




RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN E. NIXON, CPA
DIRECTOR

January 9, 2014

TO: Doug Ringler, Director
Office of Internal Audit Services

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

SUBJECT: Fiscal Year 2012 Statewide Single Audit Corrective Action Plan

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 the fiscal year ended September 30, 2012. Please note that we did not prepare a separate Corrective Action Plan for the Single Audit Report for the fiscal year ended September 30, 2011. The audit findings and recommendations included in that Report were followed up and considered in the recommendations included in the Single Audit Report for fiscal year ended September 30, 2012.

Questions regarding the summary table or corrective action plans should be directed to Lora Mikula, Director, Accounting and Financial Reporting at mikulal@michigan.gov or 373-0447.

Attachment

cc: Executive Office
House Fiscal Agency
Senate Fiscal Agency
Jase Bolger, Speaker of the House
Tim Greimel, House Minority Leader
Thomas McTavish, Office of the Auditor General
Randy Richardville, Senate Majority Leader
Gretchen Whitmer, Senate Minority Leader

STATE OF MICHIGAN
SINGLE AUDIT REPORT
SUMMARY OF AGENCY RESPONSES TO RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

1. AUDIT RECOMMENDATIONS THE AGENCY HAS COMPLIED WITH:

2012-005, 2012-008, 2012-010, 2012-012, 2012-015, 2012-016, 2012-021, 2012-024, 2012-025, 2012-026, 2012-027, 2012-033, 2012-038, 2012-039, 2012-043, 2012-048, 2012-049, 2012-051, 2012-053, 2012-055, 2012-059, 2012-061, 2012-062, 2012-063, 2012-068

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

2012-001, 2012-002, 2012-003, 2012-004, 2012-006, 2012-007, 2012-009, 2012-011, 2012-013, 2012-017, 2012-018, 2012-019, 2012-020, 2012-022, 2012-023, 2012-030, 2012-031, 2012-032, 2012-035, 2012-036, 2012-040, 2012-041, 2012-042, 2012-044, 2012-045, 2012-046, 2012-047, 2012-054, 2012-056, 2012-057, 2012-058, 2012-060, 2012-064, 2012-065, 2012-066, 2012-067, 2012-069

3. AUDIT RECOMMENDATIONS THE AGENCY DISAGREES WITH:

2012-014, 2012-028, 2012-029, 2012-034, 2012-037, 2012-050, 2012-052

4. AUDIT RECOMMENDATIONS RELATED TO OTHER AUDITS:

2012-070, 2012-071, 2012-072, 2012-073, 2012-074

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

**STATE OF MICHIGAN
SINGLE AUDIT REPORT
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

1. AUDIT RECOMMENDATIONS THE AGENCY HAS COMPLIED WITH:

FINDING 2012-005

DCH, Reporting - FFATA Reporting

RECOMMENDATION

We recommend that DCH timely submit FFATA reports for the WIC Program, the Aging Cluster, and the MCHSBG.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

In March 2012, DCH modified its procedures for reviewing the federal reporting system. Since May 2012, DCH has been current with its FFATA reporting.

FINDING 2012-008

DHS, SUBRECIPIENT MONITORING - DUNS NUMBER

RECOMMENDATION

We recommend that DHS ensure that it obtains a DUNS number before it issues awards to subrecipients.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

The Office of Contracts and Purchasing began obtaining the DUNS numbers prior to contract execution in early 2012.

FINDING 2012-010

MDE, Subrecipient Monitoring - Review of Subrecipient's Single Audit Reports and Issuing Management Decisions

RECOMMENDATION

We recommend that MDE begin its review of subrecipient single audit reports in a timely manner and ensure that it timely issues management decisions for all single audit reports that include an audit finding.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE developed a standard template for program offices to report management decisions to the MDE Office of Financial Management - Audits. The Office of Financial Management - Audits, in turn, issues management decisions to its subrecipients. MDE reviews all corrective action plans for completeness when the audits are received in order to expedite the review process.

MDE is also implementing a new web-based Grant Electronic Monitoring System (GEMS). GEMS provides a standardized and systemic method for MDE and its districts to log findings, create and approve corrective action plans, receive and approve documentation or evidence of compliance, and ensure effective communications between MDE and its districts.

FINDING 2012-012

Centralized Subrecipient Monitoring - OMB Circular A-133 Subrecipient Audit Requirements

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

The ASC has implemented a plan to ensure that fiscal year 2012-13 subrecipient monitoring complies with federal requirements. ASC requests a management decision from each department when there are findings or questioned costs related to the federal awards provided by that department. ASC tracks the status of these requests and forwards a copy of the management decisions to the subrecipients.

FINDING 2012-015

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Availability of Federal Funds - Costs Not Disclosed

RECOMMENDATION

We recommend that DMVA disclose all expenditures incurred in a fiscal year to the USPFO within 90 days of the end of the federal fiscal year to ensure that the expenditures are eligible for federal reimbursement.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

In May 2013, DMVA updated its year end closing checklist to include references to the accounts receivable established for the fiscal year to ensure that known obligations are properly disclosed.

FINDING 2012-016

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Procurement Procedures

RECOMMENDATION

We recommend that DMVA comply with DTMB Administrative Guide procedure 0510.01.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

In May 2013, DMVA revised its processes for obtaining competitive bids and/or obtaining proper approval from DTMB's Procurement Director to waive the Bid4Michigan process in accordance with DTMB Administrative Guide procedure 0510.01. Going forward all POs/contracts will have proper quotations and/or be competitively bid, with a corresponding approved Purchase Request Form 6-1. All emergency purchases will be documented utilizing the EP doc type when generating the PO and referencing the emergency in detail in the MAIN notepad.

FINDING 2012-021

Highway Planning and Construction Cluster, CFDA 20.205, 20.205 (ARRA), and 20.219, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Davis-Bacon Act - Construction Pay Estimate Reports Not Properly Approved

RECOMMENDATION

We recommend that MDOT improve its internal control over the Highway Planning and Construction Cluster to ensure that the project engineers sign and date construction pay estimate reports prior to paying construction contractors.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDOT agrees with the recommendation and will endeavor to ensure that the project engineers sign and date construction pay estimate reports prior to paying construction contractors.

FINDING 2012-024

**School Improvement Grants Cluster, CFDA 84.377 and 84.388 (ARRA),
Procurement and Suspension and Debarment - Subrecipient Certifications**

RECOMMENDATION

We recommend that MDE ensure that it has a signed assurance and certification before distributing the funds.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Effective November 2012, the Office of Education Improvement and Innovation (OEII) unit supervisors were reminded of the requirement to ensure compliance with federal laws and regulations regarding suspension and debarment. OEII directed that all grant applications contain the requirement that there be a subgrantee certification that ensures applicants have utilized the EPLS prior to submission. Unit supervisors will monitor to ensure this requirement is contained in all requests for proposals.

FINDING 2012-025

**English Language Acquisition State Grants, CFDA 84.365, Allowable Costs/Cost
Principles and Subrecipient Monitoring - Monitoring Subrecipients'
Administrative Expenditures**

RECOMMENDATION

We recommend that MDE ensure that LEAs comply with the administrative earmarking requirement.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Effective May 2013, MDE made changes to MEGS+ to prevent LEAs from exceeding the 2% limit for administrative costs. Error checks are now programmed into the system to prevent submission of an application that exceeds the 2% administration. MDE consultants will also provide verification.

FINDING 2012-026

College Access Challenge Grant Program, CFDA 84.378, Matching, Level of Effort, and Earmarking - Monitoring Administrative Costs

RECOMMENDATION

We recommend that MDE implement controls to ensure that it does not exceed the administrative earmarking threshold for future awards.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

In May 2013, MDE reclassified \$79,811 that was originally charged as administrative costs to outreach activities. The duties of the supervisor of the College Access Challenge Grants were properly classified as Statewide activities. These outreach activities included participating in conferences and workshops, serving on State and local boards, and the development and management of a Web portal to serve high school students. Thirty percent of the supervisor's time can be categorized as outreach. The supervisor's wages and benefits for the two-year grant period were \$266,035 resulting in an amount of \$79,811, which exceeds all questioned costs.

FINDING 2012-027

Aging Cluster, CFDA 93.044, 93.045, and 93.053, Procurement and Suspension and Debarment - Verification of Subrecipients Suspended or Debarred Status

RECOMMENDATION

We recommend that DCH establish a process to verify that its Aging Cluster subrecipients were not suspended or debarred from participating in federally funded grants.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH now requires suspension and debarment certification form to be submitted annually by AAA's as part of the State's requirements for annual implementation plans. The addition of suspension and debarment certification language was added to the requirements for the fiscal year 2012-13 annual implementation plans. Furthermore, DCH

also tested each AAA annually for suspension and debarment, including a test performed in February 2012 using the EPLS/SAM for its fiscal year 2012-13 AAA agency assessment process.

FINDING 2012-033

TANF Cluster, CFDA 93.558, Eligibility - Lack of Process to Identify Drug Felony Violations

RECOMMENDATIONS

We recommend that DHS established a process to identify individuals receiving TANF Cluster assistance who are convicted of a drug-related felony and are in violation of their probation or parole requirements.

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS implemented a fugitive felon interface between Bridges and the Michigan State Police in December 2012. If any Food Assistance Program (FAP), Family Independence Program (FIP), Child Development and Care (CDC), or State Disability Assistance clients receive a match, the case is automatically set for closure and a notification is sent to the case grantee. In addition, Policy Item BAM 811, Fugitive Felon, provides direction to the case workers.

FINDING 2012-038

TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Penalty for Refusal to Work

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS began automating the DHS-2444, Notice of Triage, in August 2012 and will close the case if no action is taken.

FINDING 2012-039

TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Child Support Noncooperation

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

A Bridges and MiCSES re-sync was performed in October 2011 which eliminated many incorrect non-cooperation records by posting the compliance record. This also increased the number of non-cooperation records which resulted in cases being sanctioned as appropriate. An additional release in April 2012 corrected the interface.

FINDING 2012-043

CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Health and Safety Requirements - Licensed Child Care Providers

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

For clarity purposes, a statement has been added to the Licensing Study Report describing what is included in the record review.

FINDING 2012-048

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 Adjuster Payments

RECOMMENDATION

We recommend that DCH accurately calculate practitioner adjuster payments.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH has established a reconciliation process that will occur for the audit period and as necessary during future physician adjuster payment calculations. As part of this process, DCH will perform a look-back reconciliation process to off-set federal financial participation for claims that may have been calculated incorrectly. DCH's Medicaid State Plan allows for any retroactive issues to be corrected through a reconciliation process.

FINDING 2012-049

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Pharmacy Rebates

RECOMMENDATIONS

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

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH modified its rebate invoicing processes in early fiscal year 2012-13 to eliminate prospective issues.

FINDING 2012-051

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Provider Disclosures

RECOMMENDATION

We recommend that DCH establish a process to obtain all disclosures from Medicaid providers as required by federal regulations.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

As of December 2012 this has been corrected in CHAMPS.

FINDING 2012-053

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Utilization Control and Program Integrity, Pharmacy Audit Recoveries

RECOMMENDATION

We recommend that DCH verify that its PBM recovers pharmacy overpayments identified by pharmacy audits.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH agrees that during fiscal year 2012 it was developing a mechanism to ensure that the pharmacy benefits manager gross adjusted every overpayment identified. However, during fiscal year 2013, the contract manager reviewed audits performed in fiscal year 2012 and 2013 and worked with the pharmacy benefits manager to ensure that overpaid dollars identified by the audit vendor were gross adjusted. Providers for whom gross adjustments could not be completed by the pharmacy benefits manager have been sent to DCH Accounting to either gross adjust or send to the Department of Treasury in order to make all attempts to recoup the overpaid dollar amounts.

FINDING 2012-055

Refugee and Entrant Assistance - State Administered Programs, CFDA 93.566, Activities Allowed or Unallowed, Cash Management, Reporting, and Subrecipient Monitoring - Contract Coding

RECOMMENDATION

We recommend that DHS improve its internal control to ensure that it appropriately charges refugee expenditures to the REAP grants.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

The DHS program office has added a step to its contract review process. The program office will track payments when they are posted to MAIN and review them to ensure that they are billed to the correct grant and account. The coding was corrected and a journal voucher was processed to correct the billing.

FINDING 2012-059

Low-Income Home Energy Assistance, CFDA 93.568, Allowable Costs/Cost Principles – Reconciliation of Home Heating Credit Reimbursements

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Effective October 1, 2012, DHS revised its procedures to reconcile the HHC billings to a data warehouse report on a monthly basis.

FINDING 2012-061

Foster Care - Title IV-E, CFDA 93.658 and 93.658 (ARRA) and Social Services Block Grant, CFDA 93.667, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Inappropriate Allocation of Foster Care Maintenance Payments

RECOMMENDATION

We recommend that DHS ensure foster care payments are correctly allocated between the SSBG Program and the Foster Care - Title IV-E Program and are recorded in the correct fiscal year.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS has improved oversight to ensure that journal vouchers are reviewed and released by authorized accounting personnel.

FINDING 2012-062

Foster Care - Title IV-E, CFDA 93.658 and 93.658 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Tribal FMAP

RECOMMENDATION

We recommend that DHS apply the correct FMAP rates to tribal maintenance payments.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS has obtained FMAP rates through fiscal year 2014. The DHS Federal Reporting Unit will search the HHS.gov website for Tribal FMAP rates on April 1 of each year to obtain FMAP rates for the upcoming fiscal year.

FINDING 2012- 063

Foster Care - Title IV-E, CFDA 93.658 and 93.658 (ARRA), Matching, Level of Effort, and Earmarking and Procurement and Suspension and Debarment - Procurement of Contracts

RECOMMENDATION

We recommend that DHS obtain the signatures of authorized representatives of all parties to contracts before the contractors provide services and DHS makes payments to the contractor.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS has implemented several improvements to the contracting process that include the revision of contract and amendment language to specify that the contract is effective from the date of DHS signatures through a specific date and that no services are to be provided and no costs will be incurred by the State prior to the effective date of the contract. In addition, DHS has developed a planning tool to track the amount of time necessary to contract for services and when the contracting process needs to start in order to ensure that the contract has all authorized signatures prior to when services need to be rendered.

FINDING 2012-068

Chafee Foster Care Independence Program, CFDA 93.674, Matching, Level of Effort, and Earmarking and Procurement and Suspension and Debarment - Contract Authorization

RECOMMENDATION

We recommend that DHS fully execute contracts before the contractor provides services and DHS makes payments.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS has implemented several improvements to the contracting process that include the revision of contract and amendment language to specify that the contract is effective from the date of DHS signatures through a specific date and that no services are to be provided

and no costs will be incurred by the State prior to the effective date of the contract. In addition, DHS has developed a planning tool to track the amount of time necessary to contract for services and when the contracting process needs to start in order to ensure that the contract has all authorized signatures prior to when services need to be rendered.

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

FINDING 2012-001

DHS Bridges Interface and Change Controls

RECOMMENDATION

We recommend that DHS and DTMB improve internal control over federal programs to provide reasonable assurance that they are managing federal awards in compliance with program requirements related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Refugee and Entrant Assistance - State Administered Programs, and LIHEAP.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Management Views:

DHS and DTMB agree that internal control could be improved. It should be noted that, while the documentation was not readily available, end user testing was performed and yielded the expected results for eligibility determinations.

Planned Corrective Action:

DHS and DTMB will develop a detailed corrective action plan to address the issues noted in the finding.

Anticipated Completion Date:

March 1, 2014

FINDING 2012-002

DHS Bridges Security Management and Access Controls

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is implementing the following corrective actions:

- a. DHS is developing a Security Monitoring Plan.
- b. The cited deficiencies are being addressed through the Bridges maintenance scope and request for change process. The changes will be promoted through the Bridges environments using the documented Bridges scope process.
- c. DHS is reviewing processes to address maintenance of security agreements (location[s], electronic, retention, etc.).

DHS anticipates completion by October 1, 2013.

FINDING 2012-003

DHS and DTMB - Income Eligibility and Verification System

RECOMMENDATIONS

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

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is implementing the following corrective actions:

- a. DTMB will continue work to obtain the necessary documentation from the Bridges application.
- b. DHS and DTMB will develop a detailed corrective action plan to address the issues noted in the finding.
- c. DTMB will continue work to obtain the necessary documentation from the Bridges application.

- d. DHS has established a workgroup of stakeholders from the department to evaluate the necessity or redundancy of tasks and reminders. By reducing the number of tasks and reminders, it will allow caseworkers to concentrate their efforts on those that have an effect on eligibility determination and benefit calculations (e.g., IEVS).
- e. TANF funded adoption subsidies will be included with the IEVS data matches when Michigan Statewide Automated Welfare Information System (MISACWIS) is operational.

DHS anticipates completion by January 1, 2014.

FINDING 2012-004

MDE, Reporting - FFATA Reporting

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE has created a reporting process to ensure timely reporting for all child nutrition grant awards in the Child Nutrition Cluster and Child and Adult Food Care Program. MDE has implemented procedures to ensure that all federal grants are properly reported in the Federal Subrecipient Reporting System (FSRS). Priority will be given to reporting all current year awards on time. MDE will also complete reports for all previous federal awards. Education grant reporting process has been implemented. MDE anticipates the USDA reporting requirements will be in full compliance by August 31, 2013.

FINDING 2012-006

DHS, Reporting - FFATA Reporting

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is working to identify all grants that require FFATA reporting. Once this is completed, DHS will complete the FFATA reporting if the grant is available in the FFATA

Subaward Reporting System Web site located at <<https://www.fsrs.gov>>. If the grant is not available on the federal Web site, then DHS will contact the appropriate federal agency and request access to the grant for reporting purposes. DHS plans to comply by October 1, 2013 for grant identification.

FINDING 2012-007

MDE, Subrecipient Monitoring - DUNS Numbers

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE is implementing controls in the Michigan Electronic Grants System Plus (MEGS+) and the Cash Management System (CMS) to ensure that no funds are released if the subrecipient has not provided a DUNS number. The control in MEGS+ will prevent MDE staff from awarding funds to subrecipients that have not provided a DUNS number. The control in CMS will prevent subrecipients that have not provided a DUNS number to MDE from drawing grant funds. This control is necessary as not all grants are approved through MEGS+. A control for all Child Nutrition Program (CNP) applications in MEGS+ has also been designed to prevent an applicant that has not provided its DUNS number from submitting the grant application. Corrective action for MEGS+ has been completed. Corrective action for CNP applications is anticipated to be completed by September 30, 2013. Corrective action for CMS is anticipated to be completed by October 31, 2013.

FINDING 2012-009

MDE, Subrecipient Monitoring - Obtaining Subrecipient Single Audit Reports

RECOMMENDATION

We recommend that MDE identify and obtain all required subrecipient single audit reports.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE is reviewing the Cash Management System (CMS) to ensure that subrecipients are appropriately identified.

MDE revised its process to perform an initial review of subrecipient audits as they are received to identify those with findings or questioned costs related to federal awards and to

review the appropriateness and timeliness of corrective action plans. The program offices are requested to prepare management decisions and recommend recovery of any identified questioned costs.

MDE is also implementing a new web-based Grant Electronic Monitoring System (GEMS). GEMS provides a standardized and systemic method for MDE and its districts to log findings, create and approve corrective action plans, receive and approve documentation or evidence of compliance, and ensure effective communications between MDE and its districts.

MDE anticipates that the ability to use GEMS to monitor, obtain, and communicate management decisions to subgrantees will be fully operational by September 30, 2013.

FINDING 2012-011

MDE, Subrecipient Monitoring - Notification of Program Areas Affected

RECOMMENDATIONS

We recommend that MDE notify the applicable program areas of subrecipient audit findings.

We also recommend that MDE initiate the recovery of disallowed costs.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE revised its process to perform an initial review of subrecipient audits as they are received to identify those with findings or questioned costs related to federal awards and to review the appropriateness and timeliness of corrective action plans. The program offices are requested to prepare management decisions and recommend recovery of any identified questioned costs.

MDE is also implementing a new web-based Grant Electronic Monitoring System (GEMS). GEMS provides a standardized and systemic method for MDE and its districts to log findings, create and approve corrective action plans, receive and approve documentation or evidence of compliance, and ensure effective communications between MDE and its districts.

MDE anticipates that the ability to use GEMS to monitor, obtain, and communicate management decisions to subgrantees will be fully operational by September 30, 2013.

FINDING 2012-013

DCH, Special Tests and Provisions - ADP Security Program

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH continues to work with each of the system owners and Michigan Cyber Security to update the current status of the 4 security plans that have not been completed, the 7 missing disaster recovery plans, and inappropriate documentation for disaster recovery plan testing and development schedules to complete each. DCH anticipates correcting the finding by October 2014.

FINDING 2012-017

**CDBG - State-Administered CDBG Cluster, CFDA 14.228 and 14.255 (ARRA),
Reporting - Section 3 Summary Report**

RECOMMENDATIONS

We recommend that MSF ensure that grants awarded directly by MSF for other public construction are included in the Section 3 Summary Report (HUD 60002).

We also recommend that MSF review the Section 3 Summary Report prepared by MSHDA prior to submission.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MSF will ensure that grants awarded directly to MSF for other public construction are included in the Section 3 Summary Report (HUD 60002). MSF anticipates completion by September 30, 2013.

FINDING 2012-018

**CDBG - State-Administered CDBG Cluster, CFDA 14.228 and 14.255 (ARRA),
Reporting - FFATA Reporting**

RECOMMENDATION

We recommend that MSF report CDBG - State-Administered CDBG Cluster subaward information as required by FFATA.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MSF will report CDBG State-administered CDBG Cluster subaward information as required by FFATA. MSF anticipates completion by September 30, 2013.

FINDING 2012-019

**CDBG - State-Administered CDBG Cluster, CFDA 14.228 and 14.255 (ARRA),
Subrecipient Monitoring - Monitoring Subrecipients for Section 3 Requirements**

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MSF will monitor subrecipients for compliance with all Section 3 requirements of HUD. MSF anticipates completion by September 30, 2013.

FINDING 2012-020

**CDBG - State-Administered CDBG Cluster, CFDA 14.228 and 14.255 (ARRA),
Subrecipient Monitoring - Central Contractor Registration**

RECOMMENDATION

We recommend that MSF ensure that its subrecipients receiving ARRA funding maintain current registrations in the CCR.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MSF will ensure that its subreceptients receiving ARRA funding maintain current registrations in the CCR. MSF anticipates completion by September 30, 2013.

FINDING 2012-022

**Highway Planning and Construction Cluster, CFDA 20.205, 20.205 (ARRA), and
20.219, Reporting - FFATA Reporting**

RECOMMENDATION

We recommend that MDOT report Highway Planning and Construction Cluster subaward information as required by FFATA.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDOT agrees with the recommendation. In February 2013, MDOT began to report new FHWA grants on the FFATA Subaward Reporting System Web site located at <<https://www.fsrs.gov>> in compliance with FFATA and began updating the Web site for previously unreported grants. MDOT anticipates completing the updates for previously unreported grants by December 31, 2013.

FINDING 2012-023

MDE, Special Education Cluster (IDEA), CFDA 84.027, 84.173, 84.391 (ARRA), and 84.392 (ARRA), Special Tests and Provisions - Allocation to Charter Schools

RECOMMENDATION

We recommend that MDE monitor ISDs to ensure that they properly allocate program funds to new or significantly expanded charter schools.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE is continuing to improve the process to monitor subrecipients' distribution of funds through consistent communications and internal controls within the grant approval process. MDE anticipates completion by September 30, 2013.

FINDING 2012-030

TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Lack of Survey Documentation for Reverse Commute Expenditures

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS has modified the survey to include questions that are specific to needy individuals utilizing transportation for the sole purpose of work or job related activities. DHS anticipates completion by October 1, 2013.

FINDING 2012-031

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

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is taking a close look at specific case file deficiencies at each local/district office as a result of audits. In addition, a report has been developed to capture the audit results for missing case files and missing documentation by each local/district office. Performance metrics will be established for local/district offices for case file accountability. DHS is also implementing an Electronic Document Management system, and it is currently operational in 29 counties.

DHS Field Services – Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services – Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. DHS anticipates completion by October 1, 2014.

FINDING 2012-032

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 DHS conduct annual eligibility redeterminations to ensure that adoptive families meet TANF Cluster eligibility requirements.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

The adoption subsidy system was automated in March 2012. The system produces an annual report for each child which is sent to each payee along with an adoption subsidy contract at the beginning of the month of the child's birth date. The adoptive parent is required to complete the annual report for which submission is tracked by the adoption subsidy office. The process will be fully automated when the MISACWIS system is operational. DHS anticipates completion by November 1, 2013.

FINDING 2012-035

TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking - Time on Assistance Earmark

RECOMMENDATION

We recommend that DHS identify all federally funded FIP initial payments with a payment reason of "other" for active and closed FIP cases whose federal time limit is less than 60 months and review those payments to determine if the payments should be included in the federal time limit counter.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS will run an ad-hoc report that will identify all federally funded FIP initial payments with a payment reason of "other" for active and closed FIP cases whose federal time limit is less than 60 months, and review those payments to determine if the payments should be included in the federal time limit counter. Currently Bridges determines the payment type and case workers cannot issue supplemental payments. DHS anticipates completion by January 1, 2014.

FINDING 2012-036

TANF Cluster, CFDA 93.558, Reporting - Accuracy of Reports

RECOMMENDATION

We recommend that DHS submit accurate billings to HHS.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS will perform a more in-depth review of its calculations and data used for MOE. DHS is continuously reviewing internal processes to improve identification and documentation for TANF MOE to ensure that DHS complies with TANF laws and regulations regarding reporting requirements. DHS anticipates completion by January 1, 2014.

FINDING 2012-040

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

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is taking a close look at specific case file deficiencies at each local/district office as a result of audits. In addition, a report has been developed to capture the audit results for missing case files and missing documentation by each local/district office. Performance metrics will be established for local/district offices for case file accountability. DHS is also implementing an Electronic Document Management system, and it is currently operational in 29 counties.

DHS Field Services – Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services – Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. DHS anticipates completion by October 1, 2014.

FINDING 2012-041

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

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE and DHS are evaluating the costs and benefits associated with all options related to the disqualifications of clients. These options range from manual solutions to fully automated technology solutions in order to ensure compliance with this requirement. MDE and DHS anticipate completion by November 1, 2013.

FINDING 2012-042

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

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Corrective action includes a reconciliation of OIG paper disposition packets for Provider CDC IPV that the Reconciliation and Recoupment Unit receives weekly from the county-based OIG field agents against a master list of all OIG dispositions State-wide which are indexed weekly and maintained electronically by OIG administrative staff in DHS Central Office.

Verification of follow-through provider CDC claim establishment in Bridges is achieved by retaining hard-copy print of successful claim establishment transaction, noting provider particulars and date of establishment transaction. Print is then placed within the case file retained by the Reconciliation and Recoupment Unit.

The Reconciliation and Recoupment Section has implemented separation of duties whereby staff not involved in provider CDC claim establishment or receivables-monitoring processes post payments on those receivables. Payments posting and accuracy of provider CDC claims establishment are then randomly checked for processing accuracy by other staff further removed from Bridges data entry in general, and both provider CDC claims establishment and routine posting of payments in particular.

The Reconciliation and Recoupment Unit is reviewing criteria for both delinquency and collection referral action to follow-up on existing provider CDC claims; management will make approvals of both manual processes forward.

Manual notification of provider due process (dunning notices) is and has been underway for 18 months to compensate for the lack of automated processes. Resumption of ensuing collection referral action to Treasury awaits completion and summary evaluation of a minimum six-month special project involving Revenue and Collections Division of the office of Attorney General.

Work requests to automate the processes have been submitted and are waiting for project prioritization. MDE anticipates completion by October 1, 2013.

FINDING 2012-044

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Under Age 21 Eligibility Group

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS' Data Management Unit provided a new version of the BRIMM which will enable each county office to run an ad-hoc report that will identify individuals who have aged out of the G2U aid category. In addition, DHS is currently working on as standardized monthly process for counties to follow utilizing BRIMM to ensure that cases close timely. DHS anticipates completion by January 1, 2014.

FINDING 2012-045

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible Medicaid Beneficiaries

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is taking a close look at specific case file deficiencies at each local/district office as a result of audits. In addition, a report has been developed to capture the audit results for missing case files and missing documentation by each local/district office. Performance metrics will be established for local/district offices for case file accountability. DHS is also implementing an Electronic Document Management system, and it is currently operational in 29 counties.

DHS Field Services – Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services – Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. DHS anticipates completion by October 1, 2014.

FINDING 2012-046

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Insufficient Eligibility Documentation

RECOMMENDATION

We recommend that DCH and DHS maintain documentation to support that beneficiary eligibility was determined in accordance with eligibility requirements.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is taking a close look at specific case file deficiencies at each local/district office as a result of audits. In addition, a report has been developed to capture the audit results for missing case files and missing documentation by each local/district office. Performance metrics will be established for local/district offices for case file accountability. DHS is also implementing an Electronic Document Management system, and it is currently operational in 29 counties.

DHS Field Services – Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring

required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services – Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. DHS anticipates completion by October 1, 2014.

FINDING 2012-047

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

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH reviewed the identified claims and has recouped approximately 60% of the claims. DCH continues its recoupment efforts and anticipates completing recoupment by 9-30-13. In addition, DCH also modified system functionality to ensure proper processing of claims through CHAMPS.

FINDING 2012-054

Refugee and Entrant Assistance - State Administered Programs, CFDA 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - REAP Documentation

RECOMMENDATIONS

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

We also recommend that DHS review detailed invoices to determine the allowability of REAP administrative expenditures prior to initiating payment.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is taking a close look at specific case file deficiencies at each local/district office as a result of audits. In addition, a report has been developed to capture the audit results for missing case files and missing documentation by each local/district office. Performance

metrics will be established for local/district offices for case file accountability. DHS is also implementing an Electronic Document Management system, and it is currently operational in 29 counties.

DHS Field Services – Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services – Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. DHS anticipates completion by October 2014.

In addition, a query has been developed to identify cases at 8 months for local office case action. Bridges will be automated to close cases at 8 months with Release 7.6.

DHS anticipates completion by October 1, 2014

FINDING 2012-056

Refugee and Entrant Assistance - State Administered Programs, CFDA 93.566, Eligibility - Accuracy of Eligibility Budget Calculations

RECOMMENDATION

We recommend that DHS ensure the accuracy of REAP budget calculations.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

A Bridges work request has been prepared to include Refugee Matching Grant and Refugee Resettlement Income as income types. As included income types, they will be programmed to budget correctly for refugee cases.

In addition, the program office will work with the local DHS offices to develop a pilot for refugee specific workers and/or units.

DHS anticipates completion by January 1, 2014

FINDING 2012-057

Refugee and Entrant Assistance - State Administered Programs, CFDA 93.566,

Period of

Availability - Services Provided Prior to the Period of Availability

RECOMMENDATIONS

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

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS will work with DCH to emphasize service dates and the period of availability of funds. DHS anticipates completion by October 1, 2013.

FINDING 2012-058

Low-Income Home Energy Assistance, CFDA 93.568, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Lack of Documentation

RECOMMENDATIONS

We recommend that DHS maintain sufficient documentation to support that SER energy payments are made on behalf of eligible clients.

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

Field Operations Administration (FOA) issued additional guidance to the local offices in November 2012. FOA Memo 2012-045 included links to updated training wizards to aid staff when processing an assistance application for services, the SER/LIHEAP Case Read Form, and the SER fiscal checklist. FOA will partner with the Office of Workforce Development and Training to improve SER training. Caseworkers, managers and supervisors will be required to complete the training.

FOA and the Business Service Centers will develop a plan for targeted case reads. The results of the targeted case reads will be analyzed to determine if there is a reduction of the known deficiencies or if training improvements are needed.

DHS anticipates completion by October 1, 2013.

FINDING 2012-060

Foster Care - Title IV-E, CFDA 93.658 and 93.658 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Lack of Documentation

RECOMMENDATION

We recommend that DHS maintain documentation of local office workers' verification of foster parents' employment need reasons for child care assistance.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS is taking a close look at specific case file deficiencies at each local/district office as a result of audits. In addition, a report has been developed to capture the audit results for missing case files and missing documentation by each local/district office. Performance metrics will be established for local/district offices for case file accountability. DHS is also implementing an Electronic Document Management system, and it is currently operational in 29 counties.

DHS Field Services – Central Office will take actions to ensure each local office establishes a procedure to ensure requested documentation is provided in response to an audit or program review request. In addition, each local office will be responsible for ensuring required documents are in the case file as part of the case read process. Any documents or files that are missing will require actions to be taken to ensure the case record is complete or appropriate actions are taken with the case. Case read results will be provided to Field Services – Central Office which, at a minimum, identifies the number of cases read, missing documentation, and other case file deficiencies. DHS anticipates completion by October 1, 2014.

FINDING 2012-064

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

In July 2009, DHS discontinued relying upon the eligibility determination information recorded within SWSS-FAJ for new adoption subsidy cases. At that time, Adoption Assistance Program staff began determining and documenting the eligibility for all new adoption subsidy cases. The cases determined to be Title IV-E eligible will decrease over time as a result of case closures.

FINDING 2012-065

Chafee Foster Care Independence Program, CFDA 93.674, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Lack of Documentation

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS implemented an internal review process for Youth-in-Transition (YIT) funding requests beginning October 1, 2011. As cases are reviewed, case workers and supervisors are requested to make necessary corrections related to eligibility when appropriate. DHS issued communication on July 2, 2012 to local DHS and private agency foster care workers, supervisors, and administrative staff to address documentation and allowable expenditure concerns when using YIT funds. The communication referenced YIT policy and contained a link to the YIT job aid for entering YIT requests in SWSS-FAJ.

Currently, private agency foster care workers currently have limited access to SWSS-FAJ but with the implementation of MISACWIS, both local DHS and private agency foster care workers will use the same process for approving payments. Payment requests for YIT expenditures will be entered into the system by the caseworkers and approved by supervisors in the system.

DHS anticipates completion by November 1, 2013.

FINDING 2012-066

Chafee Foster Care Independence Program, CFDA 93.674, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Inappropriate Payroll Expenditures

RECOMMENDATION

We recommend that DHS ensure that payroll expenditures charged to CFCIP are incurred for CFCIP activities and meet the payroll documentation requirements of OMB Circular A-87.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS will ensure that payroll certifications are reviewed and certified by the supervisor of employees who work 100 percent on federal programs. If an accounting adjustment is needed, DHS will obtain a written statement from the employee(s) or supervisor(s) regarding the duties performed during the adjustment period. DHS anticipates completion by October 1, 2013.

FINDING 2012-067

Chafee Foster Care Independence Program, CFDA 93.674, Eligibility - Funding Eligibility Checklist

RECOMMENDATION

We recommend that DHS ensure that local office caseworkers and supervisors approve and maintain the CFCIP funding eligibility checklist in each youth's case record.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS implemented an internal review process for Youth-in-Transition (YIT) funding requests beginning October 1, 2011. As cases are reviewed, case workers and supervisors are requested to make necessary corrections related to eligibility when appropriate. DHS issued communication on July 2, 2012 to local DHS and private agency foster care workers, supervisors, and administrative staff to address documentation and allowable expenditure concerns when using YIT funds. The communication referenced YIT policy and contained a link to the YIT job aid for entering YIT requests in SWSS-FAJ.

Currently, private agency foster care workers currently have limited access to SWSS-FAJ but with the implementation of MISACWIS, both local DHS and private agency foster care

workers will use the same process for approving payments. Payment requests for YIT expenditures will be entered into the system by the caseworkers and approved by supervisors in the system.

DHS anticipates completion by November 1, 2013.

FINDING 2012-069

Homeland Security Grant Program, CFDA 97.067, Reporting - Accuracy of Federal Reports

RECOMMENDATION

We recommend that MSP prepare HSGP's FFRs in accordance with federal regulations and FFR form instructions.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

The Emergency Management and Homeland Security Division (EMHSD) has updated the spreadsheets used to complete the FFR's. EMHSD will update the procedures for completing the FFR's in accordance with new additional guidelines. MSP plans to comply by September 30, 2013.

3. AUDIT RECOMMENDATIONS THE AGENCY DISAGREES WITH:

FINDING 2012-014

Child Nutrition Cluster, CFDA 10.553, 10.555, 10.556, and 10.559, Subrecipient Monitoring - Required Inspections

RECOMMENDATION

We recommend that MDE conduct required inspections of food service management company facilities that prepared meals for SFSPC subrecipients.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

MDE disagrees with the finding and does not intend to take further action.

FINDING 2012-028

TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Use of Funds

RECOMMENDATION

We recommend that DHS document that it appropriately used TANF Cluster funds received for activities previously authorized based on an approved AFDC State Plan.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS disagrees with the finding and does not intend to take further action.

FINDING 2012-029

TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Unallowable Juvenile Justice Expenditures

RECOMMENDATION

We recommend that DHS ensure that expenditures claimed under the TANF Cluster meet the requirements of the prior AFDC State Plan or TANF Cluster laws and regulations.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS disagrees with the finding and does not intend to take further action.

FINDING 2012-034

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

RECOMMENDATION

We recommend that DHS seek guidance from the U.S. Department of Health and Human Services (HHS) to ascertain whether these programs are exempt from the new spending test.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS disagrees with the finding and does not intend to take further action.

FINDING 2012-037

TANF Cluster, CFDA 93.558, Subrecipient Monitoring - Lack of Subrecipient Site Visits

RECOMMENDATION

We recommend that DHS conduct annual site visits of Families First of Michigan and Family Reunification subrecipients.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DHS disagrees with the finding and does not intend to take further action.

FINDING 2012-050

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles - Third Party Liabilities

RECOMMENDATION

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

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

DCH disagrees with the finding and does not intend to take further action.

FINDING 2012-052

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - County Health Plan Monitoring

RECOMMENDATION

We recommend that DCH monitor the CHPs' process for ensuring that their providers are properly licensed to participate in Medicaid and make required disclosures.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN

With the advent of Medicaid Reform, the population currently served by the County Health Plans under the Adult Benefit Waiver will be enrolled in the Medicaid Health Plans as part of the expansion population. Therefore, the Managed Care Division has not pursued any further enrollment of County Health Plan physicians into CHAMPS.

4. AUDIT RECOMMENDATIONS RELATED TO OTHER AUDITS:

FINDING 2012-070

Housing Voucher Cluster, CFDA 14.871

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2012, Finding 2012-03.

FINDING 2012-071

Housing Voucher Cluster, CFDA 14.871

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2012, Finding 2012-04.

FINDING 2012-072

Community Development Block Grant, CFDA 14.228, ARRA - Neighborhood Stabilization Program, CFDA 14.256

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2012, Finding 2012-05.

FINDING 2012-073

Unemployment Insurance, CFDA 17.225

See Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2012, Finding 12-01.

FINDING 2012-074

Unemployment Insurance, CFDA 17.225

See Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2012, Finding 12-02.