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GOVERNOR

STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

JOHN S. ROBERTS  
DIRECTOR

September 22, 2015

**MEMORANDUM**

TO: Office of Internal Audit Services  
State Budget Office

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

SUBJECT: Fiscal Year 2014 Statewide Single Audit Corrective Action Plan

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In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained in the Office of the Auditor General's State of Michigan Single Audit Report for fiscal year ended September 30, 2014.

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

Attachment

cc: Executive Office  
Doug Ringler, Auditor General  
Kevin Cotter, Speaker of the House  
Tim Greimel, House Minority Leader  
Arlan Meekhof, Senate Majority Leader  
Jim Ananich, Senate Minority Leader  
Lora Mikula, Director, Accounting and Financial Reporting  
Shawna Hessling, Statewide Single Audit Coordinator  
House Fiscal Agency  
Senate Fiscal Agency  
Chief Financial Officers  
Chief Accountants

**STATE OF MICHIGAN**  
**SINGLE AUDIT REPORT**  
**SUMMARY OF AGENCY RESPONSES TO RECOMMENDATIONS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2014**

**1. Audit Recommendations the Agency has complied with:**

2014-002 (parts a-c, e), 2014-010, 2014-012, 2014-013, 2014-014, 2014-015, 2014-017, 2014-021, 2014-022, 2014-024, 2014-025, 2014-026, 2014-027, 2014-030, 2014-031, 2014-032, 2014-033, 2014-034, 2014-035, 2014-036, 2014-037, 2014-038, 2014-039, 2014-040, 2014-044, 2014-052, 2014-054, 2014-059, 2014-060, 2014-061, 2014-067, 2014-070, 2014-071, 2014-073, 2014-074, 2014-076, 2014-079, 2014-080, 2014-082, 2014-086 (part b), 2014-087, 2014-089, 2014-090

**2. Audit Recommendations the agency agrees with and will comply:**

2014-001, 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-011, 2014-016, 2014-018, 2014-020, 2014-023, 2014-028, 2014-041, 2014-042, 2014-043, 2014-045\*, 2014-046, 2014-047, 2014-048\*, 2014-049, 2014-050\*, 2014-051, 2014-053, 2014-055, 2014-056, 2014-057, 2014-058, 2014-062, 2014-063, 2014-064, 2014-065, 2014-066, 2014-068, 2014-069, 2014-075, 2014-077, 2014-078, 2014-081, 2014-083, 2014-084, 2014-085, 2014-088

**3. Audit Recommendations the agency disagrees with:**

2014-002 (part d), 2014-019, 2014-029, 2014-072, 2014-086 (part a)

**4. Audit Recommendations Related to Other Audits:**

2014-091, 2014-092, 2014-093

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

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

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**FINDING 2014-001**

**Bridges Interface and Change Controls**

**Recommendation**

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

**Management Views and Corrective Action Plan**

The departments are implementing the following corrective actions:

**Finding 1**

- a.(1) DTMB has created a work request to address the issue.
  - (2) DTMB retains an email to document when a job has not run as scheduled. DTMB will create a work request to identify any unscheduled jobs that are run and include follow-up documentation.
- b. DTMB will implement corrective action as part of the Bridges modernization project.
- c.(1) DTMB will implement corrective action as part of the Bridges modernization project.
  - (2) MDHHS has partially implemented corrective action and assigned responsibility for monitoring the exception reports.

**Finding 5**

MDHHS will continue working with the other State agency to execute a data share agreement.

**Finding 6 c.**

Corrective action has been completed. DTMB follows a work request scheduling procedure with security measures in place. DTMB monitors the work request procedures during and after each release.

**Finding 7**

- a. Bridges will be migrating to a future suite of IBM Rational Tools. Users will change from existing groups to members with process roles appropriate for their job.
- b.(1) DTMB has bi-weekly change meetings to address the finding. DTMB has created a work request to develop a report to monitor roles.
- c.(1) DTMB has created a work request to develop a report to monitor user activity.

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- (2) DTMB will change its practice to adding and removing users for each change cycle. Users will be added for each change cycle and removed when testing is completed.
- (3) ClearCase and ClearQuest roles will be reevaluated as part of the Bridges modernization project. DTMB has created a work request to develop a report to monitor user roles.

Finding 8 b.

- (1) Corrective action has been completed. Effective May 11, 2015, the batch team no longer reports to the Bridges development manager.
- (2) Access for the user will remain to support the Bridges application. DTMB has created a work request to monitor the user's access.

Anticipated Completion Date:

The departments anticipate implementation of corrective actions by April 1, 2016, with the exception of the Bridges modernization project, which is expected to begin during fiscal year 2016. System requirements will be identified as part of the project and planned implementation dates will be identified as part of the project governance.

**FINDING 2014-002**

**Bridges Security Management and Access Controls**

**Recommendation**

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

**Management Views and Corrective Action Plan**

The departments are implementing the following corrective actions:

- a. MDHHS's Bureau of Technology and Project Services initiated a monitoring process with MDHHS Business Service Centers in August 2014.
- b. DTMB implemented corrective action in January 2015. To maintain system integrity, the specific actions are not included as part of the response.
- c. MDHHS agrees that it could not locate a security agreement for the one user cited for the audit period. However, the monitoring process established in August 2014 was effective because the local office identified that the security application was missing and had a new security agreement executed. This occurred prior to audit sampling and review. MDHHS notes that this user had full inquiry access, which was appropriate for the individual's job title. This read only access does not allow a user to make any changes to case data or other system changes.

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- d. MDHHS disagrees with part d. MDHHS believes controls are in place and does not intend to take further action. TCS staff were granted roles appropriate to their job duties. Work completed by TCS staff was initiated at the request of local office staff when there were problems processing a case. TCS staff do not have access to perform end-to-end production database transactions. If action were to occur outside of work initiated by a case worker, existing Bridges system controls are in place to notify case workers if others take action on their case. Clients are also notified via correspondence if negative action that occurs on their case.
- e. DTMB implemented corrective action in January 2015. Continuous monitoring will be performed on a monthly basis using automated compliance tools to ensure effective security and access controls over the operating system for Bridges servers.

Anticipated Completion Date: Completed

**FINDING 2014-003**  
**Income Eligibility and Verification System**

**Recommendations**

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

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

**Management Views and Corrective Action Plan**

For part b., it should be noted that for one case, the worker took the required action on the case which prompted a task and reminder. The worker did not respond to the task and reminder and document that no action was required because action had already been done. Benefits were not affected.

The departments are implementing the following corrective actions:

For part a., see the corrective action plan for Finding 2014-001, Bridges Interface and Change Controls – Finding 1.

For parts b. and c., MDHHS will issue a communication to provide staff with guidance regarding the requirements to utilize IEVS information to determine program eligibility and benefits for each recipient, take timely action with IEVS information, and document in the case record the actions taken or not taken based on the IEVS information.

For part d., MDHHS will discuss with DTMB technical improvements to electronic notifications to assure that caseworkers utilize the IEVS information to determine the

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recipients' eligibility. A planned completion date will be determined when the project requirements are identified and the work request is prioritized through the Information Technology governance process.

For part e., MDHHS needs to identify the data elements that need to be shared between MiSACWIS and Bridges for the IEVS match process. A planned completion date cannot be determined until the project requirements are identified and the work request is prioritized through the Information Technology governance process.

**Anticipated Completion Date:**

For part a., the departments anticipate implementation of corrective actions by April 1, 2016, with the exception of the Bridges modernization project, which is expected to begin during fiscal year 2016. System requirements will be identified as part of the project and planned implementation dates will be identified as part of the project governance. For parts b. and c., the communication will be issued by October 1, 2015. For part d., MDHHS will begin discussions with DTMB by October 1, 2015. For part e, MDHHS plans to identify the data elements by October 1, 2015.

**FINDING 2014-004**  
**ADP Security Program**

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS and DTMB have a fully implemented and approved security plan for three of the systems referenced in the finding. DTMB Customer Services supporting the remaining system is working with the Application Business Owners and vendors through the implementation and approval process of their security plan.

For the five applications without Disaster Recovery Plans, DTMB Customer Services supporting the systems are working with the Application Business Owners and vendors to implement the Disaster Recovery Plans.

Anticipated Completion Date: The delivery date will be determined by September 2015.

**FINDING 2014-005**  
**High-Risk Security and Access Controls**

**Recommendation**

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

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**Management Views and Corrective Action Plan**

The departments are implementing the following corrective actions:

- a. For part a, all identified findings have been remediated with the exception of two identified policy related findings. These two issues require implementation of DTMB policy changes. Policy change requests have been submitted and the departments anticipate compliance by September 2015.
- b. For part b, the two developers need this access so they may perform their job duties. MDHHS will continue to explore any possible resolutions; however, remediation is unlikely as they would no longer be able to perform the essential functions of their job for the WIC program.
- c. For part c, MDHHS has been working with the MDHHS security office to develop the appropriate access documentation utilizing the database security application (DSA); however, implementation has been delayed due to the implementation of Michigan Identity, Credential and Access Management (MiCAM). In the interim, CSHCS will look at alternative monitoring procedures. Compliance for alternative monitoring is expected by September 2015.
- d. MDHHS has been working with the MDHHS security office to develop the appropriate access documentation utilizing the database security application; however, implementation has been delayed due to the implementation of MiCAM. MDHHS and their vendor are working on prioritizing DSA form development as a result of applications identified in this finding. Meetings with business areas are currently being set up to gather requirements for each new DSA form. Meetings are expected to be completed by September 2015.

Anticipated Completion Date: September 2015

**FINDING 2014-006**

**MiSACWIS Security Management and Access Controls**

**Recommendation**

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

**Management Views and Corrective Action Plan**

For parts a. and b., the following actions will be taken:

- MDHHS application security and MiSACWIS project staff are making changes to the MiSACWIS security forms.

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- A Children's Services Agency communication will be released with the revised forms, which will cover the significant change to the forms and incompatible user groups.
- MiSACWIS project staff are performing user group security cleanup to ensure that users have the appropriate system access.
- Apply MiSACWIS system change controls to prevent the assignment of certain conflicting user groups' and limit the assignment of certain user groups to a defined population (e.g. central office, local office MDHHS staff and non-MDHHS staff implementation).

For part c., corrective actions have been implemented for eight of the nine deficiencies. The details are not included as part of the response to protect the system integrity.

For part d., corrective actions have been implemented. The details are not included as part of the response to protect the system integrity.

Anticipated Completion Date:

The departments anticipate completion of corrective action for parts a., b., and c. by January 1, 2016. Corrective actions for part d. have been implemented.

**FINDING 2014-007**  
**CHAMPS Security and Access Controls**

**Recommendation**

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

**Management Views and Corrective Action Plan**

DTMB is using the BladeLogic automated compliance tools on a monthly basis to run compliance reports and vulnerability scans to find and remediate potential problems.

Anticipated Completion Date:

DTMB expects to have remediation completed on all CHAMPS servers by May 2016.

**FINDING 2014-008**  
**CHAMPS Claims Edits**

**Recommendations**

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



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We also recommend that MDHHS and DTMB restrict user access to modify CHAMPS claims edit dispositions consistent with users' assigned job responsibilities.

**Management Views and Corrective Action Plan**

The departments are implementing the following corrective actions:

Finding 1 - Logical access controls over the CHAMPS claims edit rules application have been updated to include:

- A formal access request and approval process.
- Enforcement of strong password rules.
- Limit on the number of consecutive invalid login-in attempts.
- Locking the application after inactivity.
- Administrative logging and reporting of user activity, with quarterly reports provided to MDHHS and DTMB management.

The contractor has tested the changes to ensure that they meet security requirements. All testing is complete and the changes were placed into production.

Finding 2 - MDHHS has modified security profiles in CHAMPS to remove the edit dispositions from profiles where it is not required. MDHHS now performs a monthly ad-hoc reconciliation of user accounts between the DSA and CHAMPS to ensure that all users have the appropriate access.

Finding 3 - A comprehensive change management process has been developed and all components have been implemented, including:

- A tracking template to allow for tracking and approvals to document each step of the change control process.
- Documentation of the rationale for selecting and approving change requests for design and development.
- Documentation of the “go-live” approval for each CHAMPS release.
- Post-“go-live” reconciliation of approved change requests to requests deployed into the CHAMPS production environment.
- Modifications to tracking tools to enable consistent documentation of impacts and risks of system changes.
- Fully documented user acceptance test procedures have been implemented.
- Fully documented approvals to fix system defects are now tracked through meeting minutes.

Finding 4 - Internal controls over the creation of CHAMPS claims edit alternate dispositions are in the process of implementation, and will include:

- Written procedures for employees to follow carrying out the alternate disposition creation, modification, and approval process have been implemented.
- A reporting mechanism that allows for management review and verification of alternate dispositions.

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- A request form for requesting changes or creation of alternate dispositions has been implemented.
- Utilization of “Decision Documents” for tracking the approval process has been implemented.

Anticipated Completion Date: December 2015

**FINDING 2014-009**  
**MDE IT Security and Controls**

**Recommendation**

We recommend that MDE and DTMB establish effective security and access controls for privileged and high-risk users in MEGS+, CMS, and FNS-FRS.

**Management Views and Corrective Action Plan**

The departments implemented additional corrective action after the IT performance audit and will continue working to ensure that MDE and DTMB establish effective security and access controls for privileged and high-risk users.

Finding 1 – For CMS, access was terminated effective April 15, 2015 for three non-MDE staff. A new user role will be created for DTMB staff, removing the ability to grant user access in the CMS system. CMS access will be documented in accordance with current policies. For MEGS+, the enhanced access by a contractor will be controlled by a quarterly review of identified high-risk transactions. MDE reviewed each case for users with multiple user IDs. From the original citations, two exceptions remained in the audit period. For one employee, MDE suspended the additional user ID effective April 14, 2015. For the second employee, access under two separate accounts is required in order to perform his job functions. A report will be developed and monitored quarterly to track his activities in MEGS+. All user accounts that were identified in the previous audit as exceptions have been reviewed and corrected in accordance with current MDE policies and procedures. MDE will continue to monitor user access on an annual basis.

Finding 2 - DTMB database administrator resources will log the daily events that are completed as part of the Daily Operations procedures. DTMB will identify a process in which self-monitoring is not occurring. A resource, such as a manager who has different permissions, will review the work of the resources doing the monitoring on a regular basis.

Finding 4 - DTMB has worked with the MDE Office of School Support Services, Child Nutrition Program to review and update the change management policies and procedures for FNS-FRS. The change management process used by MDE's DTMB Agency Services Team requires all changes to be approved by the business owner. The Child Nutrition team is following this policy and approving all requests on all projects. All change requests will be approved by designated MDE staff with authority to do so. DTMB will reject any work

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items without the proper approval. This system is in place and uses the Team Foundation Server to track all changes.

Anticipated Completion Date:  
Finding 1 - October 30, 2015  
Finding 2 - September 30, 2015  
Finding 4 - Completed

**FINDING 2014-010**  
**MDHHS, PACAP - Completeness and Accuracy of the PACAP**

**Recommendation**

We recommend that MDHHS ensure that its PACAP includes a complete and accurate narrative.

**Management Views and Corrective Action Plan**

For part a., a cost pool for the Consolidated Print Center was inadvertently omitted from the rewritten PACAP for FY 2014; however, the allocation methodology for this cost pool is accurate and had been approved by DCA in prior years cost allocation plans. MDHHS corrected the omission of cost pool 02 with the PACAP amendment effective January 1, 2015.

For cost pool 38, MDHHS initially included a description of the Private Child Placing Agency contract for supervision of the placement of children in foster homes and the related funding sources as an appendix to the PACAP. However, MDHHS believed they were following the direct guidance of the federal reviewer for the United States Department of Health and Human Services, Cost Allocation Services (CAS), who clearly communicated to MDHHS that the list of MDHHS contract types and funding sources should be excluded from the PACAP. MDHHS implemented a new random moment time study for Child Placing Agencies which includes complete activity descriptions, training materials, a procedure manual, and a funding matrix in the PACAP amendment effective October 1, 2014. MDHHS will continue to work with CAS to resolve any perceived misunderstandings, and to ensure the PACAP narrative is complete and accurate.

For part b., a cost pool code was mistyped in the PACAP. In March of 2015, MDHHS hired a staff person dedicated to the accuracy of the department's coding, including ensuring that the coding in the State's accounting system matches the coding in AlloCAP (proprietary cost allocation software implemented October 1, 2014). In addition, with the implementation of AlloCAP, much of the claims calculation process was automated which strengthens the quality controls.

Anticipated Completion Date:

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For part a, corrective actions were implemented on October 1, 2014 and January 1, 2015. The PACAP was approved by the federal division of Cost Allocation in a letter dated May 12, 2015.

For part b., completed.

**FINDING 2014-011**

**MDHHS, PACAP - Allowable Costs/Cost Principles - Inappropriate PACAP Allocation**

**Recommendation**

We recommend that MDHHS ensure that it correctly calculates and uses the appropriate PACAP percentages to allocate expenditures to its federal programs.

**Management Views and Corrective Action Plan**

Prior to October 1, 2014, MDHHS utilized spreadsheets to calculate and complete the department-wide cost allocation. Effective October 1, 2014, MDHHS implemented the use of new software which allows automation of the cost allocation process which will facilitate the future review of the department-wide cost allocation. MDHHS continues to work on a process to ensure a review of cost allocation calculations within 45 days of each quarter end.

Anticipated Completion Date: August 31, 2015

**FINDING 2014-012**

**MDHHS- Unreasonable Allocation Base for Private Child Placing Agency Administrative Expenditures**

**Recommendation**

We recommend that MDHHS use a reasonable cost allocation base for private child placing agency administrative expenditures to accurately reflect the relative benefits received by major federal programs.

**Management Views and Corrective Action Plan**

During fiscal year 2013, MDHHS initiated an extensive analysis that resulted in the development of a new random moment time study for CPAs. In the interim, MDHHS continued to use their existing methodology. Since this methodology had been previously approved by the federal cost allocation services reviewers, MDHHS believed that since the reviewers made no comments about the CPA cost allocation methodology, sufficient information had been provided.

The new cost allocation methodology was implemented October 1, 2014. This new methodology contains extensive activity reporting, complete activity descriptions, training materials, a procedure manual, and a new funding matrix.

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Anticipated Completion Date: Completed

**FINDING 2014-013**

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

**Recommendation**

We recommend that MDHHS limit eligibility for Foster Care - Title IV-E and SSBG maintenance or treatment assistance to only children in a foster family home or in a CCI.

**Management Views and Corrective Action Plan**

MDHHS has completed the recoupment or reconciliation activities for the cited foster care cases. MDHHS met with the Children's Services Foster Care and Child Welfare Field Operations Divisions and the Business Service Centers to consider possible policy updates that could include timeliness for processing recoupment and reconciliations once an issue is discovered. MDHHS included the cited foster care cases as examples to be used during Child Welfare Funding Specialist (CWFS) training to emphasize the need for data to be timely entered into the system.

Anticipated Completion Date: Completed

**FINDING 2014-014**

**MDHHS, Allowable Costs/Cost Principles - Pharmacy Pricing Validations**

**Recommendation**

We recommend that MDHHS adequately validate pharmacy pricing.

**Management Views and Corrective Action Plan**

MDHHS Pharmacy staff completed their assessment of expected review standards for quarterly pricing validation procedures in June 2015.

Anticipated Completion Date: Completed

**FINDING 2014-015**

**MDE, Allowable Costs/Cost Principles and Subrecipient Monitoring - FNS-FRS Claim System Reimbursement Rate Approval**

**Recommendation**

We recommend that MDE document that it reviews the accuracy of reimbursement rates prior to submission into the FNS-FRS claim systems.

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**Management Views and Corrective Action Plan**

When new reimbursement rates are issued by USDA, copies of applicable rates are printed, reviewed and entered into the claim system by a Fiscal and Administrative Services team (FAST) staff person. As of February 23, 2015, an additional FAST staff person will verify that the rates were entered into the claim system correctly and will sign and date the rate printout to demonstrate that verification was performed.

Anticipated Completion Date: Completed

**FINDING 2014-016**

**MDHHS, Allowable Costs/Cost Principles and Special Tests and Provisions - Entity Disclosures**

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS will update the disclosure collection tool used for obtaining screening and disclosure information from all PIHP entities, MI Choice entities, MHP entities, and the PBM. The new form will meet all disclosure requirements of federal regulations 42 CFR 455.104 through 42 CFR 455.106. All organizations will then have enrollment information updated in the CHAMPS system indicating ownership and their interest within the company.

Anticipated Completion Date: September 2015

**FINDING 2014-017**

**MDE, Level of Effort - MOE**

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDE notes that no misallocation of federal funds took place. MDE revised the program used to calculate MOE to ensure the appropriate capital outlay and unrestricted federal expenditures are excluded. MDE also updated its MOE specifications to be consistent with actual programming.

Anticipated Completion Date: Completed

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**FINDING 2014-018**

**DTMB, Procurement and Suspension and Debarment - Completion of Contract File Review Checklists**

**Recommendation**

We recommend that DTMB complete contract file review checklists during the procurement process.

**Management Views and Corrective Action Plan**

All the records ultimately existed for the three files cited. DTMB has taken steps through the Division Directors to provide refresher training to staff on the role and importance of completing the Contract File Check Sheet. DTMB is also considering another layer of review to strengthen the process.

Anticipated Completion Date:

Immediate completion is anticipated for training reminders. DTMB's evaluation of adding additional review steps to the procurement process will be finalized by September 30, 2015.

**FINDING 2014-019**

**MDHHS, Procurement and Suspension and Debarment - Procurement Procedures**

**Recommendation**

We recommend that MDHHS procure services for amounts within its delegated authority.

**Management Views and Corrective Action Plan**

In regards to the BGCMHS program, MDHHS disagrees with the finding and questioned costs. MDHHS believes that the partial citation of 45 CFR 96.30 has been taken out of context and that the rest of the text from that regulation provides the context of the requirements. The full text of 45 CFR 96.30(a) states "Fiscal control and accounting procedures. Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant." MDHHS believes that the full text of the regulation shows that the emphasis is on ensuring that the reports can be properly prepared and the records are sufficient to demonstrate that the expenditures met the program purposes and were in accordance with the State plan. MDHHS' fiscal control and accounting procedures were sufficient to permit the preparation of the required reports and permit the tracing of expenditures to the level necessary to identify that the activities funded were allowed by the grant and were consistent with what is approved in the State plan. Further, the U.S Department of Health and Human Services has specifically

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exempted the Community Mental Health Block Grant from the requirements detailed in 45 CFR 92 which would require MDHHS to use the same State policies and procedures used for procurements from nonfederal funds when procuring property and services using federal funds. The finding interprets the language in 45 CFR 96.30 to have the same requirement as 45 CFR 92, from which the Federal government specifically exempted the program. MDHHS disagrees with this interpretation. MDHHS obligated these funds for specific services from very unique entities. These entities are specifically reported to the federal granting agency and the federal granting agency has approved the expenditures to the entities noted.

In regards to the Medicaid cluster, MDHHS disagrees with the \$23,391 questioned costs. Although MDHHS disagrees, MDHHS agrees to review its procurement processes and existing controls over the administration of this procurement.

Although MDHHS disagrees in part with the finding, MDHHS will review existing controls over the administration of these procurements, including discussions with DTMB Procurement where necessary.

Anticipated Completion Date: January 2016

**FINDING 2014-020**  
**MDE, Reporting - FFATA Reporting**

**Recommendation**

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

**Management Views and Corrective Action Plan**

All accuracy issues noted in the finding have been corrected. MDE will continue to improve its reporting procedures. The identification of grant approvals and the review and approval by the program offices of all awards is working as expected. The Grants Coordination and School Support unit has revised the FFATA upload procedure. The new software required to implement the new process has been purchased and loaded on staff computers.

Anticipated Completion Date: August 31, 2015

**FINDING 2014-021**  
**MDHHS, Reporting - FFATA Reporting - Timeliness and Accuracy**

**Recommendation**

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



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**Management Views and Corrective Action Plan**

MDHHS Federal Reporting will continue to work with program areas to confirm that all subaward information has been properly reported. This will be an ongoing process for monthly FFATA reporting. Federal Reporting will also seek out training opportunities to identify more efficient and effective ways to ensure that subaward information is reported accurately and timely. MDHHS will complete additional validation checks for the DUNS number and relationship type during preparation of FFATA reports to avoid future errors. Effective July 1, 2015, the Federal Finance Manager began reviewing monthly FFATA information on the USA Spending website to ensure that new information has been reported accurately within 14 days after the information has been submitted. Federal Reporting continues to work with the program areas to confirm that subaward information has been reported timely.

Anticipated Completion Date: Completed

**FINDING 2014-022**

**MDHHS, Special Tests and Provisions - Pharmacy Provider State License Monitoring**

**Recommendation**

We recommend that MDHHS monitor the status of all pharmacy providers' State licenses.

**Management Views and Corrective Action Plan**

Effective April 16, 2015, only pharmacies that have completed enrollment in CHAMPS with a pharmacy specialty are eligible to process claims for MDHHS. State license status is validated during the routine automated screening process.

Anticipated Completion Date: Completed

**FINDING 2014-023**

**MDHHS, Special Tests and Provisions - Prepaid Inpatient Health Plan, Medicaid Health Plan, and Pharmacy Benefits Manager Network Monitoring**

**Recommendations**

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

**Management Views and Corrective Action Plan**

MDHHS began working with its providers to enroll their pharmacy network providers into CHAMPS as a result of a federal audit and the prior single audit. However, this process was not completed by the end of fiscal year 2014.

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MDHHS monitored its pharmacy providers and notified those failing to enroll directly in CHAMPS that failure to do so would result in their termination. In accordance with its corrective action plan, those terminations were completed April 16, 2015. In addition, MDHHS developed a quarterly procedure to monitor on an ongoing basis to ensure pharmacy providers billing for payment had active CHAMPS enrollment with pharmacy specialty. The first quarterly review is scheduled for September 2015.

MDHHS' contracted External Quality Review Organization (EQRO), has included a process to evaluate PIHP's compliance with standards governing the provider agreements and required disclosures in this fiscal year's external quality review activities. The EQRO has completed their reviews of five of the ten PIHPs and will complete the remaining reviews before the end of the current fiscal year.

MDHHS is working with the MHP'S in order to get 100% of the network providers enrolled into the CHAMPS system, and has begun the process of screening and verifying all required disclosures. MDHHS anticipates the enrollments to be completed by December 31, 2015 as scheduled.

Anticipated Completion Date: December 2015

**FINDING 2014-024**

**Child and Adult Care Food Program, CFDA 10.558, Allowable Costs/Cost Principles and Subrecipient Monitoring - Claims in Excess of Authorized Capacity**

**Recommendation**

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

**Management Views and Corrective Action Plan**

Although the edit check of enrollment and days of meal service that was in place during fiscal years 2013 and 2014 was in compliance with federal regulation 7 CFR 226.7(k), it was discontinued as of September 30, 2014. On October 1, 2014, MDE instituted a new edit check for fiscal year 2015 to enforce a higher level of oversight to CACFP claims. The edit check was corrected as of March 13, 2015 to calculate the maximum number of meals or snacks that can be claimed using the number of days of meal service, capacity, and the number of shifts per site in the CACFP application.

Anticipated Completion Date: Completed

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**FINDING 2014-025**

**Child and Adult Care Food Program, CFDA 10.558, Eligibility - Monitoring**

**Recommendation**

We recommend that MDE reimburse meal claims only for CACFP sponsors that meet eligibility requirements.

**Management Views and Corrective Action Plan**

MDE has verified that both institutions have performed program monitoring in FY 2014.

CACFP staff corrected the formula in the budget spreadsheet used by center sponsors for the FY 2015 application. The old budget spreadsheet ceased to be available for use as of September 30, 2014.

In addition, there are other ways MDE collects information on how center sponsors plan to monitor or how they conduct monitoring of sites. The CACFP application requires institutions to describe as part of their management plan (Monitoring page) how they will assure that all sites are properly monitored to comply with regulatory requirements per 7 CFR 226.16. In addition, MDE completes administrative reviews every 2-3 years and reviews site monitoring conducted by center sponsors.

Anticipated Completion Date: Completed

**FINDING 2014-026**

**Child and Adult Care Food Program, CFDA 10.558, Reporting - Internal Control**

**Recommendation**

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

**Management Views and Corrective Action Plan**

When the Fiscal and Administrative Services Team (FAST) Supervisor was reassigned, effective July 7, 2014, security authorization forms were updated for two other FAST employees so that their security access included validation and certification authorization levels. It should be noted that USDA allows the same MDE employee to validate and certify data. The USDA security clearance does not separate the two functions when a user's security access includes both levels; thus when a user validates a data file by saving it, it automatically becomes certified.

Beginning March 1, 2015, if there is not a FAST member with certify access, a second member of the FAST unit will manually verify the validity of the entry, and sign the supporting documentation. This documentation will be kept on file in the FAST unit.

Anticipated Completion Date: Completed

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**FINDING 2014-027**

**WIA Cluster, CFDA 17.258, 17.259, 17.278, Reporting - Internal Control**

**Recommendation**

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

**Management Views and Corrective Action Plan**

The information provided by MSF was accurate; however, approval procedures need to be improved. As of June 30, 2015, the MSF Federal Finance Manager reviews and electronically signs all federal financial reports. The Federal Finance Manager utilizes a tracking document, listing all reports to be submitted by quarter, to ensure no reports are missed. This tracking document ensures that all federal financial reports are reviewed, approved before submission, and are submitted timely.

Anticipated Completion Date: Completed

**FINDING 2014-028**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

Since the prior audit, DTMB implemented individual accounts for all database users (developers, business users, and database administrators (DBAs)) to use when accessing the database. Developers and users must receive DTMB management approval to receive access. All accounts require the users to change their password regularly and accounts are actively monitored and removed from the database when they become inactive. Auditing based on Oracle best practices has also been implemented to monitor account activity.

DTMB will ensure sound controls and implement an audit vault to securely collect audit information and allow for audit information to be viewed or monitored outside the database team. This effort is dependent on a statewide initiative, which does not yet have a solution in place for implementation by DTMB and MDOT. In the interim, DTMB will investigate and test the possibility of finding another way to use this account which would allow for full accountability in the audit trail. All DBAs use an individual account for most administration duties; however, some activities required by the DBAs require the use of the shared account. This account access is available to all of the DBAs due to the need for DBAs

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to provide backup for each other, and DTMB believes the ability to track and audit this account to be sufficient in most situations. MDOT supports DTMB in its efforts to implement the corrective action plan.

Anticipated Completion Date: September 30, 2015

**FINDING 2014-029**

**Highway Planning and Construction Cluster, CFDA 20.205, 20.205 (ARRA), and 20.219, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis-Bacon Act; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Construction Pay Estimate Reports Not Properly Approved**

**Recommendation**

We recommend that MDOT improve its internal control to ensure that project engineers sign and date construction pay estimate reports prior to paying construction contractors.

**Management Views and Corrective Action Plan**

MDOT does not agree that it needs to improve its internal controls in this instance, as this is one of many controls intended to help minimize the risk of temporarily making improper payments to contractors.

The project engineer's signature and date on a construction pay estimate does represent the project engineer's assurance that MDOT is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements. MDOT also has many other controls that individually and collectively are more significant to help ensure that the compliance requirements are being met, including: the inspection and testing of contractor work as defined in MDOT specifications, manuals, procedures, and guides approved by the Federal Highway Administration; a secure log-in system for the daily reporting of pay items; a check of daily reports by agency personnel before the reported work is paid on an interim pay estimate; and, most importantly, a determination of final pay item quantities and correction of over/under payment of all pay item quantities before final payment is made. The project engineer is required to sign all final pay estimates, and MDOT Contract Services Division will not process final pay estimates until a signed final pay estimate from the project engineer is received. MDOT's ongoing efforts to strengthen its internal controls include an initiative for Statewide implementation of a new web-based software to manage construction reporting and contractor payments in 2017. One of the enhancements to the new software is direct electronic approval of all pay estimates by the project engineer, which will result in pay estimates being approved directly by the engineer before the estimate is processed for payment.

Because MDOT has sufficient internal controls in place to help ensure that contractors are not ultimately improperly paid, the risk of improper payments to contractors is extremely low. MDOT will continue its ongoing efforts to strengthen internal controls.

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Anticipated Completion Date: Not applicable

**FINDING 2014-030**

**High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, CFDA 20.319 (ARRA), Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds - Maintaining Documentation**

**Recommendation**

We recommend that MDOT maintain documentation to support its reviews of monthly invoices for the Dearborn to Kalamazoo: Service Development Program federal award.

**Management Views and Corrective Action Plan**

The contract in place between MDOT and its vendor requires advance payments by MDOT to the vendor. The parties subsequently follow a monthly reconciliation process to verify actual costs, which results in a reconciliation report from the vendor. MDOT no longer relies on consultants to review monthly reconciliation reports. MDOT currently conducts an extensive review of the vendor's reconciliation reports prior to making any resulting adjustment to future advance payments. As of June 30, 2015, MDOT implemented control procedures to document and retain related documentation for all reviews of monthly invoices for the Dearborn to Kalamazoo: Service Development Program federal award.

Anticipated Completion Date: Completed

**FINDING 2014-031**

**High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, CFDA 20.319 (ARRA), Reporting - Accuracy of Reports**

**Recommendation**

We recommend that MDOT improve its internal control and submit accurate reports to FRA.

**Management Views and Corrective Action Plan**

MDOT has implemented the following corrective actions:

- a. MDOT has established control procedures to ensure that all project profiles include the appropriate grant number and that the program staff responsible for the given project/grant will have the grant profiles. This will help ensure that project expenditures are recorded to the proper grant and can be reported accurately.
- b. MDOT has established control procedures to ensure that the coordination of reporting information occurs regarding competitively bid construction projects.

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Because MDOT does not establish encumbrances in MAIN for any construction contract awards, it will be necessary for Financial Operations Division to manually include the unexpended obligation balances from the construction contracts when preparing the SFR-425 reports. Program staff will provide to the Project Accounting Unit staff a list of all construction contract awards and their associated grants. Project Accounting Unit staff will then determine the correct unexpended obligation amount for each award and include that amount in each applicable quarterly report.

Anticipated Completion Date: Completed

**FINDING 2014-032**

**High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants, CFDA 20.319 (ARRA), Subrecipient Monitoring - Monitoring of Subrecipient Single Audits**

**Recommendation**

We recommend that MDOT fully establish and implement a process to review subrecipient single audit reports.

**Management Views and Corrective Action Plan**

Subsequent to the audit, MDOT fully established and implemented its process and has completed reviews of all FY 2013 subrecipient single audit reports.

Anticipated Completion Date: Completed

**FINDING 2014-033**

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

**Recommendation**

We recommend that MDE ensure that subrecipient FERs are reviewed and approved.

**Management Views and Corrective Action Plan**

Changes in staffing contributed to the FERs not being reviewed and approved in a timely manner. As of July 31, 2015, MDE has developed a procedure that reduces the impact of staffing changes and ensures that FERs will be reviewed and approved in a timely manner.

Anticipated Completion Date: Completed

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**FINDING 2014-034**

**Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Program Fiscal Reviews**

**Recommendation**

We recommend that MDE improve its internal control to ensure that all subrecipients are included in its PFR schedule.

**Management Views and Corrective Action Plan**

As of July 31, 2015, MDE has established a Program Fiscal Review schedule ensuring that all subrecipients are included.

Anticipated Completion Date: Completed

**FINDING 2014-035**

**School Improvement Grants Cluster, CFDA 84.377 and 84.388 (ARRA), Subrecipient Monitoring - System for Award Management Registration**

**Recommendation**

We recommend that MDE ensure that its subrecipients receiving ARRA funding maintain current registrations in SAM.

**Management Views and Corrective Action Plan**

While MDE acknowledges the finding, no corrective action is anticipated. All ARRA funding expired on September 30, 2014 and there are no longer subrecipients receiving ARRA funds subject to this requirement.

Anticipated Completion Date: Not applicable

**FINDING 2014-036**

**Career and Technical Education - Basic Grants to States, CFDA 84.048, Eligibility and Reporting - MCCNet General Controls**

**Recommendation**

We recommend that MSF obtain a third party review of the operating effectiveness of general controls for the vendor hosting MCCNet.

**Management Views and Corrective Action Plan**

The Workforce Development Agency (WDA) transferred to the Talent Investment Agency by Executive Order 2014-12 on 12/18/14 and is no longer a part of the MSF. WDA implemented a process for obtaining third party review of the operating effectiveness of general controls of the vendor that hosts the Michigan Community College Network



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(MCCNET), by revising the contract to require review of the operational effectiveness of general controls every year.

Anticipated Completion Date: Completed

**FINDING 2014-037**

**Career and Technical Education - Basic Grants to States, CFDA 84.048, Eligibility, Reporting, and Subrecipient Monitoring - Data Validation**

**Recommendation**

We recommend that MSF include validation of the accuracy of student data in its on-site review process.

**Management Views and Corrective Action Plan**

The Workforce Development Agency (WDA) transferred to the Talent Investment Agency by Executive Order 2014-12 on 12/18/14 and is no longer a part of the MSF. WDA will validate the accuracy of student data submitted by post-secondary sub-recipients during on-site reviews. WDA has created and implemented a written process to address items found in the Comprehensive Annual Report (CAR) and following best practices for validation of data.

Anticipated Completion Date: Completed

**FINDING 2014-038**

**Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management - Inappropriate Funding Technique**

**Recommendation**

We recommend that MDHHS make Rehabilitation Services - Vocational Rehabilitation Grants to States cash draws and quarterly cash settlements in accordance with the funding technique as required by the CMIA agreement.

**Management Views and Corrective Action Plan**

MDHHS Accounting began completing quarterly cash settlement reports effective October 1, 2014. MDHHS Accounting began reviewing the draw calculations to verify the draws are being made based on projected expenditures in June 2015.

Anticipated Completion Date: Completed

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**FINDING 2014-039**

**Twenty-First Century Community Learning Centers, CFDA 84.287, Eligibility - Data Sheets**

**Recommendation**

We recommend that MDE maintain data sheets to document its review of subrecipient eligibility.

**Management Views and Corrective Action Plan**

MDE was able to provide a summary of the data sheets for all grantees indicating that the MDE data sheets did exist and were used during the grant competition, but the two missing data sheets cited in the finding could not be provided.

Program staff met in June 2015 to review the finding and the expectation that all data sheets related to competitive grants be filed and maintained within the central filing system according to the 21<sup>st</sup> CCLC Audit Process-Controls over Compliance document. The expectation was also established that communication with other staff members needs to occur when an original file is removed from the central filing location. It was also communicated that original files are never to be taken out of the office.

Anticipated Completion Date: Completed

**FINDING 2014-040**

**Twenty-First Century Community Learning Centers, CFDA 84.287, Subrecipient Monitoring - Final Expenditure Report Review**

**Recommendation**

We recommend that MDE review subrecipient FERs with a variance exceeding 10%.

**Management Views and Corrective Action Plan**

A report was run in CMS that identified all grants with deviations of 10% or more on FERs from approved budgets in MEGS+. The identified grants were assigned to 21<sup>st</sup> CCLC consultants. Two of the three 21<sup>st</sup> CCLC consultants scheduled a coordinated review on June 23, 2015 of all identified grants with deviations of 10% or more on FERs from approved budgets in MEGS+. The identified grants assigned to the third 21<sup>st</sup> CCLC consultant were completed individually. All FERs were reviewed and approved on or before June 30, 2015. All FERs from future periods that deviate 10% or more will be identified using the CMS report and will be reviewed and approved by 21<sup>st</sup> CCLC consultants.

Anticipated Completion Date: Completed

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**FINDING 2014-041**

**Improving Teacher Quality State Grants, CFDA 84.367, Subrecipient Monitoring - Function Codes**

**Recommendation**

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

**Management Views and Corrective Action Plan**

One of the instances cited was due to human error by one of the regional consultants. The other two instances were due to the Michigan Electronic Grants System Plus (MEGS+) not blocking the use of a function code when a district did not respond indicating that it was transferring Title II, Part A funds to Title I, Part A.

In the first instance, the manager counseled the regional consultant on the office protocol for checking function codes for all line items in the budget, and on the importance of function code accuracy. MDE management will check the coding when performing routine monitoring of the work completed by consultants.

For the other two instances, MDE is working with the MEGS+ programmers to have the system prompt an error message if a Title I, Part A function code is used in the Title II, Part A budget. MEGS+ will be updated for the 2016-17 application cycle. Due to timing, updates were not made to MEGS+ for the 2015-16 application cycle. For the 2015-16 application cycle, MDE will add a bold-lettered line to the application review protocol to remind consultants to either indicate that the funds were transferred or to change the unallowable function code.

Anticipated Completion Date:

MEGS+ will be corrected in March 2016 for the 2016-17 application cycle.

**FINDING 2014-042**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS will continue its efforts to educate staff. MDHHS Field Operations will issue an updated communication to provide staff with guidance of the requirement to view SOLQ and CI for each individual and use the results for eligibility determinations, and the

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requirement to document results in the case record. Local offices will review the communication with staff.

MDHHS will prioritize two work requests, Technical Solution to Store Consolidated Inquiries and Technical Solution to Store SOLQ to allow case workers to view and instantly store the CI and SOLQ results into the Bridges electronic case file. These work requests will discontinue the current manual process of the case worker viewing the CI and SOLQ results and documenting the results in Bridges Case Comments or on page level comments.

Anticipated Completion Date:

MDHHS expects the communication to be issued and work requests to be prioritized by October 1, 2015. After the work requests have been prioritized, MDHHS will be able to identify a tentative date for the Bridges enhancements to be available.

**FINDING 2014-043**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS Field Operations Administration will issue an updated communication to provide staff with guidance of the program eligibility requirements, the requirement to consider information in the case record and other sources needed to determine eligibility, and the requirements to obtain and retain documentation in the case record to support eligibility determinations. The memo will reiterate MDHHS web-based training that is available and should be reviewed by staff. Local offices will review the communication with staff.

MDHHS will prioritize the work request for the Bridges Birth Registry Display Enhancement. This functionality will allow caseworkers to obtain Michigan resident's relationship verification.

MDHHS has asked for a work request to add the relationship policy requirement into Bridges eligibility determination and correspondence so workers do not have to do a manual process for this policy requirement.

Anticipated Completion Date:

MDHHS expects the communication to be issued and work requests to be prioritized by October 1, 2015. After the work requests have been prioritized MDHHS will be able to identify a tentative date for the Bridges enhancements to be available.

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**FINDING 2014-044**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS believes this to be an isolated incident. For the case cited, the client case record included the annual redetermination report for the prior year and the subsequent year.

MDHHS utilizes monthly spreadsheet tracking for annual reports. These spreadsheets allow staff to track when an annual report is overdue or is incomplete. The staff complete follow up calls and letters to families who have failed to report their annual status.

Anticipated Completion Date: Completed

**FINDING 2014-045**

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

**Recommendation**

We recommend that MDHHS continue to work with HHS's ACF to confirm that the services provided by the county programs are not considered juvenile justice services and therefore meet the requirements for TANF Cluster claims.

**Management Views and Corrective Action Plan**

Although MDHHS disagrees with the finding, MDHHS will follow-up with the HHS's ACF to confirm that the services provided meet the requirements for TANF claims.

Anticipated Completion Date: October 1, 2015

**FINDING 2014-046**

**TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Ineligible Emergency Foster Care Assistance**

**Recommendation**

We recommend that MDHHS ensure that its TANF Cluster claims include only children eligible for emergency foster care assistance.

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**Management Views and Corrective Action Plan**

MDHHS will continue to strengthen the processes used to identify TANF claims and ensure that TANF claims for emergency foster care include only eligible children.

Anticipated Completion Date: September 30, 2015

**FINDING 2014-047**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS Field Operations will issue an updated communication to provide staff with guidance on program eligibility requirements pertaining to these three criminal justice related disqualification categories. The memo will include application and interview requirements as well as application and case documentation requirements.

MDHHS will file and prioritize a MI Bridges work request that will make it mandatory for the client to answer the criminal justice related questions. Also, the MI Bridges work request will include a fix to ensure the question and client answers are shown on the saved electronic version of the application so the worker can view the results and determine eligibility of TANF benefits correctly.

MDHHS will update the State Emergency Relief application to include the questions regarding drug related felony conviction and parole or probation violation.

Anticipated Completion Date:

MDHHS expects the communication to be issued and work request to be prioritized by October 1, 2015. After the work request has been prioritized, MDHHS will be able to identify a tentative date for the MI Bridges enhancement to be available. The State Emergency Relief application corrections will be completed by October 1, 2015.

**FINDING 2014-048**

**TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable**

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**Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Reporting - Unallowable Juvenile Justice MOE Expenditures**

**Recommendation**

We recommend that MDHHS continue to work with HHS's ACF to confirm that the services provided by the county's programs are not considered juvenile justice services and therefore meet the requirements of the TANF Cluster laws and regulations for MOE qualified State expenditures.

**Management Views and Corrective Action Plan**

Although MDHHS disagrees with the finding, MDHHS will follow up with the federal HHS's ACF to confirm that these services meet the requirements for TANF MOE claims.

Anticipated Completion Date: October 1, 2015

**FINDING 2014-049**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS reviewed the payments for the one case cited and determined they should have been part of the time limit count. The time limit counter for this case will be updated and corrected.

MDHHS will continue to develop an ad hoc report that identifies cases that did not convert correctly from the legacy system to Bridges. Any errors will be corrected as they are identified.

Anticipated Completion Date:

The cited case was corrected by July 1, 2015. A date for the ad hoc report has not yet been determined.

**FINDING 2014-050**

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

**Recommendation**

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

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**Management Views and Corrective Action Plan**

Although MDHHS disagrees with the finding, MDHHS agrees to seek guidance from HHS to ascertain whether these programs are exempt from the new spending test.

Anticipated Completion Date:

MDHHS will send a letter seeking guidance on this issue to HHS by October 1, 2015.

**FINDING 2014-051**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS will continue its efforts to educate staff. MDHHS Field Operations Administration (FOA) will issue a communication to provide staff with guidance of the child support sanction policy and procedure. Local offices will review the communication with staff.

MDHHS's Office of Quality Assurance and Internal Control and FOA will continue to complete monthly TANF case reads. As part of this process, needed corrections are sent to the worker, program manager, and director or district manager and a response is due in 12 days. Results are rolled up to the business service centers and FOA.

Anticipated Completion Date: October 1, 2015.

**FINDING 2014-052**

**TANF Cluster, CFDA 93.558, Subrecipient Monitoring - Untimely Management Decision**

**Recommendation**

We recommend that MDHHS issue management decisions within six months after receipt of the subrecipient's single audit report.

**Management Views and Corrective Action Plan**

MDHHS has implemented additional monitoring steps that will provide additional assurance that all required management decisions are issued within the required timeframes.

Anticipated Completion Date: Completed



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**FINDING 2014-053**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS will continue its efforts to educate staff regarding policy eligibility factors and documentation requirements. MDHHS Field Operations Administration will issue an updated communication reiterating the need to obtain and retain verifications in the case file, such as the assistance application/redetermination, the Child Development and Care Provider Verification form, and the hours of care authorized. This memo will reiterate web-based training that is available and should be reviewed by staff. Local offices will review the communication with staff.

MDE will continue to complete random case reads and provide review results monthly to MDHHS Field Administration Operations and the Business Service Centers (BSC) for corrective action and to identify trends for targeted training. BSCs are to review for error trends and training needs and will follow up with local office management as needed. MDE centralized unlicensed provider enrollment with the Office of Great Start/Child Development and Care program effective January 1, 2013. All applications processed by the unit are stored electronically, which has ensured that the provider files are complete and can be easily located.

While the item cited in part e. is specific to one organization that is no longer contracted to provide Great Start to Quality Resource Center services, MDE's contractor responsible for training documentation revisited all record keeping processes and procedures specific to the provision of professional development with all Resource Centers to ensure proper documentation is maintained as required at all times. Annual monitoring will occur during scheduled financial monitoring visits to ensure proper procedures are in place.

Anticipated Completion Date: October 1, 2015

**FINDING 2014-054**

**CCDF Cluster, CFDA 93.575 and 93.596, Cash Management - CMIA Funding Technique**

**Recommendation**

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We recommend that MDE make CCDF Cluster administrative cash draws in accordance with the funding technique as required in the CMIA agreement.

**Management Views and Corrective Action Plan**

MDE applied the same methodology used for other federal administrative funds when drawing the CCDF Cluster administrative funds. The methodology used was based on actual expenditures incurred at the time of the draw rather than estimates.

The 2015 CMIA agreement between the State of Michigan and the US Department of Treasury was approved on November 6, 2014 and states that the “Modified Direct Administrative Costs – Weekly” technique will be used for the CCDF Cluster administrative cash draws. This technique includes draws made on a reimbursement basis, and is consistent with the methodology used for MDE’s other administrative funds.

Anticipated Completion Date: Completed

**FINDING 2014-055**  
**CCDF Cluster, CFDA 93.575 and 93.596, Cash Management - Expenditure**  
**Reclassification**

**Recommendations**

We recommend that MDE implement a process to timely identify overdrawn federal revenue for expenditures reclassified to a State funding source.

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

**Management Views and Corrective Action Plan**

MDE will analyze the effect of future CCDF expenditure reclassifications on revenue at the time they are processed and transfer revenue as needed to comply with CMIA standards. We will report cash draws for CCDF on future annual CMIA interest reports if applicable instances occur. We will also implement a monthly reconciliation process for CCDF funds to ensure that draw adjustments are made timely.

Anticipated Completion Date: September 30, 2015

**FINDING 2014-056**  
**CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Fraud**  
**Detection and Repayment**

**Recommendation**

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

**Management Views and Corrective Action Plan**

For part a. of the finding, corrective action was implemented March 31, 2015. MDHHS developed a quarterly report to reconcile completed Child Development and Care (CDC) investigations with claims to Bridges BRS. MDHHS OIG will follow up with the appropriate MDHHS organizational unit and with MDE to ensure that any required actions have been taken.

For part b., MDE and MDHHS continue to pursue collection recovery for provider CDC through the manual referral process in place. Debt referral to the Michigan Department of Treasury and to the Attorney General's Office continues on a propriety basis; however, with no automation to determine delinquency and status or timeliness. MDE and MDHHS have submitted requests for Bridges BRS for changes to the recoupment functions. Those requests have not been prioritized for implementation and remain pending.

Anticipated Completion Date:

Corrective action related to part a. of the finding is complete. A completion date for part b. will be determined after the Bridges work requests are prioritized.

**FINDING 2014-057**

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

**Recommendation**

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

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

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

**Management Views and Corrective Action Plan**

MDHHS is implementing the following corrective actions:

- a. MDHHS reviewed the interface process and no errors were identified. Therefore, system changes are not necessary.

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- b. Electronic Document Management (EDM) for case records was implemented statewide as of August 2014. Implementation of EDM for case record storage will reduce lost or misfiled records.
- c. MDHHS will evaluate and, if determined appropriate, issue policy clarification or additional billing requirements for purposes of further ensuring pharmacy coverage for eligible aliens is limited to drugs directly related to treatment of emergency conditions.

Anticipated Completion Date: January 2016

**FINDING 2014-058**

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

**Recommendation**

We recommend that MDHHS ensure that beneficiaries in the "under age 21" Medicaid eligibility group are appropriately end dated in Bridges and CHAMPS.

**Management Views and Corrective Action Plan**

MDHHS and DTMB staff met several times to discuss various issues related to this finding after the previous audit. Several corrective actions were implemented, such as modifications were made to existing Bridges Information Management Mart (BRIMM) reports for local MDHHS workers to review, MDHHS analyzed ad hoc query data to assist in case closure, and some batch processes were run to ensure cases closed appropriately. However, MDHHS and DTMB acknowledge that additional analysis needs to be completed and the previous workgroup needs to be reconvened.

Anticipated Completion Date:

Workgroup meetings will reconvene within 90 days to begin analysis of outstanding closure issues, with initial analysis expected to be completed by December 2015.

**FINDING 2014-059**

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

**Recommendation**

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

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**Management Views and Corrective Action Plan**

In October 2014, the Adult Services Comprehensive Assessment Program (ASCAP) was updated to include the contact type “face to face with provider” to allow the ASW the ability to choose this contact type in ASCAP to show contact with the provider occurred. Two additional contact types for the provider were added to ASCAP as part of the July 2, 2015 release, including “telephone contact with provider” and a combination contact type of “face to face visit with client and provider.” These contact types being available in ASCAP will assist in providing verification that contact was made with the provider as required by policy.

In December 2014, reports CL 321 and CL 121 were implemented which aid the ASW and their supervisor in the monitoring of their cases for reviews and redeterminations.

Anticipated Completion Date: Completed

**FINDING 2014-060**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS reviewed the cases cited in the audit. The Office of Adult Services issued FOA memo 2014-36 reiterating these policies. In addition, the ASW supervisors review cases to ensure compliance with these policies as part of the local office case read process.

Anticipated Completion Date: Completed

**FINDING 2014-061**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS implemented the following corrective actions:

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- a. An edit was implemented in ASCAP and ASAP in March 2014 which prevents a payment authorization from processing without an ADL need identified.
- b. A hospital has a year to bill for services rendered; therefore, any recoupment will always be handled during a post payment review process. MDHHS runs monthly data matches to identify clients that have been hospitalized, and the Office of Adult Services provides the results to the local office to follow up with the client and determine if recoupment is necessary.
- c. An edit was implemented in March 2014 which checks for the nursing home level of care. However, the level of care is sometimes changed after the home help date of service. Therefore, a monthly data match is also processed to determine if home help payments were made while the client was residing in a nursing home. If matches are identified, they are referred to the local office for recoupment.

Anticipated Completion Date: Completed

**FINDING 2014-062**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

Payment authorizations have been shortened to six months. In October 2014, a provider log Access data base was made available to the local offices for tracking the receipt of the provider logs. The ASWs are managing the receipt of the provider logs and sending negative action notices to clients who have not returned a provider log via the Access data base.

The Electronic Services Verification (ESV) and Paper Services Verification (PSV) began for new Home Help providers on June 1, 2015. Current providers began using ESV and PSV as of July 1, 2015. The paper service log which was submitted on a quarterly basis will no longer be used by Home Help providers. If a Home Help provider is unable to submit electronic service verification, a paper services verification form will be available under certain circumstances. Additional system enhancements are expected to be implemented during the upcoming fiscal year.

Anticipated Completion Date: September 2016

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**FINDING 2014-063**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS will modify its existing methodology for future FOC reports to incorporate all pregnancy and birthing-related Medicaid costs reported to the FOC or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support. However, MDHHS would like to note that this is unlikely to increase court ordered support obligations because the reported amount is subjected to the “birth expense obligation” formula required by federal law. This formula assesses the payer’s ability to pay child support and establishes a maximum obligation that can be used for birth expenses.

Anticipated Completion Date: September 2015

**FINDING 2014-064**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS will review the existing CHAMPS edit and determine if additional criteria should be added to enhance its functionality.

Duplicate identification numbers are sometimes inadvertently created as part of the adoption process. MDHHS will work with the operational area that oversees the adoption process to research ways to minimize this from occurring.

MDHHS’s Medical Services Administration (MSA) is modifying processes to monitor and close duplicate identification numbers identified using queries as well as duplicates reported through the Medicaid Problem Resolution process. In addition, MSA is exploring

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other options including using the department's Master Person Index to identify duplicate identification numbers in the most comprehensive manner. MDHHS has also recently established a procedure that allows MSA to (in some cases) close the case with the duplicate identification number.

MDHHS will use the data derived from these new processes to investigate the source, cause and circumstance of the duplicate identification numbers and work to resolve the issue. MDHHS continues to explore the development of additional preventative procedures.

Anticipated Completion Date: October 2015

**FINDING 2014-065**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS agrees that there were delays in obtaining all supporting documentation to show that the agency providers met all requirements; however, a lack of supporting documentation does not mean that the agency did not meet the agency provider requirements.

The majority of the agencies noted in the finding were enrolled/approved as agency providers several years ago, prior to the implementation of recent policy changes that enacted various new agency requirements.

MDHHS has reviewed all agency provider files for appropriate documentation and is in the process of contacting these agencies to obtain any necessary documentation. If the agencies do not respond within the allotted time they will be adjusted to the individual rate. MDHHS eliminated the provisional approval effective April 1, 2014. MDHHS is in the process of enrolling all home help providers in its CHAMPS system; once full implementation is completed agency verification will be conducted through CHAMPS. MDHHS will implement an annual process for auditing a sample of provider agencies to ensure documentation compliance.

Anticipated Completion Date: September 2015

**FINDING 2014-066**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable**



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**Costs/Cost Principles and Matching, Level of Effort, and Earmarking – Improper DMEPOS Payments**

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS has quality review procedures and metrics in place to monitor manual review of claims. MDHHS has an initiative underway to address retroactive changes in eligibility.

Anticipated Completion Date: October 2015

**FINDING 2014-067**

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

**Recommendation**

We recommend that MDHHS perform all required annual cost reconciliations in a timely manner.

**Management Views and Corrective Action Plan**

All settlements for fiscal years 2009 through 2013 were completed in April 2015.

Anticipated Completion Date: Completed

**FINDING 2014-068**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

Additional edits were implemented in April 2015 to ensure that claims are only paid for the appropriate place of service and improper payments were recovered in July 2015. During the implementation of Healthy Michigan, there were some fee-for-service payments made prior to the beneficiaries' eligibility record showing enrollment into a health plan. MDHHS processed recoupments; however, these claims were not included in that recoupment process. MDHHS will complete these additional recoupments by September 2015.

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Anticipated Completion Date: September 2015

**FINDING 2014-069**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - PACE Program Recoveries**

**Recommendations**

We recommend that MDHHS recover PACE overpayments identified by its contracted quality improvement organization.

We also recommend that MDHHS refund the federal share of identified PACE overpayments within one year of discovery.

**Management Views and Corrective Action Plan**

The PACE organization referenced in the finding exercised provider appeal rights in response to the notice of overpayment. The case was dismissed when the provider agreed to a settlement amount. MDHHS will return the appropriate federal share. In addition, MDHHS will develop an overall process for the settlement, recoupment, and return of the appropriate federal funding by December 2015.

Anticipated Completion Date: December 2015

**FINDING 2014-070**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Cash Management - Early Benefit Payments Draw**

**Recommendation**

We recommend that MDHHS request federal reimbursement in accordance with the required funding technique for Medical Assistance Program cash draws.

**Management Views and Corrective Action Plan**

MDHHS and the Michigan Department of Treasury agreed upon a change in the clearance pattern for the last quarter of the fiscal year based on an analysis of existing data. A new agreement between the Michigan Department of Treasury and the federal government for FY 2015 was submitted reflecting the 0 day clearance pattern in October 2014 and was approved by the U.S. Department of Treasury in early November 2014.

Anticipated Completion Date: Completed

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**FINDING 2014-071**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Policies and Procedures**

**Recommendation**

We recommend that MDHHS establish comprehensive written program integrity policies and procedures.

**Management Views and Corrective Action Plan**

In response to a CMS program integrity review, internal policies and procedures were drafted and implemented during the latter part of FY 2014.

Anticipated Completion Date: Completed

**FINDING 2014-072**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Contract Monitoring**

**Recommendation**

We recommend that MDHHS ensure that all provider long-term care determinations identified by MDHHS are reviewed by the contractor.

**Management Views and Corrective Action Plan**

MDHHS does not expect all long term care determinations sent to the vendor to be reviewed. MDHHS selects its level of care determinations (LOCD) to be reviewed from its Oracle database and transmits the sample to its vendor. There are inherent limitations in the current LOCD database which does not allow tracking of LOCDs that are duplicate, do not have sufficient lead time prior to the determination, etc.; therefore, it is possible that not all LOCDs transmitted to the vendor are reviewed. Per the MDHHS contract, the vendor submits its monthly invoice for all LOCDs completed during the month, MDHHS fully reviews this invoice and only reimburses for completed LOCDs. MDHHS will be correcting any LOCD database limitations as part of implementation of the LOCD into CHAMPS.

MDHHS disagrees with the finding and does not intend to take further action at this time.

Anticipated Completion Date: Not applicable

**FINDING 2014-073**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Quarterly Certifications**

**Recommendation**

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We recommend that the MDHHS obtain quarterly suspension certifications from MFCU.

**Management Views and Corrective Action Plan**

MDHHS agrees that a formal, written quarterly certification was not obtained during FY 2014. However, MDHHS and the MFCU met monthly throughout FY 2014 to discuss the status of their investigations. The 32 provider cases referred to MFCU included 40 individual providers. In compliance with 42 CFR 455.23, MDHHS suspended 11 of the 40 providers referred to the MFCU during FY 2014. Six of those 11 providers' suspensions were lifted when the MFCU notified MDHHS that they either were not pursuing prosecution or that they were prosecuting another individual (non-provider) for the fraud.

MDHHS obtained its first formal, written certification from the MFCU on February 23, 2015 regarding the status of suspended provider investigations.

Anticipated Completion Date: Completed

**FINDING 2014-074**

**Child Support Enforcement, CFDA 93.563, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, and Subrecipient Monitoring - E-GrAMS Security Management and Access Controls**

**Recommendation**

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

**Management Views and Corrective Action Plan**

For part a, the departments agree that security agreements were not required and they did not maintain documentation to show authorization for user access. However, due to the functionality of the E-GrAMS application, processes exist that minimize the risk of unauthorized access. No additional corrective action is planned.

For part b., the departments agree that privileged users cannot be prevented from making changes to E-GrAMS data while using the impersonation function. As noted in the audit finding, a report has been created that identifies who and when the impersonation function is used within E-GrAMS. This report will be monitored and any exceptions identified will be followed up on and appropriate actions will be taken. This process was implemented during FY 2015, however the reports were generated and reviewed for the FY 2014 audit period and no exceptions were identified.

Anticipated Completion Date: Completed

**FINDING 2014-075**

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

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**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Assistance to Ineligible Refugees**

**Recommendation**

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

**Management Views and Corrective Action Plan**

All new refugee cases are being evaluated for Medicaid eligibility (including expanded MA programs) prior to Refugee Medical Assistance (RMA) eligibility. FOA will issue a memo to the field regarding review of active and future RMA cases for accurate eligibility determination prior to certifying benefits.

The REAP program office will review active RMA cases on a quarterly basis to analyze their eligibility.

Anticipated Completion Date: October 1, 2015

**FINDING 2014-076**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS has assigned specific eligibility workers in each of the county offices to process and maintain the refugee caseloads in the seven counties with resettlement agencies. A web-based training was developed to specifically address refugee policy and federal refugee regulations. The assigned workers and their supervisors have completed the training. Refresher trainings will be offered as needed.

Anticipated Completion Date: Completed

**FINDING 2014-077**

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

**Recommendation**

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We recommend that MDHHS ensure that clients receiving LIHEAP-funded SER energy payments are eligible.

**Management Views and Corrective Action Plan**

Categorical eligibility was removed from the eligibility determination for LIHEAP benefits effective October 1, 2014.

MDHHS Field Operations LIHEAP staff and the Office of Quality Assurance and Internal Control (OQAIC) continue to develop the quality assurance case review process for the SER program. The quality assurance SER case reads are planned to be conducted by OQAIC staff with a focus on compliance with policy and known deficiencies identified during the FY 2013 and FY 2014 Single Audit.

Anticipated Completion Date:

Removal of categorical eligibility from policy and eligibility determination for LIHEAP benefits is complete. The anticipated implementation date for the quality improvement initiative is October 1, 2015.

**FINDING 2014-078**

**Low-Income Home Energy Assistance, CFDA 93.568, Allowable Costs/Cost Principles - Propriety of LIHEAP-Funded Payments**

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS Field Operations LIHEAP staff and the Office of Quality Assurance and Internal Control (OQAIC) continue to develop the quality assurance case review process for the SER program. The quality assurance SER case reads are planned to be conducted by OQAIC staff with a focus on compliance with policy and known deficiencies identified during the FY 2013 and FY 2014 Single Audit.

Anticipated Completion Date: October 1, 2015

**FINDING 2014-079**

**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 - AFDC Eligibility**

**Recommendation**

We recommend that MDHHS determine a child's AFDC eligibility based on the month of the child's removal from the specified relative's home.

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**Management Views and Corrective Action Plan**

As of May 2015, MDHHS included the cited case sample as an example in CWFS (Child Welfare Funding Specialist) training to emphasize the importance of determining the correct removal month from the specified relatives home.

Anticipated Completion Date: Completed

**FINDING 2014-080**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

Beginning with the implementation of MiSACWIS (Michigan Statewide Automated Child Welfare Information System) in May 2014, all eligibility documentation for new cases is uploaded into MiSACWIS. MDHHS sent a communication to field staff to reiterate the importance of ensuring that back up documentation, including birth certificates, must be in all files for cases prior to MiSACWIS. MDHHS addressed the documentation to be included in case files again at the Child Welfare Funding Specialist training in May 2015.

Anticipated Completion Date: Completed

**FINDING 2014-081**

**Foster Care - Title IV-E, CFDA 93.658 and 93.658 (ARRA), Special Tests and Provisions - Child Care Institution Maintenance Payment Rates**

**Recommendations**

We recommend that MDHHS amend the Title IV-E State Plan to include its procedures for periodic review of CCI maintenance payment rates.

We also recommend that MDHHS review CCI maintenance payment rates in accordance with its procedures to ensure the continued appropriateness of the payment rates.

**Management Views and Corrective Action Plan**

For part a., the CCI rate review process will be added to the Title IV-E State Plan during the next update, which is scheduled to be completed and forwarded for approval no later than December 2015.

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For part b., MDHHS included language in the residential foster care contracts effective October 1, 2014, requiring submission of annual actual cost reports. MDHHS will review the appropriateness of the CCI maintenance payment rates based on actual costs for the reporting period and the actual days of care provided during the period.

Anticipated Completion Date:

Title IV-E State Plan updates will be complete by December 31, 2015. Residential foster care contract revisions have been implemented.

**FINDING 2014-082**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

In July 2009, the adoption subsidy staff began determining eligibility for adoption subsidy cases and no errors were noted for the audit period. MDHHS will continue to work with HHS to obtain a resolution concerning the funding of adoption subsidies for children adopted prior to July 2009.

Anticipated Completion Date: Completed

**FINDING 2014-083**

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

**Recommendation**

We recommend that MDHHS allocate CFCIP payroll expenditures in accordance with its PACAP.

**Management Views and Corrective Action Plan**

MDHHS Accounting will work with the Children's Services Education and Youth Services Program to identify the staff assigned to the Chafee grant and verify that their payroll expenditures are allocated in accordance with the Public Assistance Cost Allocation Plan.

Anticipated Completion Date: October 1, 2015



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**FINDING 2014-084**

**Chafee Foster Care Independence Program, CFDA 93.674, Activities Allowed or Unallowed; Allocable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Propriety of CFCIP Funded Payments**

**Recommendation**

We recommend that MDHHS ensure the propriety of CFCIP funded payments.

**Management Views and Corrective Action Plan**

In regard to part b. of the finding, MDHHS' accounting policy at the time of this expenditure was to include Michigan general sales tax in a purchase made on behalf of a client. To ensure the propriety of payments using CFCIP funds, MDHHS is implementing the following corrective actions:

Child Welfare Field Operations supervisory phone calls in April and June of 2015 included detail related to FOM 950 – Youth-in-Transition (YIT) to direct child welfare staff regarding documentation needs for allowable expenditures and activities. In addition, specific attention was given to the need to document how a specific expenditure assisted the youth towards reducing barriers to self-sufficiency, and to ensure required documentation, including receipts, is included in the case record. The Michigan Youth Opportunities coordinators monthly phone calls in January and February as well as April through July 2015 included instruction regarding YIT allowable expenditures and activities, as well as documentation need for both how the expenditure reduces identified barriers for the youth and documentation needed to support the expenditure (receipt, invoice, authorization).

Children's Services Administration will issue a written communication to child welfare staff statewide by September 1, 2015. Specific areas for improvement identified by audits and internal YIT reviews will be highlighted.

The Accounting Division issued a communication via email regarding sales tax exemption on July 31, 2015.

Anticipated Completion Date: September 1, 2015

**FINDING 2014-085**

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

**Recommendation**

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

**Management Views and Corrective Action Plan**

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Historically, a large percentage of the general fund allocations appropriated to Community Mental Health Services Programs (CMHSPs) were included in maintenance of effort calculations. In FY 2014 the overall general fund allocations were reduced for CMHSPs from \$284 to \$194 million dollars to reflect anticipated savings from the state's implementation of the Healthy Michigan program. That program is currently 100 percent funded by the federal government and those expenditures cannot be included in maintenance of effort calculations.

MDHHS continues to work on revising its maintenance of effort calculation methodology while ensuring compliance with federal regulations. MDHHS will discuss all possible solutions with the responsible federal Substance Abuse and Mental Health Administration (SAMHSA) block grant officer.

Anticipated Completion Date:

MDHHS has completed its maintenance of effort calculations and has begun discussions with the SAMHSA block grant officer to determine how to proceed.

**FINDING 2014-086**

**Maternal and Child Health Services Block Grant to the States, CFDA 93.994, Allowable Costs/Cost Principles and Eligibility - Beneficiary Eligibility**

**Recommendations**

We recommend that MDHHS properly determine CSHCS client's eligibility in accordance with the CSHCS eligibility renewal requirements.

We also recommend that MDHHS obtain medical documentation to support the client's renewal of medical eligibility in accordance with CSHCS eligibility requirements.

**Management Views and Corrective Action Plan**

Related to part a., CSHCS disagrees that one beneficiary's eligibility was not determined in accordance with CSHCS eligibility renewal requirements. CSHCS follows the renewal process timeline as delineated in the CSHCS Guidance Manual. CSHCS eligibility for renewal is determined prospectively, and prior to the end of the current enrollment period. Therefore, financial eligibility determination along with determination of Medicaid coverage takes place prior to the end of the current enrollment period. Reviewing this information 3 months prior to the current enrollment end date allows for sufficient time for families to complete any required information and for CSHCS to process the re-enrollment. Determining financial eligibility after current coverage ends would lead to a lapse in coverage and negatively impact access to needed medical services. MDHHS does not intend to take further action at this time.

Related to part b., staff received guidance and participated in a discussion related to the renewal process, medical review dates, and when to update the medical review information during a Customer Support Section (CSS) staff meeting in late April 2015,. Staff were

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instructed to contact a CSS manager if they encountered a situation where they were uncertain how to proceed when processing a client case record.

Anticipated Completion Date: Completed

**FINDING 2014-087**

**Maternal and Child Health Services Block Grant to the States, CFDA 93.994, Matching, Level of Effort, and Earmarking - Improper Identification of Expenditures**

**Recommendation**

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

**Management Views and Corrective Action Plan**

MDHHS modified the FY 2015 Local Maternal Child Health Budget and Plan contract instructions requiring each contractor to identify the number of both preventive and primary care services for children provided. They were also required to report actual Maternal Child Health Block Grant federal funds expended for each population and service category allowable to be served. MDHHS requested that this same information be included in the contractors modified FY 2014 Outcome Report.

In August 2014, MDHHS included additional reporting requirements in the contract to capture this information and also established coding in the state's accounting system to track earmarking requirements.

Anticipated Completion Date: Completed

**FINDING 2014-088**

**Disability Insurance/SSI Cluster, CFDA 96.001, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Lack of Payroll Certifications**

**Recommendation**

We recommend that MDHHS timely complete semiannual certifications for employees' payroll costs charged solely to the Disability Insurance/SSI Cluster.

**Management Views and Corrective Action Plan**

MDHHS program staff is reviewing the 100% Federal funded payroll costs that were the subject of this audit. Once completed, MDHHS will reinforce that the semi-annual certifications will be completed timely and verified in the future for staff so that their 100% federal grant status is properly confirmed.

Anticipated Completion Date: October 1, 2015

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**FINDING 2014-089**

**Disability Insurance/SSI Cluster, CFDA 96.001, Cash Management - Inappropriate Funding Technique**

**Recommendation**

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

**Management Views and Corrective Action Plan**

Corrective action has been implemented. The funding technique was revised and the State received the fully executed CMIA agreement for FY 2015 from the U.S. Department of Treasury on November 6, 2014.

Anticipated Completion Date: Completed

**FINDING 2014-090**

**Disability Insurance/SSI Cluster, CFDA 96.001, Reporting - Accuracy of Reports**

**Recommendation**

We recommend that MDHHS ensure that it reports the correct number of hours that the Disability Insurance/SSI Cluster employees worked in its quarterly SSA-4514.

**Management Views and Corrective Action Plan**

Due to changes in the applicable cost pools, the query used to provide the necessary data to complete the SSA-4514 FY 2014 4th Quarter Report did not include all DDS hours worked. The old system does not allow for the numerous cost pools that were added. MDHHS notified the SSA Regional Office that a revised/corrected Quarterly Report for this period would be submitted once the query was adjusted to reflect the correct hours worked. The query was adjusted and a revised Quarterly Report was submitted to SSA on April 8, 2015.

Anticipated Completion Date: Completed

**FINDING 2014-091**

**Section 8 Project-Based Cluster, CFDA 14.182 and CFDA 14.856**

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2014, Finding 2014-004.

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**FINDING 2014-092**

**Home Investment Partnerships Program, CFDA 14.239**

See Michigan State Housing Development Authority, Federal Awards Supplemental Information, June 30, 2014, Finding 2014-003.

**FINDING 2014-093**

**Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)**

See Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2014, Finding 14-01.