent) of 17 contract amendments reviewed were signed by authorized representatives of all parties before services began and expenditures were incurred. | CAO | implemented | See item a.(1) of this finding. | closed |
| c. DHS, in conjunction with DMB, did not ensure that documentation was maintained for 1(2 percent) of 47 contracts reviewed was awarded to a vendor who was not suspended or debarred. | CAO | implemented | DMB Acquisition Services previously did not require contractors to certify they complied with State and Federal laws and debarment policies. DMB Acquisition Services has since modified its procedures and ITB documents to require that vendors certify prior to a contract award that they are not presently suspended or debarred, proposed for debarment, or otherwise ineligible for the award of a contract by any State or Federal agency (Article 3, Section 3.032). DHS Purchasing has developed similar language included in its internal ITB documents and administrative contracting procedures. | closed |
| Finding 4310718—Public Assistance Cost Allocation Pool | | | | |
| The OAG recommends that DHS improve its internal control over its Public Assistance Cost Allocation Pool by ensuring that the correct distribution rates are applied to cost pools. | | | | |
| DHS did not use the correct payroll distribution rates for 4 (10 percent) of 41 employees who supervised a combination of employee types. | CAO | implemented | The coding of all first, second, and third line supervisors has been changed to Cost Pool 8007. This cost pool will allocate costs of the supervisors according to the percentages of full time equivalent assistance payment workers, family independence specialists, and social service workers in the local office. This allocation will better represent the benefiting programs without burdening the local offices of monitoring constant changes in the numbers and types of workers each manager supervises in any pay period. The PACAP was changed to reflect this change. The coding and PACAP changes were effective October 1, 2007. | closed |
| Finding 4310719—Federal Payroll | | | | |
| The OAG recommends that DHS ensure that payroll costs charged to the federal programs are properly documented in compliance with federal requirements. | | | | |
| a. DHS did not maintain required personnel activity reports to support predetermined payroll cost distribution rates for two employees who | CAO | implemented | DHS concurs with part of the finding. DHS agrees that two employees did not complete personnel activity reports for the periods reviewed. One | closed |

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| were charged to multiple federal programs, and did not ensure that the personnel activity reports were signed for one employee. | | | <p>employee submitted the personnel activity report to the supervisor via e-mail, which is construed as an electronic signature.</p> <p>The following actions have been implemented:</p> <ol style="list-style-type: none"> DHS issued a DBO on August 31, 2005, that provided guidance for the completion of the personnel activity report to ensure compliance with OMB Circular A87. Instructions for the personnel activity report and related spreadsheets are posted to the DHS intranet. | |
| b. DHS did not maintain the required payroll certifications to support payroll costs charged for three employees charged 100 percent to a single federal program. | CAO | Implemented | <p>DHS agrees with the finding in part.</p> <ol style="list-style-type: none"> Employee A – BOA did not receive the certification for September 2005. However, records show that the employee had been certified as working 100 percent to a federal program in both March 2005 and March 2006. The employee had a supervisor change and DHS believes this was an oversight and the employee did work 100 percent for the federal program charged. Employee B – BOA did not receive the certification for September 2005, however, records show that the employee had been certified as working 100 percent to the federal program charged for all other certification periods during the audit period. DHS believes this was an oversight and the employee did work 100 percent for the federal program charged. Employee C – BOA did not receive a certification for September 2005, however, records show that the employee had been certified as working 100 percent to the federal program charged for the March 2006 and September 2006 certification periods. The employee (now retired) had two supervisory changes and both have left the office and BOA was unable to follow-up with them. DHS believes this was an oversight and the employee did work 100 percent for the federal program charged. <p>The DHS certification process includes the following:</p> <ol style="list-style-type: none"> Instructions for the payroll certification of the PV 010/015 reports are included in the year end closing package each year. | closed |

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| | | | 2. The year end closing instructions also include the PV-001 report that lists all payroll dates that will need to be certified the following year. This is also available in the RAP reporting system. 3. There is a pop-up window in RAP which reminds certifiers of the need to meet OMB Circular A-87 requirements by certifying the PV010/015 reports. 4. The Bureau of Accounting maintains a PV010/015 log and follows up by e-mail if the certification is not received. | |
| Finding 4310720—Subrecipient Monitoring | | | | |
| The OAG recommends that DHS improve its internal control to ensure compliance with federal laws and regulations regarding subrecipient monitoring. | | | | |
| DHS's centralized subrecipient monitoring disclosed that DHS did not always issue, or have documentation that it issued management decisions regarding subrecipient audit findings. In addition, DHS did not always issue documented management decisions within six months of receiving subrecipient audit reports. | CDDO | 11/01/2007 | DHS is centralizing subrecipient monitoring functions which will conduct subrecipient monitoring, and follow-up of corrective action implementation for department findings to ensure the corrective action is effective in addressing the deficiency noted in the audit report. | open |
| Finding 4310721—Cash Management | | | | |
| The OAG recommends that DHS improve its internal control to ensure compliance with federal cash management requirements contained in the Cash Management Improvement Act. | | | | |
| a.(1) DHS did not use the correct funding technique as outlined in the CMIA agreement for LIHEAP. a.(2) DHS did not use the correct funding technique as outlined in the CMIA agreement for SSBG. a.(3) DHS did not draw the correct amount for the TANF bi-weekly payroll adjustment for the first quarter ended December 31, 2004. b.(1) DHS did not include information in its annual reports to the Michigan Department of Treasury regarding the incorrect funding techniques used for LIHEAP and SSBG. See items a.(1) and a.(2) of this finding. b.(2) DHS did not information in its annual reports to the Michigan Department of Treasury regarding the excess draws for the TANF program. See item a.(3) of this finding. b.(3) DHS did not include information in its annual reports to the Michigan Department of Treasury regarding quarterly adjustments for Food | CAO | implemented | DHS addressed the issues related to cash management as soon as it was presented by the auditors in March 2007. The following procedures were added: 1. Staff who perform the draws inform the personnel who prepares the annual report via e-mail when funds for cash settlement are not fully returned in one scheduled draw. 2. Staff preparing the annual report also check draw detail associated with the cash settlements. The fiscal year 2007 CMIA Annual Report was submitted to the Michigan Department of Treasury on October 2, 2007. | closed |

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Department of Human Services
Corrective Action Plan and Status of the Audit Recommendations
Financial Audit Including the Provisions of the Single Audit
For the Two Years Ended September 30, 2006
Report Issued August 29, 2007

| OAG Audit Finding | Responsible Administration | Proposed Implementation Date | Corrective Action/Update | Status |
|--|----------------------------|------------------------------|--------------------------|--------|
| Stamp program administration that could not be immediately adjusted related to the letter of credit. | | | | |

Note: Bridges is a single, integrated service delivery system which will support eligibility and benefit determination for Michigan's cash assistance, medical assistance, food assistance, and child care assistance programs. Bridges will replace DHS's ASSIST, CIMS, and LOA2 systems.

ASSIST—Automated Social Services and Support System
BAFS—Bureau of Adult and Family Services
BCAEO—Bureau of Community Action Economic Opportunity
BITS—Bureau Information Tracking System
BOA—Bureau of Accounting
CAO—Chief Administrator's Office
CCDF—Child Care and Development Fund
CCI—Child Care Institution
CDC—Child Development and Care
CDDO—Chief Deputy Director's Office
CFCIP—Chafee Foster Care Independent Program
CIMS—Client Information Management System
CMA—Cash, Medical, and Administration
CMIA—Cash Management Improvement Act

CS—Children's Services
CSBG—Community Services Block Grant
CTF—Children's Trust Fund
CWSS—Child Welfare Services
DCH—Department of Community Health
DHS—Department of Human Services
DIT—Department of Information Technology
DMB—Department of Management and Budget
DV—Domestic Violence
EBT—Electronic Benefits Transfer
ED—Energy Direct
EEC—Early Education and Care
FO—Field Operations
GF/GP—General Fund/General Purpose

HHS—Health and Human Services (U.S. Department)
IEVS—Income Eligibility Verification System
ITB—Invitation to Bid
LEIN—Law Enforcement Information Network
LIHEAP—Low Income Home Energy Assistance Program
LOA2—Local Office Automation
MiCSES—Michigan Child Support Enforcement System
MOE—Maintenance of Effort
MOU—Memorandum of Understanding
MSP—Michigan State Police
MWA—Michigan Works Agency
OAG—Office of the Auditor General
OMB—Office of Management and Budget
OQA—Office of Quality Assurance

OTIS—Offender Tracking Information System
PACAP—Public Assistance Cost Allocation Plan
PAL—Payment Authorization Listing
PF—Project Financing
REAP—Refugee Entrant Assistance Program
RS—Refugee Services
RSS—Refugee Social Services
SER—State Emergency Relief
SSA—Social Security Administration
SSBG—Social Services Block Grant
SWSS—Social Worker Support System
TANF—Temporary Assistance for Needy Families
UMP—Unaccompanied Minors Program
URM—Unaccompanied Refugee Minor