

Office of the Auditor General

**State of Michigan
Single Audit Report**

Fiscal Year Ended September 30, 2016

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Single Audit Report

State of Michigan

Fiscal Year Ended September 30, 2016

Report Number:
000-0100-17

Released:
June 2017

A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial statements are fairly presented, considers internal control over financial reporting and internal control over federal program compliance, determines compliance with requirements material to the financial statements, and assesses compliance with direct and material requirements of the major federal programs.

Audit Results for the State's Basic Financial Statements

Fairly presented, in all material respects	Internal Control Over Financial Reporting		No instances of noncompliance or other matters required to be reported
	No material weaknesses identified	4 significant deficiencies	

Audit Results for the Schedule of Expenditures of Federal Awards

Fairly stated, in all material respects, in relation to the State's basic financial statements as a whole.
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Audit Results for the Federal Awards

Federal Awards Expended	Unmodified Opinion	Qualified Opinion	Adverse Opinion	Total Known Questioned Costs (Net)	Internal Control Over Compliance Findings	
					Material Weaknesses	Significant Deficiencies
\$25.6 billion	21 programs	2 programs	2 programs	\$7,109,288	13	44

Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Known Questioned Costs, and Audit Finding Numbers:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
10.551 and 10.561	SNAP Cluster	Qualified	\$20,206	<u>2016-001</u> <u>2016-002</u> <u>2016-003</u> <u>2016-004</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	Unmodified	\$0	<u>2016-008</u>
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified	\$2,600,821	<u>2016-018</u> <u>2016-019</u> <u>2016-020</u> <u>2016-021</u> <u>2016-022</u> <u>2016-023</u> <u>2016-024</u>
17.207, 17.801, and 17.804	Employment Service Cluster	Unmodified	\$0	Not Applicable
20.933	National Infrastructure Investments	Unmodified	\$0	2016-025
66.458	Clean Water State Revolving Fund Cluster	Unmodified	\$0	Not Applicable
84.032G/L	Federal Family Education Loans - Guaranty Agency and Lender	Unmodified	\$0	Not Applicable
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
84.367	Supporting Effective Instruction State Grant (formerly Improving Teaching Quality State Grants)	Unmodified	\$0	<u>2016-008</u>
93.044, 93.045, and 93.053	Aging Cluster	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
93.558	TANF Cluster	Adverse	(\$12,085)	<u>2016-001</u> <u>2016-002</u> <u>2016-003</u> <u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-026</u> <u>2016-027</u> <u>2016-028</u> <u>2016-029</u> <u>2016-030</u>
93.575 and 93.596	CCDF Cluster	Qualified	\$1,063	<u>2016-001</u> <u>2016-002</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-031</u> <u>2016-032</u> <u>2016-033</u> <u>2016-058</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA	Adverse	\$3,853,963	<u>2016-001</u> <u>2016-002</u> <u>2016-003</u> <u>2016-004</u> <u>2016-006</u> <u>2016-007</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-015</u> <u>2016-016</u> <u>2016-017</u> <u>2016-034</u> <u>2016-035</u> <u>2016-036</u> <u>2016-037</u> <u>2016-038</u> <u>2016-039</u> <u>2016-040</u> <u>2016-041</u> <u>2016-042</u> <u>2016-043</u> <u>2016-044</u> <u>2016-045</u> <u>2016-046</u> <u>2016-047</u> <u>2016-048</u>
93.563	Child Support Enforcement	Unmodified	Undeterminable	<u>2016-004</u> <u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-016</u> <u>2016-017</u>
93.568	Low-Income Home Energy Assistance	Unmodified	\$13,319	<u>2016-001</u> <u>2016-002</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-049</u> <u>2016-050</u>
93.658	Foster Care - Title IV-E	Unmodified	\$235,527	<u>2016-004</u> <u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-014</u> <u>2016-051</u> <u>2016-052</u>
93.659	Adoption Assistance	Unmodified	\$9,313	<u>2016-004</u> <u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-053</u> <u>2016-054</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.667	Social Services Block Grant	Unmodified	\$386,098	<u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-014</u>
93.767	Children's Health Insurance Program	Unmodified	\$1,063	<u>2016-001</u> <u>2016-002</u> <u>2016-006</u> <u>2016-007</u> <u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-015</u> <u>2016-016</u> <u>2016-017</u> <u>2016-055</u>
93.958	Block Grants for Community Mental Health Services	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-056</u>
96.001	Disability Insurance/SSI Cluster	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
14.871 and 14.879	Housing Voucher Cluster	Unmodified	\$0	Not Applicable
14.256	Neighborhood Stabilization Program (Recovery Act Funded), including ARRA	Unmodified	\$0	Not Applicable
17.225	Unemployment Insurance, including ARRA	Unmodified	\$0	2016-057

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Doug A. Ringler, CPA, CIA
Auditor General

June 28, 2017

Mr. Alton L. Pscholka, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Dear Mr. Pscholka:

I am pleased to provide this single audit report for the State of Michigan for the fiscal year ended September 30, 2016.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. Management's corrective action plan is included within this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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SUPPLEMENTAL FINANCIAL SCHEDULE

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Department of Agriculture</u>		
SNAP Cluster:		
Supplemental Nutrition Assistance Program	10.551	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	
Total SNAP Cluster		
Child Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
National School Lunch Program (Note 6)	10.555	
Special Milk Program for Children	10.556	
Summer Food Service Program for Children	10.559	
Summer Food Service Program for Children (Note 6)	10.559	
Total Child Nutrition Cluster		
Food Distribution Cluster:		
Commodity Supplemental Food Program	10.565	
Commodity Supplemental Food Program (Note 6)	10.565	
Emergency Food Assistance Program (Administrative Costs)	10.568	
Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569	
Total Food Distribution Cluster		
Forest Service Schools and Roads Cluster:		
Schools and Roads - Grants to States	10.665	
Total Forest Service Schools and Roads Cluster		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	
Wetlands Reserve Program	10.072	
Voluntary Public Access and Habitat Incentive Program	10.093	
Biofuel Infrastructure Partnership	10.117	
Market Protection and Promotion	10.163	
Specialty Crop Block Grant Program - Farm Bill	10.170	
Organic Certification Cost Share Programs	10.171	
Food Safety Cooperative Agreements	10.479	
Professional Standards for School Nutrition Employees	10.547	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	
Child and Adult Care Food Program	10.558	
State Administrative Expenses for Child Nutrition	10.560	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	
Team Nutrition Grants	10.574	
Senior Farmers Market Nutrition Program	10.576	
WIC Grants To States (WGS)	10.578	
Child Nutrition Discretionary Grants Limited Availability	10.579	
Fresh Fruit and Vegetable Program	10.582	
Cooperative Forestry Assistance	10.664	
Urban and Community Forestry Program	10.675	
Forest Legacy Program	10.676	
Forest Stewardship Program	10.678	
Forest Health Protection	10.680	
Forest Health Protection	10.680	The Gypsy Moth Slow the Spread Foundation Inc.
Total 10.680		
Soil and Water Conservation	10.902	
Environmental Quality Incentives Program	10.912	
Conservation Security Program	10.921	
Conservation Stewardship Program	10.924	
Regional Conservation Partnership Program	10.932	
Cost Share Agreement	10.16-JV-11242316-121**	
Forest Service Drug Team	10.14-LE-11091000-004**	

Total U.S. Department of Agriculture

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 2,164,052,205	\$	\$	\$ 2,164,052,205
	124,626,313	31,680,495		156,306,808
	<u>\$ 2,288,678,518</u>	<u>\$ 31,680,495</u>	<u>\$ 0</u>	<u>\$ 2,320,359,013</u>
	\$ 116,598	\$ 111,180,321	\$	\$ 111,296,919
	206,187	304,788,977		304,995,164
	1,256	37,956,717		37,957,973
		247,425		247,425
	701,644	11,613,529		12,315,173
		45,469		45,469
	<u>\$ 1,025,685</u>	<u>\$ 465,832,438</u>	<u>\$ 0</u>	<u>\$ 466,858,123</u>
	\$ 125,707	\$ 5,461,023	\$	\$ 5,586,730
		16,629,222		16,629,222
	45,555	2,566,938		2,612,493
		20,387,562		20,387,562
	<u>\$ 171,262</u>	<u>\$ 45,044,745</u>	<u>\$ 0</u>	<u>\$ 45,216,007</u>
	\$	\$ 3,403,988	\$	\$ 3,403,988
	<u>\$ 0</u>	<u>\$ 3,403,988</u>	<u>\$ 0</u>	<u>\$ 3,403,988</u>
	\$ 374,970	\$ 238,817	\$	\$ 613,787
		26,888		26,888
	435,864			435,864
		126,250		126,250
	1,410,000			1,410,000
	285,944	2,029,361		2,315,305
	395,992			395,992
	250,000			250,000
	84,089			84,089
	123,386,313	44,986,206		168,372,519
	1,042,803	69,955,705		70,998,508
	6,698,308			6,698,308
	387,643	16,427		404,070
	340,318			340,318
	223,815			223,815
	310,666	70,140		380,806
	6,485,752	419,374		6,905,126
	187,880	4,115,686		4,303,566
	1,405,628	547,431		1,953,059
	141,974			141,974
	22,925			22,925
	2,964			2,964
	80,690			80,690
	9,000			9,000
307116	<u>\$ 89,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 89,690</u>
	\$	\$ 214,492	\$	\$ 214,492
		265,861		265,861
		1,484		1,484
		50,857		50,857
	249,829			249,829
	973			973
	<u>1,429</u>			<u>1,429</u>
	<u>\$ 2,434,091,234</u>	<u>\$ 669,026,645</u>	<u>\$ 0</u>	<u>\$ 3,103,117,879</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Department of Commerce</u>		
Interjurisdictional Fisheries Act of 1986	11.407	
Coastal Zone Management Administration Awards	11.419	
Habitat Conservation	11.463	
State and Local Implementation Grant Program	11.549	
Measurement and Engineering Research and Standards	11.609	
Total U.S. Department of Commerce		
<u>U.S. Department of Defense</u>		
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	
Military Construction, National Guard	12.400	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	
National Guard Challenge Program	12.404	
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	Macomb/St. Clair Workforce Development
Defense Activity for Non-Traditional Education Support	12.N3569713MDTSTOP**	
Estuary Habitat Restoration Program	12.W912P4-11-2-0001**	
Total U.S. Department of Defense		
<u>U.S. Department of Housing and Urban Development</u>		
Section 8 Project-Based Cluster:		
Section 8 Contract Administration	14.182	
Section 8 New Construction/Substantial Rehabilitation	14.182	
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	
Total Section 8 Project-Based Cluster		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	
Mainstream Vouchers	14.879	
Total Housing Voucher Cluster		
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	
Emergency Solutions Grant Program	14.231	
Supportive Housing Program	14.235	
Home Investment Partnerships Program	14.239	
Home Investment Partnerships Program - Technical Assistance	14.239	
Housing Opportunities for Persons with AIDS	14.241	
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256	
Continuum of Care Program	14.267	
Fair Housing Assistance Program - State and Local	14.401	
Family Self-Sufficiency Program	14.896	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	
Total U.S. Department of Housing and Urban Development		
<u>U.S. Department of the Interior</u>		
Fish and Wildlife Cluster:		
Sport Fish Restoration (Note 15)	15.605	
Wildlife Restoration and Basic Hunter Education (Note 15)	15.611	
Enhanced Hunter Education and Safety	15.626	
Total Fish and Wildlife Cluster		
Fish and Wildlife Management Assistance	15.608	
Coastal Wetlands Planning, Protection and Restoration	15.614	
Cooperative Endangered Species Conservation Fund	15.615	
Clean Vessel Act	15.616	
Sportfishing and Boating Safety Act	15.622	
State Wildlife Grants (Note 15)	15.634	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 11,209	\$	\$	\$ 11,209
	1,615,553	1,312,322		2,927,875
	1,253,811			1,253,811
	1,031,771			1,031,771
	155,087			155,087
	\$ 4,067,431	\$ 1,312,322	\$ 0	\$ 5,379,753
	\$ 1,340,593	\$	\$	\$ 1,340,593
	5,171,614			5,171,614
	53,362,925		4,488,735	57,851,660
	3,306,187	2,422,309		5,728,496
	47,256			47,256
	167,768			167,768
	26,689			26,689
	\$ 63,423,032	\$ 2,422,309	\$ 4,488,735	\$ 70,334,076
	\$ 6,879,878	\$ 219,264,706	\$	\$ 226,144,584
		105,001,024		105,001,024
		1,300,194		1,300,194
	\$ 6,879,878	\$ 325,565,924	\$ 0	\$ 332,445,802
	\$ 18,281,590	\$ 171,552,618	\$	\$ 189,834,208
		268,637		268,637
	\$ 18,281,590	\$ 171,821,255	\$ 0	\$ 190,102,845
	\$ 991,568	\$ 29,598,042	\$	\$ 30,589,610
		4,825,160		4,825,160
	(68,809)	2,309,845		2,241,036
	1,183,041	23,940,404		25,123,445
		95,616		95,616
	(396)	1,025,520		1,025,124
		12,580,897		12,580,897
	51,894	8,550,467		8,602,361
	1,270,000			1,270,000
		966,000		966,000
	579,666	194,103		773,769
	\$ 29,168,432	\$ 581,473,233	\$ 0	\$ 610,641,665
	\$ 11,303,199	\$	\$	\$ 11,303,199
	24,287,483			24,287,483
	240,000			240,000
	\$ 35,830,682	\$ 0	\$ 0	\$ 35,830,682
	\$ 129,269	\$ 15,960	\$	\$ 145,229
		1,000,000		1,000,000
	293,959	5,625		299,584
	5,534	15,234		20,768
	1,011,776			1,011,776
	1,761,420	21,000		1,782,420

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Endangered Species Conservation Recovery Implementation Funds	15.657	
Great Lakes Restoration	15.662	
U.S. Geological Survey - Research and Data Collection	15.808	
Historic Preservation Fund Grants-In-Aid	15.904	
Outdoor Recreation - Acquisition, Development and Planning	15.916	
Total U.S. Department of the Interior		
<u>U.S. Department of Justice</u>		
Sexual Assault Services Formula Program	16.017	
Services for Trafficking Victims	16.320	
Juvenile Accountability Block Grants	16.523	
Supervised Visitation, Safe Havens for Children	16.527	
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	
Missing Children's Assistance	16.543	
National Criminal History Improvement Program (NCHIP)	16.554	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Kent County
Crime Victim Assistance	16.575	
Crime Victim Compensation	16.576	
Crime Victim Assistance/Discretionary Grants	16.582	
Violence Against Women Formula Grants	16.588	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	
Residential Substance Abuse Treatment for State Prisoners	16.593	
State Criminal Alien Assistance Program	16.606	
Project Safe Neighborhoods	16.609	Saginaw Community Foundation
Public Safety Partnership and Community Policing Grants	16.710	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	
DNA Backlog Reduction Program	16.741	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	
Capital Case Litigation Initiative	16.746	
Support for Adam Walsh Act Implementation Grant Program	16.750	
Edward Byrne Memorial Competitive Grant Program	16.751	
Second Chance Act Reentry Initiative	16.812	
John R. Justice Prosecutors and Defenders Incentive Act	16.816	
Byrne Criminal Justice Innovation Program	16.817	
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	
Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE	16.828	
National Sexual Assault Kit Initiative	16.833	
Emergency Management Assistance Compact/Interstate Mutual Aid Request for Assistance	16.**	
FBI - Detroit Cyber Task Force	16.**	
FBI - Public Corruption Task Force	16.**	
US Marshal's Office	16.**	
FBI - SE MI Human Trafficking Task Force	16.**	
FBI - Bay City Child Exploitation Task Force	16.**	
US Marshal's Office - Operation Enduring Justice	16.**	
Genesee County Save Our Streets Task Force - FBI	16.**	
Equitable Sharing of Federally Forfeited Property	16.**	
Firearms Investigative Team	16.**	
District Fugitive Task Force	16.**	
ATF	16.**	
Upper Peninsula Safe Trails Task Force (UPSTTF)	16.**	
Straits Area Safe Trails Task Force (SASTT)	16.**	
ATF OT 8th District	16.**	
Violent Crimes Task Force	16.**	
Detroit Major Crimes Task Force (DMCTF)	16.**	
Oakland County Violent Gang Task Force	16.**	
DEA - Tactical Diversion Task Force	16.**	
Joint Terrorism Task Force	16.**	
West Michigan Child Exploitation Task Force	16.**	
US Marshal Fugitive Task Force	16.**	
US Marshal Western District	16.**	
US Marshal - Sex Offender Sweeps	16.**	
Saginaw County Safe Streets Task Force	16.**	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 63,946	\$	\$	\$ 63,946
	1,529,862	31,515		1,561,377
	55,800			55,800
	889,796	60,253		950,049
	1,029,576	476,005		1,505,581
	\$ 42,601,620	\$ 1,625,592	\$ 0	\$ 44,227,212
	\$ 85,000	\$ 271,212	\$	\$ 356,212
	49,115	111,228		160,343
	(4,974)	255,075		250,101
	3,271	221,200		224,471
	806,276			806,276
	645,216	81,125		726,341
	547,471	100,000		647,471
2014-DN-BX-K064	6,906			6,906
	560,290	18,100,847		18,661,137
	1,446,014			1,446,014
	1,064	88,498		89,562
	2,277,024	1,094,670		3,371,694
	274,876			274,876
	267,720			267,720
	609,783			609,783
2014-GP-BX-0005	14,218			14,218
	493,400			493,400
	1,714,041	3,743,361		5,457,402
	2,549,689			2,549,689
	271,002	111,034		382,036
	133,534			133,534
	264,412			264,412
	26,802			26,802
	309,434			309,434
	37,989			37,989
	50,000			50,000
	139,249			139,249
	3,551			3,551
	51,979	78,320		130,299
	454,087			454,087
	5,393			5,393
	11,868			11,868
	14,026			14,026
	17,170			17,170
	12,755			12,755
	14,745			14,745
	24,520			24,520
	436,636			436,636
	21,785			21,785
	86,703			86,703
	20,347			20,347
	60,275			60,275
	25,357			25,357
	2,949			2,949
	25,210			25,210
	15,636			15,636
	17,545			17,545
	17,017			17,017
	39,123			39,123
	15,327			15,327
	65,904			65,904
	31,269			31,269
	28,809			28,809
	41,483			41,483

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2015-82**	
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2016-83**	
Genesee County Safe Streets Task Force (GCSSTF)	16.281D-DE-C98517**	
Southeast Michigan Crimes Against Children Task Force (SEMCAC)	16.31E-DE-C100515**	
FANG OCDETF	16.GL-MIE-0479**	
MANTIS OCDETF	16.GL-MIE-0526**	
Tri County Metro OCDETF	16.GL-MIW-125**	
Total U.S. Department of Justice		
<u>U.S. Department of Labor</u>		
Employment Service Cluster:		
Employment Service/Wagner-Peyser Funded Activities	17.207	
Disabled Veterans' Outreach Program (DVOP)	17.801	
Local Veterans' Employment Representative Program	17.804	
Total Employment Service Cluster		
WIA/WIOA Cluster:		
WIA/WIOA Adult Program	17.258	
WIA/WIOA Youth Activities	17.259	
WIA/WIOA Dislocated Worker Formula Grants	17.278	
Total WIA/WIOA Cluster		
Labor Force Statistics	17.002	
Compensation and Working Conditions	17.005	
Unemployment Insurance	17.225	
ARRA - Unemployment Insurance	17.225	
Senior Community Service Employment Program	17.235	
Trade Adjustment Assistance	17.245	
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	
Temporary Labor Certification for Foreign Workers	17.273	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	
WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	17.280	
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281	
Apprenticeship USA Grants	17.285	
Occupational Safety and Health - State Program	17.503	
Consultation Agreements	17.504	
Total U.S. Department of Labor		
<u>U.S. Department of State</u>		
Environmental and Scientific Partnerships and Programs	19.017	University of Wisconsin- Milwaukee
Total U.S. Department of State		
<u>U.S. Department of Transportation</u>		
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205	
Recreational Trails Program	20.219	
Total Highway Planning and Construction Cluster		
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	
Bus and Bus Facilities Formula Program	20.526	
Total Federal Transit Cluster		
Transit Services Programs Cluster:		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	
Job Access And Reverse Commute Program	20.516	
New Freedom Program	20.521	
Total Transit Services Programs Cluster		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 14,829	\$	\$	\$ 14,829
	364,000			364,000
	95,258			95,258
	24,271			24,271
	24,079			24,079
	838			838
	6,082			6,082
	\$ 15,669,648	\$ 24,256,570	\$ 0	\$ 39,926,218
	\$ 6,824,638	\$ 7,989,564	\$	\$ 14,814,202
	3,820,461			3,820,461
	1,086,916			1,086,916
	\$ 11,732,015	\$ 7,989,564	\$ 0	\$ 19,721,579
	\$ 964,853	\$ 25,325,611	\$	\$ 26,290,464
	1,069,622	25,701,071		26,770,693
	3,749,594	27,461,698		31,211,292
	\$ 5,784,069	\$ 78,488,380	\$ 0	\$ 84,272,449
	\$ 2,082,000	\$	\$	\$ 2,082,000
	227,776			227,776
	1,040,123,352			1,040,123,352
	(1,669,176)			(1,669,176)
	43,482	2,794,029		2,837,511
	2,053,366	10,980,894		13,034,260
	944,173			944,173
	311,284			311,284
	145,381	7,202,523		7,347,904
	19,009	1,843,083		1,862,092
	123,121			123,121
	3,889			3,889
	9,859,614			9,859,614
	1,639,900			1,639,900
	\$ 1,073,423,255	\$ 109,298,473	\$ 0	\$ 1,182,721,728
143405526	\$ 36	\$	\$	\$ 36
	\$ 36	\$ 0	\$ 0	\$ 36
	\$ 1,029,264,551	\$ 33,038,570	\$	\$ 1,062,303,121
	3,038,848			3,038,848
	\$ 1,032,303,399	\$ 33,038,570	\$ 0	\$ 1,065,341,969
	\$ 12,690	\$ 4,689,152	\$	\$ 4,701,842
		2,227,135		2,227,135
	\$ 12,690	\$ 6,916,287	\$ 0	\$ 6,928,977
	\$	\$ 3,584,918	\$	\$ 3,584,918
		59,497		59,497
		746,820		746,820
	\$ 0	\$ 4,391,235	\$ 0	\$ 4,391,235

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Highway Safety Cluster:		
State and Community Highway Safety	20.600	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	
Child Safety and Child Booster Seats Incentive Grants	20.613	
National Priority Safety Programs	20.616	
Total Highway Safety Cluster		
Airport Improvement Program (Note 7)	20.106	
Highway Research and Development Program (Note 15)	20.200	
Highway Training and Education	20.215	
Motor Carrier Safety Assistance	20.218	
Performance and Registration Information Systems Management	20.231	
Commercial Driver's License Program Improvement Grant	20.232	
Border Enforcement Grants	20.233	
Capital Assistance to States - Intercity Passenger Rail Service	20.317	
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	
Rail Line Relocation and Improvement	20.320	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	
Formula Grants for Rural Areas	20.509	
Paul S. Sarbanes Transit in the Parks	20.520	
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528	
Pipeline Safety Program State Base Grant	20.700	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	
State Damage Prevention Program Grants	20.720	
PHMSA Pipeline Safety Program One Call Grant	20.721	
Surface Transportation - Discretionary Grants for Capital Investment	20.932	
National Infrastructure Investments	20.933	
Total U.S. Department of Transportation		
<u>U.S. Department of the Treasury</u>		
Equitable Sharing of Federally Forfeited Property	21.**	
National Foreclosure Mitigation Counseling	21.**	Neighborhood Works
Total U.S. Department of the Treasury		
<u>Equal Employment Opportunity Commission</u>		
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	
Total Equal Employment Opportunity Commission		
<u>General Services Administration</u>		
Donation of Federal Surplus Personal Property (Notes 6 and 8)	39.003	
Total General Services Administration		
<u>National Endowment for the Arts</u>		
Promotion of the Arts - Partnership Agreements	45.025	
Total National Endowment for the Arts		
<u>Institute of Museum and Library Services</u>		
Grants to States	45.310	
Total Institute of Museum and Library Services		
<u>Small Business Administration</u>		
State Trade Expansion	59.061	
Total Small Business Administration		
<u>U.S. Department of Veterans Affairs</u>		
Veterans State Domiciliary Care	64.014	
Veterans State Nursing Home Care	64.015	
Veterans Information and Assistance	64.115	
Total U.S. Department of Veterans Affairs		

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 5,906,603	\$ 2,722,969	\$	\$ 8,629,572
	11,965	88,186		88,186
	4,315,096	3,546,424		7,861,520
	<u>\$ 10,233,664</u>	<u>\$ 6,357,579</u>	<u>\$ 0</u>	<u>\$ 16,591,243</u>
	\$ 30,234,656	\$	\$	\$ 30,234,656
	5,448,293			5,448,293
	141,670			141,670
	6,110,698			6,110,698
	29,701			29,701
	676,438			676,438
	60,720			60,720
	3,458,775			3,458,775
	62,766			62,766
	14,837,086	804,062		15,641,148
	(26,644)			(26,644)
	278,577	1,050,657		1,329,234
	5,731,505	21,199,727		26,931,232
		4,088		4,088
	138,324			138,324
	1,217,064			1,217,064
	416,095	151,296		567,391
		100,000		100,000
	67,216			67,216
		5,465,890		5,465,890
	<u>9,190,641</u>	<u>8,374,677</u>		<u>17,565,318</u>
	<u>\$ 1,120,623,334</u>	<u>\$ 87,854,068</u>	<u>\$ 0</u>	<u>\$ 1,208,477,402</u>
PL113-76X1350; PL113-235X1350	\$ 16,395	\$	\$	\$ 16,395
	<u>3,886</u>	<u>98,084</u>		<u>101,970</u>
	<u>\$ 20,281</u>	<u>\$ 98,084</u>	<u>\$ 0</u>	<u>\$ 118,365</u>
	\$ 648,000	\$	\$	\$ 648,000
	<u>\$ 648,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 648,000</u>
	\$	\$ 187,000	\$	\$ 187,000
	<u>\$ 0</u>	<u>\$ 187,000</u>	<u>\$ 0</u>	<u>\$ 187,000</u>
	\$	\$ 750,000	\$	\$ 750,000
	<u>\$ 0</u>	<u>\$ 750,000</u>	<u>\$ 0</u>	<u>\$ 750,000</u>
	\$ 3,837,565	\$ 7,199	\$	\$ 3,844,764
	<u>\$ 3,837,565</u>	<u>\$ 7,199</u>	<u>\$ 0</u>	<u>\$ 3,844,764</u>
	\$	\$ 750,000	\$	\$ 750,000
	<u>\$ 0</u>	<u>\$ 750,000</u>	<u>\$ 0</u>	<u>\$ 750,000</u>
	\$ 778,665	\$	\$	\$ 778,665
	26,637,575			26,637,575
	396,253			396,253
	<u>\$ 27,812,493</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,812,493</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Environmental Protection Agency</u>		
Clean Water State Revolving Fund Cluster:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	
Total Clean Water State Revolving Fund Cluster		
Drinking Water State Revolving Fund Cluster:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	
Total Drinking Water State Revolving Fund Cluster		
Air Pollution Control Program Support	66.001	
Air Pollution Control Program Support (Note 6)	66.001	
Total 66.001		
State Indoor Radon Grants	66.032	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	
Training, Investigations, and Special Purpose Activities of Federally-Recognized Indian Tribes Consistent With the Clean Air Act (CAA), Tribal Sovereignty and the Protection and Management of Air Quality	66.038	Little River Band of Ottawa Indians
Training, Investigations, and Special Purpose Activities of Federally-Recognized Indian Tribes Consistent With the Clean Air Act (CAA), Tribal Sovereignty and the Protection and Management of Air Quality	66.038	Inter-Tribal Council of Michigan
Total 66.038		
State Clean Diesel Grant Program	66.040	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	
State Public Water System Supervision	66.432	
Water Quality Management Planning	66.454	
Nonpoint Source Implementation Grants	66.460	
Regional Wetland Program Development Grants	66.461	
Great Lakes Program	66.469	
Great Lakes Program	66.469	Central Michigan University
Total 66.469		
Beach Monitoring and Notification Program Implementation Grants	66.472	
Performance Partnership Grants	66.605	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	
Pollution Prevention Grants Program	66.708	
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716	
Hazardous Waste Management State Program Support	66.801	
Hazardous Waste Management State Program Support (Note 6)	66.801	
Total 66.801		
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	
State and Tribal Response Program Grants	66.817	
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	
Total U.S. Environmental Protection Agency		
<u>U.S. Department of Energy</u>		
State Energy Program	81.041	
Weatherization Assistance for Low-Income Persons	81.042	
State Energy Program Special Projects	81.119	
State Energy Program Special Projects	81.119	State of Tennessee
Total 81.119		

Total U.S. Department of Energy

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 2,526,104	\$ 41,305,965	\$	\$ 43,832,069
	\$ 2,526,104	\$ 41,305,965	\$ 0	\$ 43,832,069
	\$ 5,271,717	\$ 26,583,020	\$	\$ 31,854,737
	\$ 5,271,717	\$ 26,583,020	\$ 0	\$ 31,854,737
	\$ 4,607,568	\$	\$	\$ 4,607,568
	30,899			30,899
	\$ 4,638,467	\$ 0	\$ 0	\$ 4,638,467
	\$ 300,514	\$	\$	\$ 300,514
	1,453,330			1,453,330
TX00E98703	1,512			1,512
TX97522905	5,013			5,013
	\$ 6,525	\$ 0	\$ 0	\$ 6,525
	\$ 23,491	\$ 46,562	\$	\$ 70,053
	206,091			206,091
	4,130,000			4,130,000
	332,797	110,415		443,212
	617,042	1,691,294		2,308,336
	107,045	52,577		159,622
	2,631,860	1,888,874		4,520,734
GL00E01567	38,892			38,892
	\$ 2,670,752	\$ 1,888,874	\$ 0	\$ 4,559,626
	\$ 421,753	\$	\$	\$ 421,753
	11,607,589	7,999		11,615,588
	54,583			54,583
	210,278	198,243		408,521
	76,078			76,078
	21,211			21,211
	3,375,804			3,375,804
	281,126			281,126
	\$ 3,656,930	\$ 0	\$ 0	\$ 3,656,930
	\$ 1,197,973	\$ 75,907	\$	\$ 1,273,880
	592,540			592,540
	1,561,753			1,561,753
	112,500			112,500
	839,123			839,123
	509			509
	\$ 42,636,695	\$ 71,960,856	\$ 0	\$ 114,597,551
	\$ 757,221	\$ 794,276	\$	\$ 1,551,497
	1,099,693	10,842,748		11,942,441
	140	80,832		80,972
DE-EE-0007219	1,756			1,756
	\$ 1,896	\$ 80,832	\$ 0	\$ 82,728
	\$ 1,858,810	\$ 11,717,856	\$ 0	\$ 13,576,666

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Department of Education</u>		
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	
Special Education - Preschool Grants	84.173	
Total Special Education Cluster (IDEA)		
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	
Total Student Financial Assistance Cluster		
DED Generalist	84.000	
Adult Education - Basic Grants to States	84.002	
Title I Grants to Local Educational Agencies	84.010	
Migrant Education - State Grant Program	84.011	
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	
Federal Family Education Loans - Guaranty Agency (Notes 9 and 10)	84.032G	
Federal Family Education Loans - Guaranty Agency (Notes 6, 9, and 10)	84.032G	
Total 84.032G		
Federal Family Education Loans - Lender (Notes 9 and 11)	84.032L	
Federal Family Education Loans - Lender (Notes 6, 9, and 11)	84.032L	
Total 84.032L		
Career and Technical Education -- Basic Grants to States	84.048	
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	
Migrant Education - Coordination Program	84.144	
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	
Special Education - Grants for Infants and Families	84.181	
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	
Education for Homeless Children and Youth	84.196	
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	
Charter Schools	84.282	
Twenty-First Century Community Learning Centers	84.287	
Special Education - State Personnel Development	84.323	
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	
Credit Enhancement for Charter School Facilities	84.354	
Rural Education	84.358	
English Language Acquisition State Grants	84.365	
Mathematics and Science Partnerships	84.366	
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	
Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)	84.368	
Grants for State Assessments and Related Activities	84.369	
School Improvement Grants	84.377	
Race to the Top Early Learning Challenge	84.412	
Total U.S. Department of Education		
<u>National Archives and Records Administration</u>		
National Historical Publications and Records Grants	89.003	
Total National Archives and Records Administration		
<u>U.S. Election Assistance Commission</u>		
Help America Vote Act Requirements Payments	90.401	

Total U.S. Election Assistance Commission

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 19,373,513	\$ 363,757,982	\$	\$ 383,131,495
	800,757	10,415,849		11,216,606
	<u>\$ 20,174,270</u>	<u>\$ 374,173,831</u>	<u>\$ 0</u>	<u>\$ 394,348,101</u>
	\$ 135,883	\$ 2,327,226	\$	\$ 2,463,109
	<u>\$ 135,883</u>	<u>\$ 2,327,226</u>	<u>\$ 0</u>	<u>\$ 2,463,109</u>
	\$ 179,026	\$	\$	\$ 179,026
	1,924,592	11,216,368		13,140,960
	5,447,085	483,622,123		489,069,208
	582,386	9,107,184		9,689,570
	564,032			564,032
	144,956,025			144,956,025
	2,002,305,500			2,002,305,500
	<u>\$ 2,147,261,525</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,147,261,525</u>
	\$ (8,024,784)	\$	\$	\$ (8,024,784)
	742,354,320			742,354,320
	<u>\$ 734,329,536</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 734,329,536</u>
	\$ 3,918,826	\$ 33,084,701	\$	\$ 37,003,527
	98,089,419	1,151,580		99,240,999
	57,945			57,945
	276,543	33,933		310,476
	800,674	11,238,851		12,039,525
	314,245	576,145		890,390
	1,101,998			1,101,998
	521,702	1,447,652		1,969,354
	3,568			3,568
	163,281	5,399,891		5,563,172
	1,039,902	37,355,204		38,395,106
		1,859,282		1,859,282
	258	362,658		362,916
	14,086			14,086
	675,182	2,023,170		2,698,352
	6,726,218			6,726,218
	101,147	2,332,906		2,434,053
	576,024	9,981,255		10,557,279
	485,986	4,338,466		4,824,452
	2,191,590	90,067,002		92,258,592
	3,119			3,119
	9,621,330			9,621,330
	637,374	10,980,103		11,617,477
	4,474,107	1,728,900		6,203,007
	<u>\$ 3,042,392,859</u>	<u>\$ 1,094,408,431</u>	<u>\$ 0</u>	<u>\$ 4,136,801,290</u>
	\$	\$ 5,133	\$	\$ 5,133
	<u>\$ 0</u>	<u>\$ 5,133</u>	<u>\$ 0</u>	<u>\$ 5,133</u>
	\$ 263,024	\$ 570,284	\$	\$ 833,308
	<u>\$ 263,024</u>	<u>\$ 570,284</u>	<u>\$ 0</u>	<u>\$ 833,308</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
<u>U.S. Department of Health and Human Services</u>		
Aging Cluster:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	
Nutrition Services Incentive Program	93.053	
Total Aging Cluster		
TANF Cluster:		
Temporary Assistance for Needy Families (Note 12)	93.558	
Total TANF Cluster		
CCDF Cluster:		
Child Care and Development Block Grant	93.575	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	
Total CCDF Cluster		
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	
Medical Assistance Program	93.778	
ARRA - Medical Assistance Program	93.778	
Total Medicaid Cluster		
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	93.048	
National Family Caregiver Support, Title III, Part E	93.052	
Public Health Emergency Preparedness	93.069	
Public Health Emergency Preparedness (Note 6)	93.069	
Total 93.069		
Environmental Public Health and Emergency Response	93.070	
Medicare Enrollment Assistance Program	93.071	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	
Guardianship Assistance	93.090	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	
Food and Drug Administration - Research	93.103	
Maternal and Child Health Federal Consolidated Programs	93.110	
Maternal and Child Health Federal Consolidated Programs	93.110	
Total 93.110		
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	
Emergency Medical Services for Children	93.127	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	
Injury Prevention and Control Research and State and Community Based Programs	93.136	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	
Health Program for Toxic Substances and Disease Registry	93.161	
Grants to States for Loan Repayment Program	93.165	
Disabilities Prevention	93.184	
Family Planning - Services	93.217	
		University of Colorado Denver

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$ 560,086	\$ 10,813,692	\$	\$ 11,373,778
	893,730	20,178,103		21,071,833
		7,535,532		7,535,532
	<u>\$ 1,453,816</u>	<u>\$ 38,527,327</u>	<u>\$ 0</u>	<u>\$ 39,981,143</u>
	\$ 598,204,174	\$ 75,595,700	\$	\$ 673,799,874
	<u>\$ 598,204,174</u>	<u>\$ 75,595,700</u>	<u>\$ 0</u>	<u>\$ 673,799,874</u>
	\$ 60,722,845	\$ 9,928,267	\$	\$ 70,651,112
	68,232,101			68,232,101
	<u>\$ 128,954,946</u>	<u>\$ 9,928,267</u>	<u>\$ 0</u>	<u>\$ 138,883,213</u>
	\$ 3,789,974	\$	\$	\$ 3,789,974
	12,355,768			12,355,768
	12,569,893,803	47,395,059		12,617,288,862
	41,652,119	1,146,961		42,799,080
	<u>\$ 12,627,691,664</u>	<u>\$ 48,542,020</u>	<u>\$ 0</u>	<u>\$ 12,676,233,684</u>
	\$	\$ 160,415	\$	\$ 160,415
	170,431	334,973		505,404
		654,970		654,970
	32,234	166,716		198,950
	201,091	4,600,397		4,801,488
	9,075,398	8,023,532		17,098,930
	34,723			34,723
	<u>\$ 9,110,121</u>	<u>\$ 8,023,532</u>	<u>\$ 0</u>	<u>\$ 17,133,653</u>
	\$ 944,169	\$ 502,979	\$	\$ 1,447,148
	45,646	672,477		718,123
	121,538			121,538
	368,941	20,950		389,891
	3,156,706			3,156,706
	379,283	1,136,481		1,515,764
	434,483	533,517		968,000
	863,361	40,588		903,949
	829,108	147,399		976,507
	8,753			8,753
FY16.368.022	<u>\$ 837,861</u>	<u>\$ 147,399</u>	<u>\$ 0</u>	<u>\$ 985,260</u>
	\$ 821,492	\$ 272,131	\$	\$ 1,093,623
	36,663	65,221		101,884
	48,200	170,400		218,600
	369,238	865,456		1,234,694
	136,817	1,484,799		1,621,616
	241,195	1,015,529		1,256,724
	2,367			2,367
	733,225			733,225
	47,548	254,920		302,468
	1,181,743	5,557,694		6,739,437

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Research on Healthcare Costs, Quality and Outcomes	93.226	Regents of the University of Michigan
Affordable Care Act (ACA) Abstinence Education Program	93.235	
Grants to States to Support Oral Health Workforce Activities	93.236	
State Capacity Building	93.240	
State Rural Hospital Flexibility Program	93.241	
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	
Universal Newborn Hearing Screening	93.251	
Rural Access to Emergency Devices Grant and Public Access to Defibrillation Demonstration Grant	93.259	Michigan State University
Occupational Safety and Health Program	93.262	
Immunization Cooperative Agreements	93.268	
Immunization Cooperative Agreements (Note 6)	93.268	
Total 93.268		
Adult Viral Hepatitis Prevention and Control	93.270	
Drug-Free Communities Support Program Grants	93.276	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	
Centers for Disease Control and Prevention - Investigations and Technical Assistance (Note 6)	93.283	Council of State and Territorial Epidemiologists
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	
Total 93.283		
Small Rural Hospital Improvement Grant Program	93.301	
National State Based Tobacco Control Programs	93.305	
National State Based Tobacco Control Programs (Note 6)	93.305	
Total 93.305		
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Association of Public Health Laboratories, Inc.
CSELS Partnership: Strengthening Public Health Laboratories	93.322	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	
State Health Insurance Assistance Program	93.324	
Behavioral Risk Factor Surveillance System	93.336	
ACL Independent Living State Grants	93.369	Association of State and Territorial Health Officials
NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424	
Food Safety and Security Monitoring Project	93.448	
ACL Assistive Technology	93.464	
Pregnancy Assistance Fund Program	93.500	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521	
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524	Association of State and Territorial Health Officials
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	
Promoting Safe and Stable Families	93.556	
Child Support Enforcement	93.563	
Child Support Enforcement Research	93.564	
Refugee and Entrant Assistance - State Administered Programs	93.566	
Low-Income Home Energy Assistance (Note 12)	93.568	
Community Services Block Grant	93.569	
Refugee and Entrant Assistance - Discretionary Grants	93.576	
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	
State Court Improvement Program	93.586	
Community-Based Child Abuse Prevention Grants	93.590	
Grants to States for Access and Visitation Programs	93.597	
Chafee Education and Training Vouchers Program (ETV)	93.599	
Head Start	93.600	
The Affordable Care Act Medicaid Adult Quality Grants	93.609	Altarum Institute
Health Care Innovation Awards (HCIA)	93.610	
Voting Access for Individuals with Disabilities - Grants to States	93.617	
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
3002290116	\$ 4,319	\$	\$	\$ 4,319
	704,002	1,221,103		1,925,105
	66,489	306,480		372,969
	330,069			330,069
	9,031	602,299		611,330
	1,193,501	5,897,253		7,090,754
	264,799	25,000		289,799
		207,120		207,120
RC105035-MDHHS	116,018			116,018
	4,007,450	2,714,038		6,721,488
	93,124,780			93,124,780
	\$ 97,132,230	\$ 2,714,038	\$ 0	\$ 99,846,268
	\$ 673,282	\$	\$	\$ 673,282
	1,764			1,764
	2,204,136	447,194		2,651,330
	5,492			5,492
20163267	29,327			29,327
	\$ 2,238,955	\$ 447,194	\$ 0	\$ 2,686,149
	\$	\$ 465,149	\$	\$ 465,149
	1,098,954	261,011		1,359,965
	1,257			1,257
	\$ 1,100,211	\$ 261,011	\$ 0	\$ 1,361,222
56400-200-943-17-03; 56400-200-201-16-02	\$ 168,218	\$	\$	\$ 168,218
	97,220			97,220
	1,983,204	21,231		2,004,435
	56,996	1,526,985		1,583,981
	270,154			270,154
	712,319	39,948		752,267
86-10312	34,395			34,395
	251,373			251,373
	711,117	71,227		782,344
	628,413	917,803		1,546,216
	2,725,718	6,160,884		8,886,602
	3,890	208,792		212,682
	1,248,289			1,248,289
	84,430			84,430
	1,076,363			1,076,363
83-12302; 83-12303	46	78,098		78,144
	589,031	3,088,206		3,677,237
	11,993,053	62,627		12,055,680
	36,880,780	118,488,415		155,369,195
	10,758			10,758
	14,817,024	11,665,390		26,482,414
	85,906,599	51,225,016		137,131,615
	151,461	25,563,013		25,714,474
	(4,865)	886,433		881,568
	99,277	1,510,756		1,610,033
	721,666	41,645		763,311
	281,274	663,090		944,364
	304,768			304,768
	67,098	1,489,237		1,556,335
	162,213			162,213
	12,431	40,391		52,822
SC-14-020	48,417			48,417
	60,018	50,295		110,313
	4,900,734	2,253,480		7,154,214

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2016
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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634	
Children's Justice Grants to States	93.643	
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644	
Stephanie Tubbs Jones Child Welfare Services Program (Note 12)	93.645	
Adoption Opportunities	93.652	
Foster Care - Title IV-E	93.658	
Adoption Assistance	93.659	
Social Services Block Grant (Note 12)	93.667	
Child Abuse and Neglect State Grants	93.669	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	
Chafee Foster Care Independence Program	93.674	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	93.733	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by Prevention and Public Health Funds (PPHF)	93.734	
State Public Health Approaches for Ensuring Qutline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	93.735	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	
Children's Health Insurance Program	93.767	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	
Money Follows the Person Rebalancing Demonstration	93.791	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	
Organized Approaches to Increase Colorectal Cancer Screening	93.800	
Increasing the Implementation of Evidence-Based Cancer Survivorship Interventions to Increase Quality and Duration of Life Among Cancer Patients	93.808	
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	93.815	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	
Child Health and Human Development Extramural Research	93.865	University of Utah
National Bioterrorism Hospital Preparedness Program	93.889	
Grants to States for Operation of State Offices of Rural Health	93.913	
HIV Care Formula Grants	93.917	
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	
HIV Prevention Activities - Health Department Based	93.940	
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	
Assistance Programs for Chronic Disease Prevention and Control	93.945	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	
Block Grants for Community Mental Health Services	93.958	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	
Mental Health Disaster Assistance and Emergency Mental Health	93.982	
Maternal and Child Health Services Block Grant to the States	93.994	
Professional Services Agreement	93.**	Northeastern University
Uptake and Effectiveness of Inside Knowledge Materials by the National Comprehensive Cancer Control Program	93.14TWSK0069**	ICF Macro, Inc.
Michigan Art Linkage Project Contract	93.200-2015-87584**	

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
	\$	\$	\$	\$
	534,537	1,526,520		2,061,057
	1,222,448	980,902		2,203,350
	278,435			278,435
	435,215			435,215
		13,072		13,072
	8,794,317			8,794,317
	279,391	(17,273)		262,118
	116,891,213			116,891,213
	112,256,145			112,256,145
	125,074,077	2,159,226		127,233,303
	406,366	827,982		1,234,348
	578,462	2,108,647		2,687,109
	2,492,980	677,315		3,170,295
	1,863,777	145,000		2,008,777
		7,919		7,919
	77,738	553,734		631,472
	2,807,821	2,116,905		4,924,726
	370,345			370,345
	1,351,056	3,155,060		4,506,116
	1,715,718	4,355,628		6,071,346
	240,094,015	940,159		241,034,174
		(799)		(799)
	12,854,567	95,165		12,949,732
	7,016,565			7,016,565
	580,107	1,020,148		1,600,255
	194,034	125,963		319,997
	602,767	8,952		611,719
	268,083			268,083
	72,696	(480,006)		(407,310)
		261,304		261,304
10036366-MDCH	27,470			27,470
	2,637,876	4,655,988		7,293,864
	39,777	85,728		125,505
	14,160,623	5,079,013		19,239,636
	955,830	763,793		1,719,623
	1,614,737	4,721,693		6,336,430
	2,019,642	43,250		2,062,892
	1,004,063	691,691		1,695,754
	106,414			106,414
	529,469	11,580,288		12,109,757
	1,748,509	50,292,663		52,041,172
	613,946	2,338,570		2,952,516
		85,000		85,000
	9,790,743	8,915,114		18,705,857
820083-16	5,000			5,000
14TWSK0069		(14)		(14)
	6,654			6,654

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity
Behavioral Health Services Information System State Agreement with Single State Agencies	93.283-07-4803**	Synectics for Management Decisions, Inc.
Behavioral Health Services Information System State Agreement with State Mental Health Authorities	93.283-07-4803**	
Vital Statistics - CDC NCHS Contract	93.HHSD200201250823**	Synectics for Management Decisions, Inc.
Genotyping TB Contract	93.HHSD200201357461**	
National Death Index Contract	93.HHSD2002015M62296**	National Association of State Mental Health Program Directors
FDA Tobacco Retail Inspection Contract	93.HHSF223201400074C**	
NASMHPD Transformation Transfer Initiative (TTI)	93.SC-1026-MI-01**	National Association of State Mental Health Program Directors
Technical Assistance Coalition (TAC) - Transformation Transfer Initiative (TTI)	93.SC-1060-MI-01**	
Social Security Administration - Death Records Contract	93.SS00-12-60052**	National Association of State Mental Health Program Directors
Social Security Administration - Birth Record Contract	93.SS00-14-61066**	
Total U.S. Department of Health and Human Services		
<u>U.S. Corporation for National and Community Service</u>		
State Commissions	94.003	
AmeriCorps	94.006	
Volunteers in Service to America	94.013	
Volunteer Generation Fund	94.021	
Total U.S. Corporation for National and Community Service		
<u>Executive Office of the President</u>		
High Intensity Drug Trafficking Areas Program	95.001	
Total Executive Office of the President		
<u>Social Security Administration</u>		
Disability Insurance/SSI Cluster:		
Social Security - Disability Insurance	96.001	
Total Disability Insurance/SSI Cluster		
Total Social Security Administration		
<u>U.S. Department of Homeland Security</u>		
Non-Profit Security Program	97.008	
Boating Safety Financial Assistance	97.012	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	
Flood Mitigation Assistance	97.029	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	
National Dam Safety Program	97.041	
Emergency Management Performance Grants	97.042	
Assistance to Firefighters Grant	97.044	
Cooperating Technical Partners	97.045	
Pre-Disaster Mitigation	97.047	
Homeland Security Grant Program	97.067	
Homeland Security Biowatch Program	97.091	
Rural Emergency Medical Communications Demonstration Project	97.120	
Laboratory Support of the BioWatch Program	97.HSHQDC-15-P-00120**	
Laboratory Support of the BioWatch Program	97.HSHQDC-16-P-00150**	
Total U.S. Department of Homeland Security		
Total Financial Assistance		
Total Non-Cash Assistance		
TOTAL EXPENDITURES OF FEDERAL AWARDS		

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** CFDA number not available. Number derived from federal agency number or contract number, if available.

The accompanying notes are an integral part of this schedule.

Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
283-07-4803	\$ 274,793	\$	\$	\$ 274,793
283-07-4803		107,100		107,100
	804,724			804,724
	779,116			779,116
	103,544			103,544
	792,735	(7,192)		785,543
SC-1026-MI-01	(1,693)	1,193		(500)
SC-1060-MI-01	(914)	49,152		48,238
	183,643			183,643
	400,654			400,654
	\$ 14,325,187,735	\$ 547,459,020	\$ 0	\$ 14,872,646,755
	\$ 247,694	\$ 175,320	\$	\$ 423,014
	56,737	6,269,423		6,326,160
		13,269		13,269
	(1,510)	132,872		131,362
	\$ 302,921	\$ 6,590,884	\$ 0	\$ 6,893,805
	\$ 396,599	\$	\$	\$ 396,599
	\$ 396,599	\$ 0	\$ 0	\$ 396,599
	\$ 89,873,728	\$	\$	\$ 89,873,728
	\$ 89,873,728	\$ 0	\$ 0	\$ 89,873,728
	\$ 89,873,728	\$ 0	\$ 0	\$ 89,873,728
	\$	\$ 77,274	\$	\$ 77,274
	5,277,332	995,976		6,273,308
	169,757			169,757
	1,714	(38,630)		(36,916)
	243,901	69,843		313,744
	92,911			92,911
	6,884,822	2,239,623		9,124,445
	71,924			71,924
	2,010,694			2,010,694
	8,342	(259,492)		(251,150)
	2,220,698	6,900,896		9,121,594
	1,767,460			1,767,460
		(70)		(70)
	20,000			20,000
	589			589
	\$ 18,770,144	\$ 9,985,420	\$ 0	\$ 28,755,564
	\$ 19,498,929,523	\$ 3,146,553,409	\$ 4,488,735	\$ 22,649,971,667
	\$ 2,838,139,353	\$ 75,205,970	\$ 0	\$ 2,913,345,323
	\$ 22,337,068,876	\$ 3,221,759,379	\$ 4,488,735	\$ 25,563,316,990

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Reporting Entity

For federal reporting purposes, the State of Michigan's reporting entity includes the primary government and its component units with the exception of those noted in the following paragraph. The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. They include Western Michigan University, Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State. For purposes of presenting the schedule of expenditures of federal awards (SEFA), the State's ten public universities have been excluded from the reporting entity for fiscal year 2016. The universities obtained separate audits in accordance with Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 Fiscal Year-Ends

The State of Michigan and discretely presented component units included within the fiscal year 2016 reporting entity are reported using fiscal years that end on September 30, except for the Michigan State Housing Development Authority (MSHDA), which utilizes a June 30 year-end.

The following programs include MSHDA expenditures, which are reported as of June 30, 2016. In addition, some of the programs noted below also include the Michigan Department of Health and Human Services, Michigan Department of Natural Resources, Michigan Department of Transportation (MDOT), Michigan Land Bank Fast Track Authority, and Michigan Strategic Fund (Other State Agencies) expenditures, which are reported as of September 30, 2016.

<i>CFDA</i>	Program	MSHDA Expenditures as of June 30, 2016	Other State Agencies' Expenditures as of September 30, 2016	Total (as Reported on the SEFA)
14.182	Section 8 Contract Administration	\$ 226,144,584	\$ 0	\$ 226,144,584
14.182	Section 8 New Construction/ Substantial Rehabilitation	\$ 105,001,024	\$ 0	\$ 105,001,024
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 5,882,636	\$ 24,706,974	\$ 30,589,610

<i>CFDA</i>	Program	MSHDA Expenditures as of June 30, 2016	Other State Agencies' Expenditures as of September 30, 2016	Total (as Reported on the SEFA)
14.231	Emergency Solutions Grant Program	\$ 4,825,160	\$ 0	\$ 4,825,160
14.239	Home Investment Partnerships Program	\$ 25,123,445	\$ 0	\$ 25,123,445
14.239	Home Investment Partnerships Program - Technical Assistance	\$ 95,616	\$ 0	\$ 95,616
14.256	ARRA- Neighborhood Stabilization Program (Recovery Act Funded)	\$ 12,580,897	\$ 0	\$ 12,580,897
14.267	Continuum of Care Program	\$ 799,588	\$ 7,802,773	\$ 8,602,361
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	\$ 1,300,194	\$ 0	\$ 1,300,194
14.871	Section 8 Housing Choice Vouchers	\$ 189,834,208	\$ 0	\$ 189,834,208
14.879	Mainstream Vouchers	\$ 268,637	\$ 0	\$ 268,637
14.896	Family Self-Sufficiency Program	\$ 966,000	\$ 0	\$ 966,000
15.904	Historic Preservation Fund Grants-In-Aid	\$ 950,049	\$ 0	\$ 950,049
20.205	Highway Planning and Construction	\$ 31,422	\$ 1,062,271,699	\$ 1,062,303,121
21.**	National Foreclosure Mitigation Counseling	\$ 101,970	\$ 0	\$ 101,970

Note 3 Basis of Presentation

The SEFA presents the federal grant activity of the State of Michigan in accordance with the requirements of the Uniform Guidance.

Note 4 Summary of Significant Accounting Policies

The expenditures for each of the federal financial assistance programs are presented in the SEFA on the accounting basis as presented on the fund financial statements. For entities with governmental funds, expenditures are presented on the modified accrual basis of accounting. For entities with proprietary or fiduciary funds, expenditures are presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Differences will exist between federal expenditures shown on the SEFA and related federal expenditures on federal financial reports because of additional accrual amounts recorded after the preparation of federal financial reports for the fiscal year. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The State of Michigan has not elected to use the 10% de minimis indirect cost rate.

- Note 5 Pass-Through Expenditures Between State Agencies
Federal funds received by one State grantee agency and redistributed to another State grantee agency (i.e., pass-through of funds by the primary recipient State grantee agency to a subrecipient State grantee agency) are reported in the SEFA as federal expenditures of the subrecipient State grantee agency. This is to avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the State.
- Note 6 Non-Cash Assistance
The State of Michigan is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-cash programs." The distributions under these programs are included in the SEFA.
- Note 7 Airport Improvement Program
Federal expenditures of \$26,940,229 for the Airport Improvement Program (CFDA 20.106) channeled to primary airports for fiscal year 2016 are not included in the SEFA. The Federal Aviation Administration (FAA) determined that MDOT has no oversight responsibility for grants to primary airports. Also, compliance with federal regulations is the responsibility of the primary airport and not MDOT. Therefore, MDOT is channeling the FAA funds to the primary airports in accordance with Public Act 327 of 1945.
- Note 8 Donation of Surplus Property
The amount distributed to subrecipients for the Donation of Federal Surplus Personal Property (CFDA 39.003) is 23.3% of the acquisition value of donated property sold during the fiscal year. The value does not include service charges that are the basis for the sale of inventory items. The valuation method follows General Services Administration guidelines. The service charges on property donated (sold) in fiscal year 2016 were \$114,605.
- Note 9 Federal Family Education Loans (FFEL) Program - Loans Outstanding
The Michigan Finance Authority, a discretely presented component unit of the State of Michigan, administers the Federal Family Education Loans Program (CFDA 84.032). As of September 30, 2016, the outstanding original principal balance of loans guaranteed under the Federal Family Education Loans Program - Guaranty Agency (CFDA 84.032G) by the Michigan Finance Authority was \$1,734,461,232. In addition, as of September 30, 2016, \$623,210,556 in loans were outstanding under the Federal Family Education Loans Program - Lender (CFDA 84.032L).
- The Health Care and Education Reconciliation Act of 2010, Public Law No. 111 152, eliminated the authorization to originate the FFEL Program loans after June 30, 2010 and, as a result, the Michigan Finance Authority did not issue or guarantee any new FFEL Program loans in fiscal year 2016.

Note 10 Federal Family Education Loans (FFEL) Program - Guaranty Agency

The Michigan Finance Authority receives federal loan reinsurance revenue from the U.S. Department of Education (USDOE) according to the following schedule for all eligible default claims purchased by the Authority:

Annual Default Rate	Federal Reinsurance
0% to less than 5%	100%
5% to less than 9%	95% of claims up to 5%, 85% of claims equal to or greater than 5% but less than 9%
9% or greater	95% of claims up to 5%, 85% of claims equal to or greater than 5% but less than 9%, and 75% of claims equal to or greater than 9%

The FFEL Program - Guaranty Agency activity for fiscal year 2016 was:

Federal Program Title	CFDA Number	Federal Expenditures
Federal Family Education Loans - Guaranty Agency	84.032G	
Beginning of fiscal year balance - Loans from prior years		\$2,002,305,500
Loan loss reinsured by USDOE		125,805,007
Account maintenance fees		1,258,175
Loan recoveries - Net of amounts returned to USDOE		3,305,994
Loans repurchased and rehabilitated		14,586,849
Total Federal Family Education Loans - Guaranty Agency		<u>\$2,147,261,525</u>

Note 11 Federal Family Education Loans (FFEL) Program - Lender

The FFEL Program provides the Michigan Finance Authority with interest on subsidized student loans during the period a student is attending school or during certain other allowable grace and deferment periods. In addition, the FFEL Program provides funding (special allowance) that is primarily an incentive payment to ensure that money market conditions or interest rates will not impede the origination of student loans. For loans first disbursed on or after October 1, 2007, the College Cost Reduction and Access Act reduced the special allowance factors and the Deficit Reduction Act of 2005 required that, if the resulting special allowance calculation was negative, the negative special allowance must be paid to USDOE.

The FFEL Program - Lender activity for fiscal year 2016 was:

Federal Program Title	CFDA Number	Federal Expenditures
Federal Family Education Loans - Lender	84.032L	
Beginning of fiscal year balance - Loans from prior years		\$ 742,354,320
Interest subsidy payments		2,653,897
Special allowance payments		(10,678,681)
Total Federal Family Education Loans - Lender		<u>\$ 734,329,536</u>

Note 12 Michigan Department of Health and Human Services (MDHHS) Federal Claims

- a. Federal claims exceeded their grant award authorizations by more than \$500,000 in the following program areas and were not reimbursed for the amounts in excess of the grant award. The expenditures not reimbursed could be reimbursed if program disallowances occur. The SEFA reports the net federal claim amounts (total federal claims less the amounts in excess of the grant awards).

Low-Income Home Energy Assistance (CFDA 93.568)	\$14,022,113
Stephanie Tubbs Jones Child Welfare Services Program (CFDA 93.645)	\$29,197,265
Social Services Block Grant (CFDA 93.667)	\$32,555,725

- b. MDHHS moved \$77,535,000 of the TANF Cluster (CFDA 93.558) grant award to the Social Services Block Grant (CFDA 93.667) as allowed by the Welfare Reform Plan.

Note 13 National Guard In-Kind Assistance

As part of the National Guard Bureau Cooperative Agreement, the U.S. Department of Defense provided in-kind assistance in the form of direct federal payment for services and supplies for National Guard Military Operations and Maintenance (O&M) Projects (CFDA 12.401). The in-kind assistance dollar amounts reported in the SEFA were determined and obtained from the United States Property and Fiscal Office for Michigan.

Note 14 Medicare and Medicaid Revenue

The Grand Rapids Home for Veterans and the D.J. Jacobetti Home for Veterans received federal Medicare revenue totaling \$1,082,997 and Medicaid revenue totaling \$47,059 in fiscal year 2016. Medicare and Medicaid revenues are not considered federal assistance but rather a purchase of services provided by the Homes and, therefore, are not included in the SEFA.

Note 15 Research and Development Expenditures

Section 200.87 of the Uniform Guidance states that research and development (R&D) means all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. The expenditures presented in the SEFA include R&D expenditures. The R&D portion of the expenditures for each program is listed below:

Federal Program Title	CFDA Number	Federal Expenditures
Sport Fish Restoration	15.605	\$ 56,036
Wildlife Restoration and Basic Hunter Education	15.611	2,871,208
State Wildlife Grants	15.634	468,630
Highway Research and Development Program	20.200	5,448,293
Total R&D Expenditures		<u>\$ 8,844,167</u>

INDEPENDENT AUDITOR'S REPORT



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Rick Snyder, Governor
Members of the Legislature

Report on Compliance for Each Major Federal Program

We have audited the State of Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the State of Michigan's major federal programs for the fiscal year ended September 30, 2016. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The State's basic financial statements include the operations of Western Michigan University, Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University, which expended \$1.3 billion in federal awards that are not included in the schedule of expenditures of federal awards for the fiscal year ended September 30, 2016. Our audit, described below, did not include the operations of these universities because they obtained separate audits in accordance with the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We did not audit the major federal programs or percentages of federal programs listed below. These programs were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to compliance requirements for these programs, is based on the reports of the other auditors except for the CCDF Cluster.

CFDA Number(s)	Program or Cluster	Percent Audited by Other Auditors	Total Expenditures
14.871 and 14.879	Housing Voucher Cluster	100%	\$ 190,102,845
14.256	Neighborhood Stabilization Program (Recovery Act Funded), including ARRA	100%	\$ 12,580,897
17.225	Unemployment Insurance, including ARRA	100%	\$ 1,038,454,176
93.575 and 93.596	CCDF Cluster	8%	\$ 138,883,213

We did not audit the State of Michigan's compliance with the following compliance requirements applicable to the Federal Family Education Loans - Guaranty Agency, CFDA 84.032G and Federal Family Education Loans - Lender, CFDA 84.032L: Special Tests and Provisions (Individual Record Review; Interest Benefits; Special Allowance Payments; Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence by Lenders

in the Collection of Delinquent Loans; Timely Claim Filings by Lenders or Servicers; Curing Due-Diligence and Timely Filing Violations; Federal Share of Borrower Payments; and Assignment of Defaulted Loans to ED). Also, we excluded Reporting for the Federal Family Education Loans - Lender, CFDA 84.032L. Third-party servicers Great Lakes Educational Loan Services, Inc.; Nelnet, Inc.; Navient Solutions, Inc.; and Student Assistance Corporation performed these compliance requirements for the State of Michigan and have obtained examinations performed under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* (January 2011) and *Audits of Guaranty Agency Servicers Participating in the Federal Family Education Loan Program* (March 2000), issued by the U.S. Department of Education. Great Lakes Educational Loan Services, Inc.; Nelnet, Inc.; Navient Solutions, Inc.; and Student Assistance Corporation lender examinations covered the periods January 1, 2015 through December 31, 2015 and January 1, 2016 through December 31, 2016. Our report does not include the results of the other accountants' examinations of the third-party servicers' compliance with such requirements.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit and the reports of other auditors of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinion on the TANF Cluster and the Medicaid Cluster

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.558	TANF Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Income Eligibility and Verification System	2016-003 2016-010 2016-011 2016-012 2016-026 2016-027 2016-028

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2016-003 2016-010 2016-011 2016-012 2016-034 2016-035 2016-036 2016-037 2016-038 2016-040 2016-041 2016-042 2016-043 2016-044 2016-045 2016-046 2016-047

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

Adverse Opinion on the TANF Cluster and the Medicaid Cluster

In our opinion, because of the significance of the matters identified in the Basis for Adverse Opinion section, the State of Michigan did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster and the Medicaid Cluster for the fiscal year ended September 30, 2016.

Basis for Qualified Opinion on the SNAP Cluster and the CCDF Cluster

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Agriculture	10.551 and 10.561	SNAP Cluster	Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - ADP System for SNAP	2016-003 2016-010 2016-011 2016-012
U.S. Department of Health and Human Services	93.575 and 93.596	CCDF Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring	2016-011 2016-012 2016-031 2016-058

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

Qualified Opinion on the SNAP Cluster and the CCDF Cluster

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance identified in the Basis for Qualified Opinion section, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster and the CCDF Cluster for the fiscal year ended September 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs in Findings 2016-009, 2016-010, 2016-011, 2016-012, 2016-020, 2016-021, 2016-025, 2016-049, 2016-051, 2016-052, 2016-053, and 2016-055. Our opinion on each major federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and

corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2016-001, 2016-002, 2016-003, 2016-010, 2016-012, 2016-013, 2016-025, 2016-026, 2016-027, 2016-028, 2016-031, 2016-034, and 2016-035 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-011, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-019, 2016-020, 2016-021, 2016-022, 2016-023, 2016-024, 2016-029, 2016-030, 2016-032, 2016-033, 2016-036, 2016-037, 2016-038, 2016-039, 2016-040, 2016-041, 2016-042, 2016-043, 2016-044, 2016-045, 2016-046, 2016-047, 2016-048, 2016-049, 2016-050, 2016-051, 2016-052, 2016-053, 2016-054, 2016-055, and 2016-056 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated January 31, 2017, which contained unmodified opinions on those financial statements and includes references to other auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler
Auditor General
June 19, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified*

Internal control* over financial reporting:

Material weaknesses* identified? No

Significant deficiencies* identified? Yes

Noncompliance or other matters material to the financial statements? No

Federal Awards

Internal control over major programs:

Material weaknesses* identified? Yes

Significant deficiencies* identified? Yes

Any audit findings disclosed that are required to be reported in accordance with federal regulation 2 *CFR* 200.516(a)? Yes

Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Known Questioned Costs*, and Audit Finding Numbers:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
10.551 and 10.561	SNAP Cluster	Qualified*	\$20,206	<u>2016-001</u> <u>2016-002</u> <u>2016-003</u> <u>2016-004</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	Unmodified	\$0	<u>2016-008</u>
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified	\$2,600,821	<u>2016-018</u> <u>2016-019</u> <u>2016-020</u> <u>2016-021</u> <u>2016-022</u> <u>2016-023</u> <u>2016-024</u>
17.207, 17.801, and 17.804	Employment Service Cluster	Unmodified	\$0	Not Applicable
20.933	National Infrastructure Investments	Unmodified	\$0	<u>2016-025</u>
66.458	Clean Water State Revolving Fund Cluster	Unmodified	\$0	Not Applicable
84.032G/L	Federal Family Education Loans - Guaranty Agency and Lender	Unmodified	\$0	Not Applicable
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>

* See glossary at end of report for definition.

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
84.367	Supporting Effective Instruction State Grant (formerly Improving Teaching Quality State Grants)	Unmodified	\$0	<u>2016-008</u>
93.044, 93.045, and 93.053	Aging Cluster	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
93.558	TANF Cluster	Adverse*	(\$12,085)	<u>2016-001</u> <u>2016-002</u> <u>2016-003</u> <u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-026</u> <u>2016-027</u> <u>2016-028</u> <u>2016-029</u> <u>2016-030</u>
93.575 and 93.596	CCDF Cluster	Qualified	\$1,063	<u>2016-001</u> <u>2016-002</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-031</u> <u>2016-032</u> <u>2016-033</u> <u>2016-058</u>
93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA (Continued on next page)	Adverse	\$3,853,963	<u>2016-001</u> <u>2016-002</u> <u>2016-003</u> <u>2016-004</u> <u>2016-006</u> <u>2016-007</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-015</u> <u>2016-016</u> <u>2016-017</u> <u>2016-034</u> <u>2016-035</u> <u>2016-036</u> <u>2016-037</u> <u>2016-038</u> <u>2016-039</u>

* See glossary at end of report for definition.

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.775, 93.777, and 93.778	Medicaid Cluster, including ARRA (Continued)			<u>2016-040</u> <u>2016-041</u> <u>2016-042</u> <u>2016-043</u> <u>2016-044</u> <u>2016-045</u> <u>2016-046</u> <u>2016-047</u> <u>2016-048</u>
93.563	Child Support Enforcement	Unmodified	Undeterminable	<u>2016-004</u> <u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-016</u> <u>2016-017</u>
93.568	Low-Income Home Energy Assistance	Unmodified	\$13,319	<u>2016-001</u> <u>2016-002</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-049</u> <u>2016-050</u>
93.658	Foster Care - Title IV-E	Unmodified	\$235,527	<u>2016-004</u> <u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-014</u> <u>2016-051</u> <u>2016-052</u>
93.659	Adoption Assistance	Unmodified	\$9,313	<u>2016-004</u> <u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-053</u> <u>2016-054</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
93.667	Social Services Block Grant	Unmodified	\$386,098	<u>2016-005</u> <u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-014</u>
93.767	Children's Health Insurance Program	Unmodified	\$1,063	<u>2016-001</u> <u>2016-002</u> <u>2016-006</u> <u>2016-007</u> <u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-015</u> <u>2016-016</u> <u>2016-017</u> <u>2016-055</u>
93.958	Block Grants for Community Mental Health Services	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u> <u>2016-056</u>
96.001	Disability Insurance/SSI Cluster	Unmodified	Undeterminable	<u>2016-009</u> <u>2016-010</u> <u>2016-011</u> <u>2016-012</u> <u>2016-013</u>

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Known Questioned Costs	Audit Finding Number(s)
14.871 and 14.879	Housing Voucher Cluster	Unmodified	\$0	Not Applicable
14.256	Neighborhood Stabilization Program (Recovery Act Funded), including ARRA	Unmodified	\$0	Not Applicable
17.225	Unemployment Insurance, including ARRA	Unmodified	\$0	<u>2016-057</u>

Dollar threshold used to distinguish between type A and type B programs: \$38,344,975

Auditee qualified as a low-risk auditee*? No

* See glossary at end of report for definition.

Required Reporting Thresholds

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*), requires the auditor to test key controls at a level that would provide sufficient evidence that the established control structure would provide a high probability that material federal program noncompliance would be prevented or detected and corrected. This requires that the auditor set the tolerable exception rate of occurrence at a very low level. During the audit fieldwork, the auditor, in close consultation with the auditee, identifies the key controls that the auditee has established to ensure federal program compliance. In those cases in which the auditor's tests of key controls identify exception rates in excess of the tolerable exception rate of occurrence, the auditor must generally report the observed exception rate in the report finding.

Further, the Uniform Guidance requires the auditor to report in Section III of the audit report known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program and known questioned costs that are less than \$25,000 for a type of compliance requirement for a major program if it is likely that total questioned costs would exceed \$25,000.

As a result of these low required reporting thresholds, the reader may note that, in some cases, the observed exception rates of occurrence and reported known questioned costs appear insignificant in relation to the overall federal expenditures of the auditee. After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a management decision within six months of the receipt of the audit report. The management decision may include a request for the return of the known questioned costs.

Management's Corrective Action Plan

Management's planned corrective action for the findings in Section II and Section III is located in the auditee section beginning on page 198.

Section II: Findings Related to the Financial Statements and Schedule of Expenditures of Federal Awards

The findings related to the financial statements are reported in the Report on Internal Control, Compliance, and Other Matters for the *State of Michigan Comprehensive Annual Financial Report* (071-0010-17), located at:

audgen.michigan.gov/wp-content/uploads/2017/03/r071001017-0907.pdf.

We did not report any findings related to the schedule of expenditures of federal awards.

* See glossary at end of report for definition.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING 2016-001

Bridges Interface and Change Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI100S8069 10/01/2015 - 09/30/2016 16152MI122Q2518 10/01/2015 - 09/30/2016 16152MI122Q7503 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Child Support Noncooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-001
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 16 B1 MI LIEA 10/01/2015 - 09/30/2017 G 15 B1 MI LIEA 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Background

The Michigan Department of Health and Human Services (MDHHS) uses the Bridges Integrated Automated Eligibility Determination System* (Bridges) for determining eligibility and benefit amounts for food assistance, cash assistance, child care assistance, medical assistance, and emergency assistance programs. Our auditing procedures included a review of certain IT general controls* designed for Bridges that were significant to Bridges eligibility determination and benefit calculation functionality. Our auditing procedures also included follow-up and review of the control weaknesses related to interface processing controls and change controls* initially reported in our IT performance audit of Interface and Change Controls of the Bridges Integrated Automated Eligibility Determination System, Department of Human Services and Department of Technology, Management, and Budget (431-0591-12), located at audgen.michigan.gov/finalpdfs/12_13/r431059112.pdf.

Condition

MDHHS and the Department of Technology, Management, and Budget (DTMB) did not ensure that effective interface and change controls were implemented for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP). We noted:

- a. DTMB did not ensure that the file control and batch summary tables used to reconcile Bridges interfaces consistently accounted for interface header and trailer records, represented control totals of information processed, or reported if the interface processing occurred with or without exceptions.
- b. DTMB, in conjunction with MDHHS, had not established procedures to account for all interfaced records and to ensure that all records identified with errors and excluded from interface processing were investigated, corrected, and resubmitted for processing as appropriate.
- c. MDHHS had not established data sharing agreements with all State agencies that exchanged information with Bridges.
- d. DTMB, in conjunction with MDHHS, had not established adequate controls to detect whether Bridges change control processes were being followed. Detective controls, such as a scanning tool, can be used to identify any unauthorized changes to the source code after it has been rolled out.
- e. DTMB had not established effective access controls* over the Bridges version control tool, ClearCase, and the Bridges workflow tool, ClearQuest. DTMB used ClearCase and ClearQuest to control access to Bridges source code and to promote changes to the Bridges application. We noted that DTMB had not established a policy to identify user roles and specify the level of access required, did not remove access for users that no longer required access, and did not properly restrict privileged access*.

**See glossary at end of report for definition.*

- f. DTMB had not established appropriate segregation of duties* between Bridges development and scheduling functions. The batch support team has the primary responsibility for scheduling and monitoring Bridges batch processing. The Bridges batch support team uses a scheduler, OpCon, to automate Bridges scheduling and processing. However, the batch support team had incompatible access, such as administrative access to OpCon, access to Bridges source code, and elevated privileges in ClearQuest.

We have concluded that the weaknesses noted in this finding are collectively a material weakness impacting the Bridges application and data used to help determine eligibility and benefit level for these programs.

Criteria

Title 2, Part 200, section 303 of the *Code of Federal Regulations** (CFR) and federal regulation 45 CFR 75.303 require the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Federal regulations 7 CFR 272.8(a)(4), 45 CFR 205.58, and 42 CFR 435.945(i) require MDHHS to execute data sharing agreements with agencies from which MDHHS requests and obtains income and eligibility information.

According to DTMB Administrative Guide Policy 1340, security* controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure the confidentiality*, integrity*, and availability* of State of Michigan information.

Cause

For parts a. and b., MDHHS and DTMB informed us that consistent design requirements were not in place when the Bridges interfaces were designed and implemented.

For part c., MDHHS indicated that development of the new Compliance Office and subsequent change in the privacy and security roles within the agency have delayed the review of existing data sharing agreements. New data sharing processes are being developed as well as defining various roles in the process.

For part d., MDHHS and DTMB believed that their existing controls and the established governance structure were sufficient in ensuring that all Bridges change control processes were being followed.

For part e., DTMB indicated that limited resources have precluded it from implementing all policies and procedures governing access to ClearQuest and ClearCase.

For part f., DTMB indicated that there is only one role capable of checking files into ClearQuest and, because of the nature of the batch support team's work, additional segregation of duties is not feasible at this point in time.

Effect

MDHHS and DTMB's weaknesses in maintaining sufficient internal control over federal program compliance could result in noncompliance that will not be detected or corrected in a timely manner.

**See glossary at end of report for definition.*

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2016-002**Bridges Security Management and Access Controls**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI100S8069 10/01/2015 - 09/30/2016 16152MI122Q2518 10/01/2015 - 09/30/2016 16152MI122Q7503 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Child Support Noncooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-002

State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-002
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and, Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016 05-1605MIINCT 10/01/2015 - 09/30/2016 05-1605MIIMPL 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 16 B1 MI LIEA 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0

Repeat Finding	2015-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls over Bridges users. We noted:

- a. MDHHS did not maintain documentation for all 40 sampled Bridges incompatible role exception requests.
- b. MDHHS did not maintain documentation for 9 (23%) of 40 sampled security monitoring reports. Also, MDHHS did not document its review date for 11 (35%) of 31 sampled security monitoring reports and did not complete timely reviews for 5 (25%) of 20 security monitoring reports sampled.
- c. DTMB did not fully establish and implement effective security configurations* for the Bridges database. The Bridges database management systems* contained potentially vulnerable database configurations. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.
- d. MDHHS did not maintain documentation for 6 (15%) of 41 sampled Bridges application security agreements. In addition, MDHHS did not ensure that granted access agreed with access requested for 7 (20%) of 35 sampled Bridges application security agreements. Also, MDHHS did not ensure that 5 (14%) of 35 sampled Bridges application security agreements were properly approved.
- e. DTMB did not fully establish and implement effective security and access controls over the operating system* for Bridges servers. Our review disclosed potentially vulnerable operating system configurations. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

**See glossary at end of report for definition.*

Criteria

DTMB Administrative Guide Policy 1340 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel.

DTMB Technical Standard 1340.00.020.01 requires agencies to implement baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The standard also requires that separation of duties must be implemented through assigned information system access authorizations and that accounts should be reviewed for compliance with account management requirements every 120 days. In addition, the U.S. Government Accountability Office's (GAO's) Federal Information System Controls Audit Manual* (FISCAM) recommends that compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties' conflicts exist.

Cause

For part a., MDHHS informed us that internal control and monitoring activities were not sufficient to ensure that incompatible role exception requests were maintained.

For part b., MDHHS informed us that internal control and monitoring activities were not sufficient to ensure timely completion and maintenance of security monitoring reports.

For part c., DTMB informed us that database-specific configuration standards had not been fully implemented at the time of our review.

For part d., MDHHS informed us that security administrators did not always follow established processes for granting and approving Bridges access and did not properly maintain Bridges application security agreements.

For part e., DTMB informed us that some of the operating system weaknesses resulted from default manufacturer configurations and recommendations that required further evaluation. In addition, DTMB had not evaluated and established standards for all operating system configurations.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to Bridges. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the security of the Bridges application and data used to help determine eligibility and benefit levels for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, LIHEAP, and CHIP.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

**See glossary at end of report for definition.*

FINDING 2016-003**Income Eligibility and Verification System**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI100S8069 10/01/2015 - 09/30/2016 16152MI122Q2518 10/01/2015 - 09/30/2016 16152MI122Q7503 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Income Eligibility and Verification System
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/1/2015 - 09/30/2016 05-1605MI5ADM 10/1/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-003

State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget
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Background

MDHHS's automated data processing (ADP) system for the SNAP, TANF, and Medicaid Clusters is Bridges. Bridges obtains and utilizes information from the Income Eligibility and Verification System (IEVS) to verify the eligibility and benefit levels of applicants and participating households for these federal programs. To obtain IEVS information, Bridges conducts approximately 13 data exchanges through interfaces with various governmental agencies. Bridges disseminates the IEVS information obtained from the majority of these interfaces through electronic notifications in Bridges to the recipients' MDHHS county/district office caseworkers to manually consider and take action to determine the recipients' eligibility and benefit levels of the SNAP, TANF, and Medicaid Clusters. Some interfaces automatically update Bridges with the IEVS information and determine the recipients' eligibility and benefit levels.

Condition

MDHHS and DTMB did not request and obtain IEVS information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs. We noted:

- a. MDHHS and DTMB had not fully established effective processing controls over Bridges interfaces to ensure that the data exchanged between Bridges and IEVS data sources was processed accurately, completely, and timely.
- b. For 2 (20%) of 10 IEVS interfaces requiring manual caseworker consideration and action, MDHHS did not maintain sufficient documentation to support that county/district office caseworkers considered and utilized the IEVS information to determine eligibility and benefit level for each recipient in 11 (52%) of 21 cases reviewed.
- c. For 3 (30%) of 10 IEVS interfaces, MDHHS did not take timely action on IEVS information in 14 (67%) of 21 cases reviewed.
- d. MDHHS had not established a process to review and monitor the electronic notifications provided to county/district office caseworkers to ensure that they utilized the IEVS information to determine the recipients' eligibility. For 8 (100%) of the 8 IEVS interfaces with electronic notifications, county/district office caseworkers could manually mark electronic notifications as complete without utilizing the IEVS information to determine the recipients' eligibility.
- e. MDHHS did not include all recipients funded by the TANF Cluster adoption subsidies in the IEVS interfaces conducted during the audit period.

Criteria

Federal regulation 7 *CFR* 272.10 requires all state agencies to sufficiently automate their food program operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information. Also, federal regulation 7 *CFR* 272.10(b) states that, in order to meet the requirements, a food stamp system must be automated for certification and meet the requirements of IEVS. In addition, federal regulation 7 *CFR* 273.2(f)(9) permits state agencies to obtain information through IEVS from provider agencies and use it to verify the eligibility and benefit levels of applicants and participating households.

Federal regulation 7 *CFR* 273.2(f)(9) also requires the state agency to take action to terminate, deny, or reduce benefits based on information obtained through the IEVS processes. Further, federal regulations 7 *CFR* 272.8(c) and 7 *CFR* 272.8(e) require that the state agency must timely document information obtained through the IEVS both when an adverse action is and is not instituted.

Federal regulations 45 *CFR* 205.55 and 42 *CFR* 435.948 for the TANF and Medicaid Clusters, respectively, require states to request information through IEVS for wages, unemployment compensation, Social Security Administration information, and unearned income from the Internal Revenue Service at the first opportunity following receipt of an application for assistance. Also, federal regulations 45 *CFR* 205.56, 42 *CFR* 435.948, and 42 *CFR* 435.952 require states to timely use the IEVS information to determine an individual's eligibility and the amount of assistance available.

MDHHS Bridges Administrative Manual Policy 802, Wage Match and Unemployment Compensation Benefits, requires the electronic notification to be resolved by the county/district office caseworker within 45 calendar days of receiving the electronic notification. If the electronic notification is not resolved within 45 calendar days, the electronic notification should be escalated to the county/district office caseworker's supervisor.

Cause

For part a., MDHHS and DTMB informed us that there were various reasons why they had not established effective controls over Bridges interfaces (see Finding 2016-001, Bridges Interface and Change Controls).

For parts b., c., and d., MDHHS did not have information available to identify if the IEVS interface information was appropriately utilized in determining recipients' eligibility when county/district office caseworkers marked electronic notifications as complete.

For part e., MDHHS informed us that it met with DTMB to discuss system requirements, but it had not established a process to include adoption subsidy recipients in the IEVS interfaces.

Effect

MDHHS may have provided SNAP, TANF, and Medicaid Cluster benefits to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

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 in a timely manner when making eligibility and benefit level determinations for these programs.

Management Views

MDHHS and DTMB agree with part a. of the finding. MDHHS agrees with parts b., c., and d. for the TANF and SNAP programs. MDHHS partially agrees with findings b., c., and d. for the Medicaid Cluster. MDHHS agrees with part e. of the finding.

FINDING 2016-004**ADP Security Program**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI100S8069 10/01/2015 - 09/30/2016 16152MI122Q2518 10/01/2015 - 09/30/2016 16152MI122Q7503 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Special Tests and Provisions - ADP Risk Analysis and System Security Review
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-004
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563
Federal Award Identification Number (FAIN) and Year	1604MICSES 10/01/2015 - 09/30/2016 1604MICSET 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, Subrecipient Monitoring, and Special Tests and Provisions

Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015 16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB did not ensure that a comprehensive ADP security program was established for information systems used to administer their federal programs. We reviewed 11 significant systems and noted:

- a. MDHHS and DTMB did not have hardware and application disaster recovery plans (DRPs) for 6 (55%) systems. Of the 5 systems that had a DRP, all 5 were missing critical elements, such as annual testing and detailed restoration procedures.
- b. MDHHS and DTMB did not have a business continuity plan (BCP) for 10 (91%) systems. For the 1 system that had a BCP, it was missing critical elements, such as business resumption procedures.

Criteria

Federal regulations 7 *CFR* 272.10 and 45 *CFR* 95.621 make state agencies responsible for security of information systems used to administer federal programs. In part, the regulations require state agencies to establish a security plan and policies and procedures to address disaster recovery, as well as contingency plans to meet critical processing needs in the event of short- or long-term interruption of services, and plans for emergency preparedness. In addition, federal regulations 2 *CFR* 200.303 and 45 *CFR* 75.303 require the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Cause

DTMB assists all State departments with their technology needs, including developing security plans and preparing and testing DRPs. MDHHS and DTMB indicated that they have focused resources on meeting federal and State mandates while also maintaining operational needs and addressing IT security risks highlighted in prior audits. MDHHS and DTMB also indicated that limited resources have caused delays in the completion of a comprehensive ADP security program.

Effect

MDHHS cannot demonstrate that it has implemented effective controls to ensure the confidentiality, integrity, and availability of its information systems and cannot ensure that it complies with applicable direct and material federal compliance requirements, such as the Medicaid Cluster special tests and provisions - ADP risk analysis and system security review requirement. Nonexistent or incomplete BCPs and DRPs could result in delays in restoring critical systems and business processes. The federal grantor agency could issue sanctions and/or disallowances related to noncompliance.

Known Questioned Costs

None.

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

MDHHS and DTMB agree with the finding.

FINDING 2016-005

MiSACWIS Security Management and Access Controls

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: <i>CFDA</i> 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2015-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$127,233,303
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls over Michigan Statewide Automated Child Welfare Information System (MiSACWIS). We noted:

- a. MDHHS did not consistently follow its established policies and procedures over the granting of access to MiSACWIS. Our review disclosed:
 - (1) MDHHS did not maintain documentation for 4 (10%) of 40 sampled MiSACWIS user security agreements.
 - (2) MDHHS granted access in excess of the access authorized on the security agreement in 7 (19%) of 36 sampled MiSACWIS user security agreements.
 - (3) MDHHS did not ensure that all required individuals signed the security agreements in 6 (17%) of 36 sampled MiSACWIS user security agreements.
- b. MDHHS did not properly authorize and monitor MiSACWIS users with incompatible roles. Our review noted that MiSACWIS users did not have an approved incompatible role exception request (DHS-1029) form and no compensating controls, such as monitoring, were in place.
- c. DTMB did not fully establish and implement effective security configurations for the MiSACWIS database. The MiSACWIS database management system contained potentially vulnerable database configurations. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.
- d. DTMB had not fully established and implemented effective security management and access controls over the operating system for MiSACWIS servers. Our review of one judgmentally sampled server that contained MiSACWIS data disclosed potentially vulnerable operating system configurations. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

DTMB Administrative Guide Policy 1340 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel.

DTMB Technical Standard 1340.00.020.01 requires agencies to implement baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The standard also requires that separation of duties must be implemented through assigned information system access authorizations and that accounts should be reviewed for compliance with account management requirements every 120 days. In addition, the GAO's FISCAM recommends that compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties' conflicts exist.

Cause

For parts a. and b., MDHHS informed us that local office security coordinators and security administrators did not follow established policies and procedures regarding granting MiSACWIS access.

For part c., DTMB informed us that it had not fully implemented database configuration standards.

For part d., DTMB informed us that some of the operating system weaknesses resulted from default manufacturer configurations and recommendations that required further evaluation. In addition, DTMB had not evaluated and established standards for operating system configurations.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to MiSACWIS. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the security of the MiSACWIS application and data used to help determine eligibility and benefits for the TANF Cluster, Foster Care - Title IV-E, Adoption Assistance, and Social Services Block Grant.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2016-006

CHAMPS Security and Access Controls

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP Risk Analysis and System Security Review
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-007
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017

Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-007
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

DTMB did not fully establish and implement effective security and access controls over the operating system for Community Health Automated Medicaid Processing System (CHAMPS) servers. Our review disclosed potentially vulnerable operating system configurations. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer U.S. Department of Health and Human Services (HHS) federal programs. Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

DTMB Technical Standard 1340.00.03 requires the secure establishment, maintenance, and administration of servers, including the operating system software and data residing on the servers. To achieve a secure operating system, the standard requires that controls be established to protect information and resources from unauthorized access.

Cause

MDHHS and DTMB informed us that they have focused their available CHAMPS resources on meeting federal and State mandates, maintaining operational needs, and addressing the IT security risks highlighted in prior audits. Limitations in available resources for MDHHS and DTMB have caused delays in completing the implementation of security and access controls for the CHAMPS servers.

Effect

DTMB cannot ensure that CHAMPS data and application files are protected from unauthorized modification, loss, or disclosure.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2016-007
CHAMPS Claims Edits

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP Risk Analysis and System Security Review
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-008
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-008
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

As originally reported in our performance audit of Community Health Automated Medicaid Processing System (CHAMPS) Claims Edits, Department of Community Health and Department of Technology, Management, and Budget (391-0525-14), MDHHS and DTMB had not fully established effective logical access and change management controls over CHAMPS claims edits. We conducted follow-up procedures during this audit and identified one reportable condition that continued to impact single audit conclusions related to implementing adequate internal control over the creation of CHAMPS claims edit dispositions (Finding #4, part b.).

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer HHS federal programs. Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Cause

MDHHS did not generate a report for management to compare preapproved CHAMPS claims alternate edit dispositions to what was actually implemented in CHAMPS until October 2016, after the audit period.

Effect

Control deficiencies over the creation of claims edit dispositions may allow inappropriate edit dispositions to go undetected by management and ultimately impact medical claims payments.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-008

MDE, IT General Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Nutrition Cluster: CFDA 10.553, 10.555, 10.556, and 10.559
Federal Award Identification Number (FAIN) and Year	2MI300060 10/01/2012 - 09/30/2013 2MI300060 10/01/2013 - 09/30/2014 2MI300060 10/01/2014 - 09/30/2015 2MI300060 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$466,858,123
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-009
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants): CFDA 84.367
Federal Award Identification Number (FAIN) and Year	S367A130021 07/01/2013 - 09/30/2014 S367A130021-13A 07/01/2013 - 09/30/2014 S367A140021 07/01/2014 - 09/30/2015 S367A140021-14A 07/01/2014 - 09/30/2015 S367A140021-14B 07/01/2014 - 09/30/2015 S367A150021 07/01/2015 - 09/30/2016 S367A150021-15A 07/01/2015 - 09/30/2016 S367B130019 07/01/2013 - 09/30/2014

Federal Award Identification Number (FAIN) and Year (continued)	S367B130019-13A 07/01/2013 - 09/30/2014 S367B140019 07/01/2014 - 09/30/2015 S367B140019-14A 07/01/2014 - 09/30/2015 S367B140019-14B 07/01/2014 - 09/30/2015 S367B150019 07/01/2015 - 09/30/2016 S367B150019-15A 07/01/2015 - 09/30/2016 S367B150019-15B 07/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$92,258,592
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; Subrecipient Monitoring; and Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-009
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Condition

The Michigan Department of Education (MDE) and DTMB did not fully establish effective general controls over the Michigan Electronic Grants System Plus (MEGS+), Food Nutrition System - Fiscal Reporting System (FNS-FRS), and Cash Management System (CMS). Our review of selected general controls disclosed:

- a. DTMB should improve its controls over audit logs. DTMB uses audit logs to monitor the activity of privileged database users. However, DTMB periodically grants administrative access rights to these users, which allows them to change or delete the audit logs, including record of their activity. Also, DTMB informed us that it only retains the audit logs for 45 days, rather than 90 days as required by State policy.
- b. MDE and DTMB did not fully implement an effective change management process. We sampled records for 25 MEGS+ changes, 15 FNS-FRS (Michigan Nutrition Data [MiND]) changes, and 5 CMS changes. The table below documents the control weaknesses noted for each system:

Control Weakness	Number (and Percent) of Sampled Items by System					
	MEGS+		FNS-FRS (MiND)		CMS	
MDE did not initiate and approve the change request.	6	(24%)	0	(0%)	0	(0%)
DTMB and/or MDE did not obtain approvals at one or more stages of the change process.	7	(28%)	13	(87%)	0	(0%)
DTMB and/or MDE did not document testing results at one or more stages of process.	20	(80%)	15	(100%)	2	(40%)
MDE did not approve implementing the change to the production environment.	3	(12%)	4	(27%)	0	(0%)
MDE did not document post-implementation approvals.	4	(16%)	13	(87%)	4	(80%)

- c. DTMB had not fully established and implemented effective security management and access controls over the MEGS+ and CMS databases. Our review of the databases disclosed potentially vulnerable database configurations. Because of confidentiality

concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

- d. DTMB had not fully established and implemented effective security management and access controls over the operating system for MEGS+ and CMS servers. Our review of two of randomly sampled servers that contained MEGS+ and CMS data disclosed potentially vulnerable operating system configurations and inappropriate access to the servers. Because of the confidentiality of these configurations, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

According to the GAO's FISCAM, access to the database should be controlled and monitored because direct access to it could allow an individual to bypass application controls* or gain unauthorized access to the operating system. Also, according to FISCAM, entities should control access to audit logs. In addition, DTMB Administrative Guide Policy 1340 requires that audit logs be retained for at least 90 days.

FISCAM also states that management should authorize and approve all configuration changes and that test results should be documented.

DTMB Administrative Guide Policy 1340 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel.

Cause

For part a., DTMB grants its database administrators administrative rights for a limited time frame when they work on a request for change. These elevated rights allow them to make changes to audit log files that are otherwise read only to all other access groups. DTMB was not aware of the conflict in access this process created. Also, DTMB and MDE were not aware of State policy requiring that audit logs be retained for at least 90 days before being deleted.

For part b., DTMB was not aware of all of these change control requirements. These requirements indicate which party is responsible for each step and in which order these steps are to be performed.

For part c., DTMB did not refer to its Database Security Procedure while configuring the MEGS+ and CMS databases.

For part d., DTMB informed us that some of the operating system weaknesses resulted from default configurations that required further evaluation. In addition, limitations in available resources for DTMB have caused delays in completing the implementation of operating system access and security configurations controls while also attempting to meet operational needs.

Effect

Without effective general controls, individuals may obtain unauthorized or inappropriate access or make inappropriate changes to MEGS+, FNS-FRS, and CMS. As a result, an increased risk exists that MDE and DTMB cannot ensure the security of MEGS+, FNS-FRS, and CMS and their data.

Known Questioned Costs

None.

**See glossary at end of report for definition.*

Recommendation

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

Management Views

MDE and DTMB agree with parts a., b., and d. DTMB partially agrees with part c.

FINDING 2016-009

MDHHS, PACAP - Completeness and Accuracy of the PACAP

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A150090 10/01/2014 - 09/30/2015 H126A160090 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$99,240,999
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Aging Cluster: CFDA 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	16AAMIT3SS 10/01/2015 - 09/30/2016 16AAMIT3CM 10/01/2015 - 09/30/2016 16AAMIT3HD 10/01/2015 - 09/30/2016 16AAMIT3PH 10/01/2015 - 09/30/2016 16AAMIT3FC 10/01/2015 - 09/30/2016 16AAMINSIP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,981,143

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016 05-1605MIINCT 10/01/2015 - 09/30/2016 05-1605MIIMPL 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563
Federal Award Identification Number (FAIN) and Year	1604MICSES 10/01/2015 - 09/30/2016 1604MICSET 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 16 B1 MI LIEA 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	16 01 MI FOST - \$235,249
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015 16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 10/01/2015 - 09/30/2017 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$127,233,303
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	16 01 MI TANF - \$408,172
Repeat Finding	2015-010
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958
Federal Award Identification Number (FAIN) and Year	SM010026-15 10/01/2014 - 09/30/2016 SM010026-16 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$12,109,757
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959

Federal Award Identification Number (FAIN) and Year	TI010026-15 TI010026-16	10/01/2014 - 09/30/2016 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$52,041,172	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	Social Security Administration	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001	
Federal Award Identification Number (FAIN) and Year	1204MIDI00 1304MIDI00 1404MIDI00 1504MIDI00 1604MIDI00	10/01/2011 - 09/30/2016 10/01/2012 - 09/30/2017 10/01/2013 - 09/30/2018 10/01/2014 - 09/30/2019 10/01/2015 - 09/30/2020
Total Expenditures of Federal Awards	\$89,873,728	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-010	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure that it had a complete and accurate narrative in its amended Public Assistance Cost Allocation Plan (PACAP). In a sample of 17 cost pools, we noted:

- a. For 1 (6%) of the 17 cost pools, MDHHS did not include the cost allocation method for the expenditures associated with a cost pool in its amended PACAP.
- b. For 2 (12%) of the 17 cost pools, MDHHS did not accurately indicate the appropriate cost pool coding used in the amended PACAP.

Criteria

Federal regulation 45 *CFR* 95.507 requires MDHHS's PACAP to describe the procedures used to identify, measure, and allocate all costs to each of its programs and to contain sufficient information in such detail to permit the director of HHS's Division of Cost Allocation (DCA) to make an informed judgment on the correctness and fairness of MDHHS's procedures for identifying, measuring, and allocating all costs to each of MDHHS's programs. Appendix VI of federal regulation 2 *CFR* 200 requires MDHHS to promptly submit PACAP amendments to DCA. Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 45 *CFR* 1356.60(c) requires the State's PACAP to identify which administrative expenditures for Foster Care - Title IV-E assistance will be allocated and claimed. In addition, federal regulation 2 *CFR* 200.306 requires that costs used for matching be allowable costs to the federal award.

Cause

For part a., MDHHS believed that language included in the narrative introduction under the "Other Governmental Agency Costs" section of the PACAP was sufficient, together with an interagency agreement with the Michigan Department of Attorney General, to meet the PACAP requirements as described in the federal regulations.

For part b., MDHHS made a series of adjustments to cost pool codes as a result of organizational changes within the department. MDHHS informed us that the PACAP narrative did not reflect the new codes. For both of the two cost pools that were not reflected in the PACAP, the cost pool coding used to process cost allocation had allocation methodologies associated with them that were identical to the cost pool coding indicated in the PACAP narrative, even though the codes themselves were not the same.

Effect

By not including 1 cost pool, MDHHS likely made claims for federal financial participation that were not in accordance with an approved or amended PACAP. In addition, by indicating inaccurate cost pool coding, MDHHS may have used the wrong allocation base to allocate the cost pool expenditures. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$235,249 - Foster Care - Title IV-E federal share.
- \$408,172 - Social Services Block Grant (SSBG) federal share.
- \$235,249 - State share of costs that MDHHS inappropriately used as matching expenditures for Foster Care - Title IV-E funds.

Recommendation

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

Management Views

MDHHS partially agrees with the finding.

FINDING 2016-010

MDHHS, PACAP - Inappropriate PACAP Allocation

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance

Known Questioned Costs by FAIN	Total Questioned Costs: \$20,206 16162MI100S2514 - \$16,212 16162MI100S2520 - \$ 8 16162MI122Q3903 - \$ 3,475 16162MI122Q7503 - \$ 511
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A150090 10/01/2014 - 09/30/2015 H126A160090 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$99,240,999
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: (\$12,699) 15 02 MI TANF - \$ 5,209 16 01 MI TANF - (\$17,908)
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-011

State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services
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Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016 05-1605MIINCT 10/01/2015 - 09/30/2016 05-1605MIIMPL 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5ADM - \$7,782
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 16 B1 MI LIEA 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$11,613 G 15 B1 MI LIEA - \$6,207 G 16 B1 MI LIEA - \$5,406
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015 16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 10/01/2015 - 09/30/2017 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$127,233,303
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	16 01 MI TANF - (\$22,074)
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	Social Security Administration
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001
Federal Award Identification Number (FAIN) and Year	1204MIDI00 10/01/2011 - 09/30/2016 1304MIDI00 10/01/2012 - 09/30/2017 1404MIDI00 10/01/2013 - 09/30/2018 1504MIDI00 10/01/2014 - 09/30/2019 1604MIDI00 10/01/2015 - 09/30/2020
Total Expenditures of Federal Awards	\$89,873,728
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-011
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it used the appropriate PACAP data and account codes to allocate expenditures to its federal programs. For 17 cost pools sampled, we noted:

- a. 16 (94%) cost pools for which MDHHS used incorrect data to calculate the PACAP percentages.
- b. 11 (65%) cost pools for which MDHHS did not ensure that the cost allocation system used the correct account codes.

Criteria

Federal regulation 45 *CFR* 95.507 and Appendix VI of federal regulation 2 *CFR* 200 state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 2 *CFR* 200.306 requires that costs used for matching be allowable costs to the federal award.

Cause

MDHHS informed us that it did a high-level review of cost allocation results; however, it did not have a detailed monitoring process in place to review the accuracy of the PACAP quarterly cost allocation documentation.

Effect

MDHHS incorrectly allocated expenditures to various federal programs.

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

For the programs with noncompliance noted above, federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000. Below summarizes the total known questioned costs for all programs:

- \$77,911 - federal share.
- (\$73,083) - federal share negative questioned costs.
- \$17,165 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS partially agrees with the finding.

FINDING 2016-011**MDHHS, PACAP – Inappropriate Expenditures Charged to the PACAP**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A150090 10/01/2014 - 09/30/2015 H126A160090 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$99,240,999
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Aging Cluster: CFDA 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	16AAMIT3SS 10/01/2015 - 09/30/2016 16AAMIT3CM 10/01/2015 - 09/30/2016 16AAMIT3HD 10/01/2015 - 09/30/2016 16AAMIT3PH 10/01/2015 - 09/30/2016 16AAMIT3FC 10/01/2015 - 09/30/2016 16AAMINSIP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,981,143
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	TANF Cluster: CFDA 93.558	
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF	10/01/2014 - Until Expended
	16 01 MI TANF	10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2015-012	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596	
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF	10/01/2013 - 09/30/2014
	G 15 03 MI CCDF	10/01/2014 - 09/30/2015
	G 16 03 MI CCDF	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP	10/01/2015 - 09/30/2016
	05-1605MI5ADM	10/01/2015 - 09/30/2016
	05-1605MIINCT	10/01/2015 - 09/30/2016
	05-1605MIIMPL	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684	
Total ARRA Expenditures	\$42,799,080	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2015-012	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563	
Federal Award Identification Number (FAIN) and Year	1604MICSES	10/01/2015 - 09/30/2016
	1604MICSET	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	

Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 16 B1 MI LIEA 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-012
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015 16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-012
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 10/01/2015 - 09/30/2017 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$127,233,303
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance

Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-012
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958
Federal Award Identification Number (FAIN) and Year	SM010026-15 10/01/2014 - 09/30/2016 SM010026-16 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$12,109,757
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959
Federal Award Identification Number (FAIN) and Year	TI010026-15 10/01/2014 - 09/30/2016 TI010026-16 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$52,041,172
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	Social Security Administration
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001
Federal Award Identification Number (FAIN) and Year	1204MIDI00 10/01/2011 - 09/30/2016 1304MIDI00 10/01/2012 - 09/30/2017 1404MIDI00 10/01/2013 - 09/30/2018 1504MIDI00 10/01/2014 - 09/30/2019 1604MIDI00 10/01/2015 - 09/30/2020

Total Expenditures of Federal Awards	\$89,873,728
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that only allowable expenditures were charged to the PACAP.

MDHHS charges its expenditures to specific accounting codes. The codes identify whether the expenditures should be charged directly to a federal program or allocated to various federal programs in accordance with the PACAP. MDHHS provides quarterly expenditure files to its contractor. The contractor reviews the files and, when appropriate, reclassifies expenditures between codes. The reclassified expenditures are allocated to the various federal programs. We noted:

- a. MDHHS did not ensure that the contractor's reclassified quarterly expenditure files reconciled to the final allocated expenditure reports for the two quarters selected.
- b. MDHHS's contractor reclassified expenditures charged directly to a federal program or allocated to various federal programs. However, MDHHS did not record accounting adjustments for all the reclassified expenditures.
- c. MDHHS did not ensure that the contractor appropriately reclassified cost allocation expenditures. We reviewed a sample of 12 employees and noted that expenditures for 2 (17%) employees were reclassified to cost pools that were not defined in the PACAP.

Criteria

Federal regulation 45 *CFR* 95.507 and Appendix VI of federal regulation 2 *CFR* 200 state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 2 *CFR* 200.306 requires that costs used for matching be allowable costs to the federal award.

Cause

MDHHS informed us that the accounting codes were not always up to date as a result of organization changes within the department.

Effect

MDHHS may have incorrectly allocated expenditures to various federal programs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-012

MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	16162MI100S2514 10/01/2015 - 09/30/2016 16162MI100S2520 10/01/2015 - 09/30/2016 16162MI100S8036 10/01/2015 - 09/30/2016 16162MI122Q3903 10/01/2015 - 09/30/2016 16162MI122Q7503 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A150090 10/01/2014 - 09/30/2015 H126A160090 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$99,240,999
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Aging Cluster: CFDA 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	16AAMIT3SS 10/01/2015 - 09/30/2016 16AAMIT3CM 10/01/2015 - 09/30/2016 16AAMIT3HD 10/01/2015 - 09/30/2016 16AAMIT3PH 10/01/2015 - 09/30/2016 16AAMIT3FC 10/01/2015 - 09/30/2016 16AAMINSIP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,981,143
Total ARRA Expenditures	\$0

Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016 05-1605MIINCT 10/01/2015 - 09/30/2016 05-1605MIIMPL 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563
Federal Award Identification Number (FAIN) and Year	1604MICSES 10/01/2015 - 09/30/2016 1604MICSET 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 15 B1 MI LIEA 10/01/2014 - 09/30/2016 G 16 B1 MI LIEA 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015 16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 10/01/2015 - 09/30/2017 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$127,233,303
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958
Federal Award Identification Number (FAIN) and Year	SM010026-15 10/01/2014 - 09/30/2016 SM010026-16 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$12,109,757
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959
Federal Award Identification Number (FAIN) and Year	TI010026-15 10/01/2014 - 09/30/2016 TI010026-16 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$52,041,172
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	Social Security Administration
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001
Federal Award Identification Number (FAIN) and Year	1204MIDI00 10/01/2011 - 09/30/2016 1304MIDI00 10/01/2012 - 09/30/2017 1404MIDI00 10/01/2013 - 09/30/2018 1504MIDI00 10/01/2014 - 09/30/2019 1604MIDI00 10/01/2015 - 09/30/2020
Total Expenditures of Federal Awards	\$89,873,728
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-013
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not allocate federal expenditures in accordance with its PACAP and did not ensure that its contractor fully allocated expenditures based on the allocation methods described in the PACAP. We noted:

- a. For 5 (29%) of the 17 cost pools sampled, MDHHS did not allocate the common costs related to employees based on the allocation methods described in the PACAP for each of the quarterly allocations.
- b. For 42 (91%) of the 46 selected cost pool subaccounts, the contractor's system did not fully allocate all expenditures based on the PACAP data and allocation methods related to the cost pool subaccounts. In addition, for 2 (4%) of 46 selected cost pool subaccounts, MDHHS's contractor did not maintain adequate documentation to support the allocation methods used to allocate all expenditures related to the cost pool subaccounts.

Criteria

Federal regulation 45 *CFR* 95.507 and Appendix VI of federal regulation 2 *CFR* 200 state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 2 *CFR* 200.306 requires that costs used for matching be allowable costs to the federal award.

Cause

For part a., MDHHS informed us that it did not have all of the data necessary to follow the cost allocation methodology described in the PACAP.

For part b., MDHHS informed us that the contractor's system did not use the proper number of decimals in the calculation percentages and any remaining expenditures not fully allocated after the fourth step were not allocated based in the cost pool's previous steps.

Effect

MDHHS potentially allocated expenditures to various federal programs for activities not related to those federal programs.

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendations

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

We also recommend that MDHHS ensure that its contractor fully allocates expenditures based on the allocation methods described in the PACAP.

Management Views

MDHHS partially agrees with the finding.

FINDING 2016-013

MDHHS, PACAP - Service Organization Controls

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	16162MI100S2514	10/01/2015 - 09/30/2016
	16162MI100S2520	10/01/2015 - 09/30/2016
	16162MI100S8036	10/01/2015 - 09/30/2016
	16162MI122Q3903	10/01/2015 - 09/30/2016
	16162MI122Q7503	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$2,320,359,013	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126	
Federal Award Identification Number (FAIN) and Year	H126A150090	10/01/2014 - 09/30/2015
	H126A160090	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$99,240,999	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Aging Cluster: CFDA 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	16AAMIT3SS 10/01/2015 - 09/30/2016 16AAMIT3CM 10/01/2015 - 09/30/2016 16AAMIT3HD 10/01/2015 - 09/30/2016 16AAMIT3PH 10/01/2015 - 09/30/2016 16AAMIT3FC 10/01/2015 - 09/30/2016 16AAMINSIP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$39,981,143
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 – Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-014
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)

Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 05-1605MI5ADM 05-1605MIINCT 05-1605MIIMPL	10/01/2015 - 09/30/2016 10/01/2015 - 09/30/2016 10/01/2015 - 09/30/2016 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684	
Total ARRA Expenditures	\$42,799,080	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563	
Federal Award Identification Number (FAIN) and Year	1604MICSES 1604MICSET	10/01/2015 - 09/30/2016 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568	
Federal Award Identification Number (FAIN) and Year	G 15 B1 MI LIEA G 16 B1 MI LIEA	10/01/2014 - 09/30/2016 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$137,131,615	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658	
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 16 01 MI FOST	10/01/2014 - 09/30/2015 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	

Repeat Finding	2015-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	15 01 MI ADPT 10/01/2014 - 09/30/2015 16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 10/01/2015 - 09/30/2017 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$127,233,303
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Community Mental Health Services: CFDA 93.958
Federal Award Identification Number (FAIN) and Year	SM010026-15 10/01/2014 - 09/30/2016 SM010026-16 10/01/2015 - 09/30/2017

Total Expenditures of Federal Awards	\$12,109,757
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959	
Federal Award Identification Number (FAIN) and Year	TI010026-15	10/01/2014 - 09/30/2016
	TI010026-16	10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$52,041,172	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	Social Security Administration	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001	
Federal Award Identification Number (FAIN) and Year	1204MIDI00	10/01/2011 - 09/30/2016
	1304MIDI00	10/01/2012 - 09/30/2017
	1404MIDI00	10/01/2013 - 09/30/2018
	1504MIDI00	10/01/2014 - 09/30/2019
	1604MIDI00	10/01/2015 - 09/30/2020
Total Expenditures of Federal Awards	\$89,873,728	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-014	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS could improve its monitoring of the operating effectiveness of general controls, such as availability and processing integrity, for the vendor hosting the AlloCAP system.

MDHHS uses the AlloCAP system to process cost allocation expenditures to various federal programs. MDHHS contracts with a third party vendor for the AlloCAP system. This vendor is also responsible for system development and upgrades.

We classified this issue as either a material weakness or a significant deficiency based on the program's total PACAP expenditures relative to the total federal program expenditures.

Criteria

Federal regulations 2 *CFR* 200.303 and 45 *CFR* 75.303 require the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards. According to the GAO's FISCAM, appropriate policies and procedures should be implemented to ensure that activities performed by third parties are appropriately monitored for compliance. This assurance typically is obtained from a specialized internal control audit referred to as a Service Organization Controls (SOC) report*.

Cause

A review of the operating effectiveness of general controls for the vendor was not included in MDHHS monitoring activities.

Effect

MDHHS cannot ensure that general controls of vendor-hosted systems are sufficient to ensure the availability and integrity of AlloCAP cost allocation data.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-014

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

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658	
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST	10/01/2014 - 09/30/2015
	16 01 MI FOST	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Payment Rate Setting and Application	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-017	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

*See glossary at end of report for definition.

Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667	
Federal Award Identification Number (FAIN) and Year	16 01 MI SOSR 16 01 MI TANF	10/01/2015 - 09/30/2017 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$127,233,303	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2015-017	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS incorrectly allocated the maintenance portion of foster care payments to the SSBG Program for 1 (5%) of the 20 payments reviewed.

Criteria

Title 42, section 1397d(a)(2) of the *United States Code (USC)* indicates that SSBG funds may not be used for cash payments for cost of subsistence or for the provision of room and board, other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of social service, or temporary shelter provided as a protective service. Also, federal regulation 45 *CFR* 96.30 requires that MDHHS have fiscal controls and accounting procedures that permit the tracing of SSBG funds to document that MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations.

Federal regulation 45 *CFR* 75.403 states that costs must be necessary and reasonable for proper and efficient performance and administration of the federal award. Also, federal regulation 45 *CFR* 1356.60(a) allows states to claim federal financial participation for allowable expenditures in the approved Foster Care - Title IV-E Program State Plan, including expenditures related to foster care maintenance payments.

MDHHS's process is to allocate foster care payments between the Foster Care - Title IV-E Program and the SSBG Program.

Cause

MDHHS informed us that the allocation percentage originally entered for fiscal year 2015 carried over into fiscal year 2016 and was not updated. This caused the incorrect allocation of the maintenance portion of foster care payments.

Effect

MDHHS recorded maintenance expenditures for the Foster Care -Title IV-E Program to the SSBG Program; therefore, expenditures were overstated for the SSBG Program and understated for the Foster Care - Title IV-E Program. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-015

MDHHS, Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-018
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-018
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain all required disclosures or ensure that disclosures were updated in CHAMPS for the Prepaid Inpatient Health Plan (PIHP) entities, Medicaid Health Plan (MHP) entities, MI Choice Waiver Program (MI Choice) entities, or the Dental Health Plan entity during the audit period. In addition, MDHHS did not monitor its MI Choice entities' network of providers or its Dental Health Plan entity's network of providers to ensure that the providers entered into provider agreements and made required disclosures.

Criteria

Federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106 and 42 *CFR* 457.935 require MDHHS to obtain certain identifying information from medical providers, including PIHP entities, MHP entities, MI Choice entities, and Dental Health Plan entities. Disclosures are due when a fiscal agent or managed care entity submits a proposal, upon execution of a contract with the State, upon renewal or extension of the contract, or within 35 days after any change in ownership. These regulations also require MDHHS to obtain information such as identification

information of the owners, agents, and managing employees and information on the ownership and control interest in the provider's subcontractors. In addition, these regulations state that federal assistance is not available to providers who fail to disclose the information. According to its Medicaid State Plan, MDHHS has established procedures for the disclosure of information by providers and fiscal agents as specified in federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106.

Cause

MDHHS stated that, due to delayed disclosure responses from various entities and lack of staff needed to input the information into CHAMPS, MDHHS was unable to obtain and update all required disclosures. Additionally, no process was in place for ensuring that the Dental Health Plan entity obtained appropriate disclosures for its network of providers.

Effect

MDHHS could potentially reimburse ineligible medical providers for medical services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

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

We also recommend that MDHHS monitor its MI Choice entities' network of providers and its Dental Health Plan entity's network of providers to ensure that providers entered into provider agreements and make all required disclosures.

Management Views

MDHHS agrees with the finding.

FINDING 2016-016

DTMB, Procurement and Suspension and Debarment - Lack of Contract File Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563
Federal Award Identification Number (FAIN) and Year	1504MICSES 10/01/2014 - 09/30/2015 1604MICSES 10/01/2015 - 09/30/2016 1604MICEST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

DTMB did not complete contract checklists or maintain documentation of manager approvals during the procurement process. Our review of 15 new contracts entered into during fiscal year 2016 noted:

- a. DTMB did not complete 3 (20%) of 15 contract file review checklists during the procurement process. The contract file review checklist provides a mechanism to verify that all the supporting records for a given solicitation are accounted for in either a paper or electronic format. The value of the contracts without completed checklists totaled \$44,796,358 for services of the Medicaid Cluster, the Child Support Enforcement Program, and the Children's Health Insurance Program.
- b. DTMB did not maintain documentation of the DTMB manager's approval of the recommendation of award and evaluation synopsis for 4 (27%) of 15 new contracts. The recommendation of award and evaluation synopsis summarizes steps completed in the vendor evaluation process such as the vendors that responded to the solicitation, evaluation process and methods used in the solicitation, the mandatory minimum requirements identified in the solicitation, technical evaluation results for each vendor, and the pricing proposal summary. The value of the contracts that did not have documentation of the required approval totaled \$1,029,120,571 for services of the Medicaid Cluster, the Child Support Enforcement Program, and the Children's Health Insurance Program.

Our testing did not disclose noncompliance with procurement regulations for these contracts.

Criteria

Federal regulation 2 *CFR* 200.317 requires DTMB to use the same State policies and procedures used for procurements from non-federal funds when procuring property and services using a federal award.

DTMB procurement procedures require the completion of the contract file review checklist for all new contracts and the review and approval of the recommendation of award and evaluation synopsis for new contract solicitations over \$25,000.

Cause

DTMB informed us that not completing the checklists was an oversight. DTMB also informed us that the review and approval of the recommendation of award and evaluation synopsis are no longer documented in the contract files. The DTMB manager still reviews the evaluation synopsis; however, the approval is done verbally or through e-mail correspondence.

Effect

DTMB could not ensure that it completed all required procurement policies and procedures. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DTMB complete contract checklists and maintain documentation of manager approvals during the procurement process.

Management Views

DTMB agrees with the finding.

FINDING 2016-017

DTMB, Procurement and Suspension and Debarment - Lack of Required Contract Provisions

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Support Enforcement: CFDA 93.563

Federal Award Identification Number (FAIN) and Year	1504MICSES 10/01/2014 - 09/30/2015 1604MICSES 10/01/2015 - 09/30/2016 1604MICEST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$155,369,195
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

DTMB did not include all applicable required provisions in all 16 sampled contracts of federal awards executed during fiscal year 2016.

Criteria

Federal regulation 2 *CFR* 200.326 states that the non-federal entity's contracts must contain the applicable provisions described in Appendix II to Part 200. Appendix II to Part 200 states that in addition to other provisions required by the federal agency or non-federal entity, all contracts made by the non-federal entity must contain provisions covering the provisions in Appendix II as applicable.

Also, federal regulation 2 *CFR* 200.110 states that for the procurement standards in federal regulations 2 *CFR* 200.317 through 2 *CFR* 200.326, non-federal entities may continue to comply with the procurement standards in previous OMB guidance for two additional fiscal years after this part goes into effect. If the non-federal entity chooses to use the previous procurement standards for an additional two fiscal years before adopting the procurement standards in this part, the non-federal entity must document this decision in its internal procurement policies.

Effective May 17, 2017, OMB extended the time for non-federal entities to comply with procurement standards in previous OMB guidance for an additional year.

Cause

DTMB informed us that it used standard templates for contracts and relied on departments to notify DTMB of the provisions that would be applicable to contracts of federal awards.

Also, DTMB informed us that due to changes in personnel, DTMB was unable to provide documentation to support the decision to use the previous version of the applicable procurement contract provisions required by OMB Circular A-102 Common Rule, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* instead of Appendix II of federal regulation 2 CFR 200.

Effect

The contractors may not comply with the required federal provisions because MDHHS and DTMB did not include the provisions in these contracts. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DTMB include all applicable required provisions in contracts of federal awards.

Management Views

DTMB agrees with the finding.

FINDING 2016-018

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Lack of Proper Approvals

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-10-2-1000 06/28/2010 - 09/30/2014</p> <p>W912JB-10-2-1001 10/01/2011 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2012 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2011 - 01/06/2017</p> <p>W912JB-10-2-1002 10/01/2012 - 09/30/2014</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1004 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1007 10/01/2013 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-15-2-1001 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1002 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1004 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021A 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021B 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1023 10/01/2015 - 09/30/2015</p> <p>W912JB-15-2-1040 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p>

Federal Award Identification Number (FAIN) and Year (continued)	W912JB-16-2-1001	10/01/2015 - 12/31/2016
	W912JB-16-2-1002	10/01/2015 - 09/30/2016
	W912JB-16-2-1003	10/01/2015 - 09/30/2016
	W912JB-16-2-1004	10/01/2015 - 09/30/2016
	W912JB-16-2-1005	10/01/2015 - 09/30/2016
	W912JB-16-2-1007	10/01/2015 - 09/30/2016
	W912JB-16-2-1010	10/01/2015 - 09/30/2016
	W912JB-16-2-1011	06/01/2016 - 09/30/2016
	W912JB-16-2-1021A	10/01/2015 - 09/30/2016
	W912JB-16-2-1021B	10/01/2015 - 09/30/2016
	W912JB-16-2-1021S	10/01/2015 - 09/30/2016
	W912JB-16-2-1022A	10/01/2015 - 09/30/2016
	W912JB-16-2-1022S	10/01/2015 - 09/30/2016
	W912JB-16-2-1023A	10/01/2015 - 09/30/2016
	W912JB-16-2-1023B	10/01/2015 - 09/30/2016
	W912JB-16-2-1023S	10/01/2015 - 09/30/2016
	W912JB-16-2-1024A	10/01/2015 - 09/30/2016
	W912JB-16-2-1040	10/01/2015 - 09/30/2016
	Special Military Project Cooperative Agreements:	
	W912JB-12-2-3074	10/01/2015 - 12/31/2016
	W912JB-11-2-3076	10/01/2015 - 12/31/2016
Total Expenditures of Federal Awards	\$57,851,660	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

The Department of Military and Veterans Affairs (DMVA) did not ensure that 3 (8%) of 40 sampled expenditures were properly approved.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

DMVA's process is to obtain approval of expenditures by a supervisor or an authorized agent prior to payment to ensure that expenditures are consistent with the master cooperative agreement and related appendices.

Cause

DMVA informed us that the supervisors and authorized agents did not follow established procedures to approve expenditures.

Effect

Lack of proper approval of expenditures may result in improper payments. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DMVA ensure that expenditures are properly approved.

Management Views

DMVA agrees with the finding.

FINDING 2016-019**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Cash Management - Timeliness of Cash Draws**

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-10-2-1000 06/28/2010 - 09/30/2014</p> <p>W912JB-10-2-1001 10/01/2011 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2012 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2011 - 01/06/2017</p> <p>W912JB-10-2-1002 10/01/2012 - 09/30/2014</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1004 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1007 10/01/2013 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-15-2-1001 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1002 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1004 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021A 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021B 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1023 10/01/2015 - 09/30/2015</p> <p>W912JB-15-2-1040 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-16-2-1001 10/01/2015 - 12/31/2016</p> <p>W912JB-16-2-1002 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1003 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1005 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1007 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1010 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1011 06/01/2016 - 09/30/2016</p> <p>W912JB-16-2-1021A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023S 10/01/2015 - 09/30/2016</p>

Federal Award Identification Number (FAIN) and Year (continued)	W912JB-16-2-1024A	10/01/2015 - 09/30/2016
	W912JB-16-2-1040	10/01/2015 - 09/30/2016
	Special Military Project Cooperative Agreements:	
	W912JB-12-2-3074	10/01/2015 - 12/31/2016
	W912JB-11-2-3076	10/01/2015 - 12/31/2016
Total Expenditures of Federal Awards	\$57,851,660	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not design its cash draw process to timely prepare reimbursement requests in accordance with the funding technique as required in the Cash Management Improvement Act (CMIA) agreement.

We noted that DMVA prepared reimbursement requests from 64 to 105 days after the close of the month for 5 (13%) of 40 sampled cash draws.

Criteria

The CMIA agreement requires DMVA to use the prior month's actual funding technique for all National Guard Military O&M Projects' expenditures. This funding technique required DMVA to request reimbursement based on the amount of expenditures incurred in the prior month. DMVA is required to run a departmental report as soon as possible subsequent to the close of each month to determine the expenditures and request funds as soon as possible thereafter.

DMVA's process is to run departmental expenditure reports as soon as possible after month end for each appendix once the expenditure reports are available. For Appendices 1, 2, and 7, DMVA sends the expenditure reports to the federal Construction and Facilities Management Officer (CFMO) for review and approval of the federal coding to be applied prior to DMVA preparing the Request for Advance or Reimbursement (SF-270). For all other appendices, DMVA prepares the SF-270 using the expenditure reports and sends the SF-270 to the federal program managers for approval. Once the CFMO or program manager provides approval to DMVA, DMVA finishes preparing the SF-270 and submits the requests to the United States Property and Fiscal Office (USPFO) for reimbursement.

Cause

DMVA informed us that several factors could impact the timeliness of preparing the reimbursement requests, such as competing priorities during year-end closing of the accounting records, untimely receipt of in-kind assistance information from the federal program manager, and the execution of cooperative agreement modifications late in the fiscal year.

Effect

DMVA may not have complied with the funding technique required for National Guard Military O&M Projects' cash draws. The State may have lost interest by drawing funds late.

Known Questioned Costs

None.

Recommendation

We recommend that DMVA design its cash draw process to timely prepare reimbursement requests in accordance with the funding technique as required in the CMIA agreement.

Management Views

DMVA agrees with the finding.

FINDING 2016-020

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Ineligible Requests for Reimbursement

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	Master Cooperative Agreement and related Appendices: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2011 - 09/30/2016 W912JB-10-2-1001 10/01/2012 - 09/30/2016 W912JB-10-2-1001 10/01/2013 - 12/31/2014 W912JB-10-2-1002 10/01/2011 - 01/06/2017 W912JB-10-2-1002 10/01/2012 - 09/30/2014 W912JB-10-2-1002 10/01/2013 - 09/30/2014 W912JB-10-2-1004 10/01/2013 - 09/30/2014 W912JB-10-2-1007 10/01/2013 - 09/30/2015 Master Cooperative Agreement and related Appendices: W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-15-2-1001 10/01/2014 - 09/30/2015 W912JB-15-2-1002 10/01/2014 - 09/30/2015 W912JB-15-2-1004 10/01/2014 - 09/30/2015 W912JB-15-2-1007 10/01/2014 - 09/30/2015 W912JB-15-2-1021A 10/01/2014 - 09/30/2015 W912JB-15-2-1021B 10/01/2014 - 09/30/2015 W912JB-15-2-1023 10/01/2015 - 09/30/2015 W912JB-15-2-1040 10/01/2014 - 09/30/2015 Master Cooperative Agreement and related Appendices: W912JB-16-2-1000 10/01/2015 - 09/30/2020 W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-16-2-1001 10/01/2015 - 12/31/2016 W912JB-16-2-1002 10/01/2015 - 09/30/2016 W912JB-16-2-1003 10/01/2015 - 09/30/2016 W912JB-16-2-1004 10/01/2015 - 09/30/2016 W912JB-16-2-1005 10/01/2015 - 09/30/2016 W912JB-16-2-1007 10/01/2015 - 09/30/2016 W912JB-16-2-1010 10/01/2015 - 09/30/2016 W912JB-16-2-1011 06/01/2016 - 09/30/2016 W912JB-16-2-1021A 10/01/2015 - 09/30/2016 W912JB-16-2-1021B 10/01/2015 - 09/30/2016 W912JB-16-2-1021S 10/01/2015 - 09/30/2016 W912JB-16-2-1022A 10/01/2015 - 09/30/2016 W912JB-16-2-1022S 10/01/2015 - 09/30/2016 W912JB-16-2-1023A 10/01/2015 - 09/30/2016 W912JB-16-2-1023B 10/01/2015 - 09/30/2016

Federal Award Identification Number (FAIN) and Year (continued)	W912JB-16-2-1023S	10/01/2015 - 09/30/2016
	W912JB-16-2-1024A	10/01/2015 - 09/30/2016
	W912JB-16-2-1040	10/01/2015 - 09/30/2016
	Special Military Project Cooperative Agreements:	
	W912JB-12-2-3074	10/01/2015 - 12/31/2016
	W912JB-11-2-3076	10/01/2015 - 12/31/2016
Total Expenditures of Federal Awards	\$57,851,660	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Period of Performance	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$2,263,567	
	W912JB -16-2-1001	\$445,965
	W912JB-16-2-1002	\$367,558
	W912JB-16-2-1005	\$ 5,261
	W912JB-16-2-1007	\$171,027
	W912JB-16-2-1021A	\$587,414
	W912JB-16-2-1021B	\$239,169
	W912JB-16-2-1021S	\$ 71,127
	W912JB-16-2-1022S	\$ 30,418
	W912JB-16-2-1023B	\$212,798
	W912JB-16-2-1023S	\$ 81,239
	W912JB-11-2-3076	\$ 51,591
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not ensure that it had executed initial cooperative agreement modifications before it submitted requests for reimbursement of program expenditures totaling \$2,263,567 to the USPFO.

Criteria

National Guard Regulations (NGR) 5-1, Section 3-11(b)(1) requires that a cooperative agreement modification be executed to obligate the initial funding of a cooperative agreement at the beginning of the fiscal year whether it is fully or incrementally funded. Funds obligated against a cooperative agreement allow reimbursement to the grantee.

Cause

The cooperative agreement modifications with initial funding for fiscal year 2016 were not executed until March 2, 2016 or later. DMVA informed us that it operated in a good faith relationship with the USPFO until the cooperative agreement modifications were executed.

Effect

DMVA could be required to return the funds to the federal grantor agency. The federal grantor agency could also issue sanctions or disallowances for noncompliance.

Known Questioned Costs

- \$2,263,567 - federal share of reimbursements requested prior to execution of initial cooperative agreement modifications.

Recommendation

We recommend that DMVA implement controls to ensure that it has executed initial cooperative agreement modifications before it submits requests for reimbursement of program expenditures to the USPFO.

Management Views

DMVA agrees with the finding.

FINDING 2016-021

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Disclosure of Obligations

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	Master Cooperative Agreement and related Appendices: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2011 - 09/30/2016 W912JB-10-2-1001 10/01/2012 - 09/30/2016 W912JB-10-2-1001 10/01/2013 - 12/31/2014 W912JB-10-2-1002 10/01/2011 - 01/06/2017 W912JB-10-2-1002 10/01/2012 - 09/30/2014 W912JB-10-2-1002 10/01/2013 - 09/30/2014 W912JB-10-2-1004 10/01/2013 - 09/30/2014 W912JB-10-2-1007 10/01/2013 - 09/30/2015 Master Cooperative Agreement and related Appendices: W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-15-2-1001 10/01/2014 - 09/30/2015 W912JB-15-2-1002 10/01/2014 - 09/30/2015 W912JB-15-2-1004 10/01/2014 - 09/30/2015 W912JB-15-2-1007 10/01/2014 - 09/30/2015 W912JB-15-2-1021A 10/01/2014 - 09/30/2015 W912JB-15-2-1021B 10/01/2014 - 09/30/2015 W912JB-15-2-1023 10/01/2015 - 09/30/2015 W912JB-15-2-1040 10/01/2014 - 09/30/2015 Master Cooperative Agreement and related Appendices: W912JB-16-2-1000 10/01/2015 - 09/30/2020 W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-16-2-1001 10/01/2015 - 12/31/2016 W912JB-16-2-1002 10/01/2015 - 09/30/2016 W912JB-16-2-1003 10/01/2015 - 09/30/2016 W912JB-16-2-1004 10/01/2015 - 09/30/2016 W912JB-16-2-1005 10/01/2015 - 09/30/2016 W912JB-16-2-1007 10/01/2015 - 09/30/2016 W912JB-16-2-1010 10/01/2015 - 09/30/2016 W912JB-16-2-1011 06/01/2016 - 09/30/2016 W912JB-16-2-1021A 10/01/2015 - 09/30/2016 W912JB-16-2-1021B 10/01/2015 - 09/30/2016 W912JB-16-2-1021S 10/01/2015 - 09/30/2016 W912JB-16-2-1022A 10/01/2015 - 09/30/2016 W912JB-16-2-1022S 10/01/2015 - 09/30/2016 W912JB-16-2-1023A 10/01/2015 - 09/30/2016

Federal Award Identification Number (FAIN) and Year (continued)	W912JB-16-2-1023B	10/01/2015 - 09/30/2016
	W912JB-16-2-1023S	10/01/2015 - 09/30/2016
	W912JB-16-2-1024A	10/01/2015 - 09/30/2016
	W912JB-16-2-1040	10/01/2015 - 09/30/2016
	Special Military Project Cooperative Agreements:	
	W912JB-12-2-3074	10/01/2015 - 12/31/2016
	W912JB-11-2-3076	10/01/2015 - 12/31/2016
Total Expenditures of Federal Awards	\$57,851,660	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Period of Performance	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$337,254	
	W912JB-10-2-1001	\$149,442
	W912JB-15-2-1021A	\$ 35,764
	W912JB-15-2-1021B	\$ 7,884
	W912JB-15-2-1040	\$144,164
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA requested reimbursement for \$337,254 of program expenditures that were not disclosed as outstanding obligations on extension requests to the USPFO.

Criteria

NGR 5-1, Section 11-10 states that if any unliquidated claims and undisbursed obligations arising from DMVA's performance of the agreement appendix will remain 90 days or more after the close of the fiscal year, DMVA shall provide to USPFO a written request to keep the agreement appendix funding open. The request will include a consolidated, detailed listing of all uncleared obligations and a projected date for their liquidation and disbursement. Subsequent requests will be submitted by DMVA every 90 days or so thereafter as long as there are unliquidated claims or undisbursed obligations.

Cause

DMVA informed us that it does not have a process to identify recurring monthly expenditures, such as utilities, that do not relate to purchase orders or for invoices that have not yet been received when DMVA prepares the list of obligations for the extension requests.

DMVA also informed us that the exclusion of one purchase order from the list of outstanding obligations was an oversight. DMVA had incorrectly identified the funding year for the purchase order.

Effect

The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$337,254 - federal share of expenditures.

Recommendation

We recommend that DMVA disclose all outstanding obligations on extension requests to the USPFO.

Management Views

DMVA agrees with the finding.

FINDING 2016-022**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Procurement Procedures**

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-10-2-1000 06/28/2010 - 09/30/2014</p> <p>W912JB-10-2-1001 10/01/2011 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2012 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2011 - 01/06/2017</p> <p>W912JB-10-2-1002 10/01/2012 - 09/30/2014</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1004 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1007 10/01/2013 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-15-2-1001 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1002 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1004 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021A 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021B 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1023 10/01/2015 - 09/30/2015</p> <p>W912JB-15-2-1040 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-16-2-1001 10/01/2015 - 12/31/2016</p> <p>W912JB-16-2-1002 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1003 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1005 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1007 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1010 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1011 06/01/2016 - 09/30/2016</p> <p>W912JB-16-2-1021A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1024A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1040 10/01/2015 - 09/30/2016</p>

Federal Award Identification Number (FAIN) and Year (continued)	Special Military Project Cooperative Agreements:	
	W912JB-12-2-3074	10/01/2015 - 12/31/2016
	W912JB-11-2-3076	10/01/2015 - 12/31/2016
Total Expenditures of Federal Awards	\$57,851,660	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Procurement and Suspension and Debarment	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not ensure that all procurements followed State policies and procedures.

Our review of 41 procurements noted that DMVA did not complete a Request for Purchase and/or Service (DMVA 6-1) form for 3 (17%) of 18 procurements that required a DMVA 6-1 form.

Criteria

Federal regulation 2 *CFR* 200.317 requires DMVA to follow the same policies and procedures it uses for procurements from its non-federal funds when procuring property and services under a federal award.

DMVA's process requires the DMVA 6-1 form to be completed by the requestor and approved by the supervisor and buyer manager. The DMVA 6-1 form is used to initiate a purchase order or contract for the procurement of re-occurring products or services. The requestor is required to attach detailed descriptions and research of quotes or pricing information for the products or services needed.

Cause

DMVA informed us that not completing the DMVA 6-1 forms was an oversight.

Effect

DMVA could not ensure that it had obtained fair and reasonable pricing and that it had utilized the best source for services and products purchased. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DMVA ensure that all procurements follow State policies and procedures.

Management Views

DMVA agrees with the finding.

FINDING 2016-023**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Lack of Required Provisions**

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-10-2-1000 06/28/2010 - 09/30/2014</p> <p>W912JB-10-2-1001 10/01/2011 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2012 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2011 - 01/06/2017</p> <p>W912JB-10-2-1002 10/01/2012 - 09/30/2014</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1004 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1007 10/01/2013 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-15-2-1001 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1002 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1004 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021A 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021B 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1023 10/01/2015 - 09/30/2015</p> <p>W912JB-15-2-1040 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-16-2-1001 10/01/2015 - 12/31/2016</p> <p>W912JB-16-2-1002 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1003 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1005 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1007 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1010 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1011 06/01/2016 - 09/30/2016</p> <p>W912JB-16-2-1021A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1024A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1040 10/01/2015 - 09/30/2016</p> <p>Special Military Project Cooperative Agreements:</p> <p>W912JB-12-2-3074 10/01/2015 - 12/31/2016</p> <p>W912JB-11-2-3076 10/01/2015 - 12/31/2016</p>
Total Expenditures of Federal Awards	\$57,851,660

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Military and Veterans Affairs

Condition

DMVA did not include all applicable required provisions in 5 (100%) of 5 contracts and purchase orders executed during fiscal year 2016.

Criteria

Federal regulation 2 *CFR* 200.326 states that the non-federal entity's contracts must contain the applicable provisions described in Appendix II to Part 200. Appendix II to Part 200 states that in addition to other provisions required by the federal agency or non-federal entity, all contracts made by the non-federal entity must contain provisions covering the provisions in Appendix II, as applicable.

Also, federal regulation 2 *CFR* 200.110 states that for the procurement standards in federal regulations 2 *CFR* 200.317 through 2 *CFR* 200.326, non-federal entities may continue to comply with the procurement standards in previous OMB guidance for two additional fiscal years after this part goes into effect. If the non-federal entity chooses to use the previous procurement standards for an additional two fiscal years before adopting the procurement standards in this part, the non-federal entity must document this decision in its internal procurement policies.

Effective May 17, 2017, OMB extended the time for non-federal entities to comply with procurement standards in previous OMB guidance for an additional year.

Cause

DMVA informed us that it used DTMB's standard templates for contracts and purchase orders. DMVA also informed us that it was unaware of the additional requirements of federal regulations 2 *CFR* 200.110 and 2 *CFR* 200.326.

Effect

The contractors may not comply with the required federal provisions because DMVA did not include the provisions in these contracts. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DMVA include all applicable required provisions in contracts and purchase orders of federal awards.

Management Views

DMVA agrees with the finding.

FINDING 2016-024**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Lack of Documentation**

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-10-2-1000 06/28/2010 - 09/30/2014</p> <p>W912JB-10-2-1001 10/01/2011 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2012 - 09/30/2016</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2011 - 01/06/2017</p> <p>W912JB-10-2-1002 10/01/2012 - 09/30/2014</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1004 10/01/2013 - 09/30/2014</p> <p>W912JB-10-2-1007 10/01/2013 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-15-2-1001 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1002 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1004 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021A 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1021B 10/01/2014 - 09/30/2015</p> <p>W912JB-15-2-1023 10/01/2015 - 09/30/2015</p> <p>W912JB-15-2-1040 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-15-2-1000 11/11/2014 - 03/03/2016</p> <p>W912JB-16-2-1001 10/01/2015 - 12/31/2016</p> <p>W912JB-16-2-1002 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1003 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1005 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1007 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1010 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1011 06/01/2016 - 09/30/2016</p> <p>W912JB-16-2-1021A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023B 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1023S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1024A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1040 10/01/2015 - 09/30/2016</p> <p>Special Military Project Cooperative Agreements:</p> <p>W912JB-12-2-3074 10/01/2015 - 12/31/2016</p> <p>W912JB-11-2-3076 10/01/2015 - 12/31/2016</p>
Total Expenditures of Federal Awards	\$57,851,660
Total ARRA Expenditures	\$0

Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Military and Veterans Affairs

Condition

DMVA did not maintain documentation to support that it verified that 8 (100%) of 8 sampled contractors were not suspended or debarred.

Criteria

Section 808 of the Master Cooperative Agreement states that DMVA agrees to comply with the U.S. Department of Defense implementation of federal regulation 2 *CFR* 180 by checking the Excluded Parties List System (EPLS) to verify contractor eligibility to receive contracts and subcontracts resulting from this Agreement. DMVA shall not solicit offers from, nor award contracts to contractors listed in EPLS. This verification shall be documented in DMVA contract files and shall be subject to audit by the grantor and audit agencies.

Cause

For 5 contractors, DMVA informed us that it was an oversight that the EPLS review was not documented in the contract file. DMVA did perform a review of EPLS during our review.

For the other 3 contractors, DMVA worked with DTMB to procure services from the contractors. Neither department maintained documentation that EPLS was reviewed for these contractors.

Effect

Failure to check EPLS increases the risk that DMVA could provide grant funds to contractors that were suspended or debarred. The federal grantor agency could also issue sanctions or disallowances for noncompliance.

Known Questioned Costs

None. We reviewed the EPLS and noted that these 8 contractors were not suspended or debarred; therefore, we did not question the costs.

Recommendation

We recommend that DMVA maintain documentation to support that it verified contractors were not suspended or debarred.

Management Views

DMVA agrees with the finding.

FINDING 2016-025

National Infrastructure Investments, CFDA 20.933, Reporting - Accuracy and Completeness of Financial Reports

Federal Agency	U.S. Department of Transportation
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Infrastructure Investments: <i>CFDA</i> 20.933
Federal Award Identification Number (FAIN) and Year	FR-TII-0030-14-01-00 08/15/2014 - 12/31/2016 MI-79-0002-00 09/17/2015 - 09/30/2021
Total Expenditures of Federal Awards	\$17,565,318

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Transportation

Condition

The Michigan Department of Transportation (MDOT) did not submit accurate and complete financial reports to the Federal Railroad Administration (FRA) and the Federal Transit Administration (FTA). Our review of 2 fourth-quarter federal financial reports (FFRs) disclosed:

- a. MDOT understated federal expenditures and overstated unobligated balances by \$8,401,864 for the federal M-1 Rail / Woodward Ave. Streetcar federal award (MI-79-0002-00).
- b. MDOT understated cash disbursements and federal expenditures and overstated unobligated balances by \$376,224 for the Kalamazoo-Dearborn Infrastructure Improvement Program federal award (FR-TII-0030-14-01-00).

Criteria

Federal regulations 49 *CFR* 18.20 and 2 *CFR* 200.302(b)(2) require grantees to submit accurate and complete financial data in accordance with a grant program's reporting requirements. The National Infrastructure Investments Program requires grantees to submit quarterly FFRs. The FFR instructions include specific details for reporting information such as cash disbursements, expenditures, and unliquidated obligations.

Cause

MDOT summarized transactions in the Michigan Administrative Information Network* (MAIN) by grant number to determine the cash disbursement and federal expenditure amounts to report. However, MDOT did not have a grant number recorded in MAIN for cash and expenditure transactions included in the schedule of expenditures of federal awards totaling \$8,778,088.

Effect

MDOT may have diminished FRA's and FTA's ability to ensure appropriate oversight and monitoring of National Infrastructure Investments funds. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDOT agrees with the finding.

**See glossary at end of report for definition.*

FINDING 2016-026

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Income Eligibility and Verification System
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$169 15 02 MI TANF - \$73 16 01 MI TANF - \$96
Repeat Finding	2015-033
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility. Consolidated Inquiry (CI) and/or State Online Query (SOLQ) reviews and results were not documented in accordance with policy for 17 (74%) of 23 sampled TANF Cluster assistance case records.

Criteria

Federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF Cluster assistance and job preparation services. Federal regulations 45 *CFR* 205.51, 45 *CFR* 205.55, and 45 *CFR* 205.56 require states to have an IEVS to request, use, and verify income and benefit information when determining a client's eligibility for assistance. Also, federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance.

MDHHS's policies and procedures require caseworkers to verify client income at the time of application and redetermination through CI and SOLQ matches. Caseworkers are required to document the results of the CI and SOLQ matches in the case comments section of Bridges.

The CI match identifies income sources requested through IEVS, such as child support, unemployment compensation, new hire income, and child day care provider income. The SOLQ match identifies retirement, survivors, and disability insurance; Social Security income; and Medicare benefits requested through IEVS.

Also, federal regulation 45 *CFR* 263.2(b)(3) requires that funds counted as State maintenance of effort (MOE) expenditures, except those expended for certain pro-family activities under the third and fourth purposes of the TANF Cluster, must be expended on needy families.

In addition, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of

the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the State.

Cause

MDHHS informed us that controls were not sufficient to ensure that required verification documentation was appropriately maintained in the client's case record.

Effect

MDHHS may have made payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$169 - federal share.
- \$46 - State share of costs that MDHHS inappropriately used as State MOE.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-027

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	16 01 MI TANF - \$445
Repeat Finding	2015-034
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient case record documentation to support client eligibility for 11 (48%) of 23 sampled TANF Cluster assistance case records.

MDHHS did not maintain documentation such as support for completion of the Family Self-Sufficiency Plan (FSSP) and Family Automated Screening Tool (FAST), immunization records,

verifications to support the age and relationship of the child to the adult on the case record, and records to support that children older than 6 were attending school full time in order to demonstrate that the 11 families were in need of TANF Cluster assistance.

In addition, we noted that MDHHS counted all 11 of the case records that did not have documentation to support client eligibility toward the State's MOE requirement.

Criteria

Federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF Cluster assistance and job preparation services. Federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance. MDHHS's policies and procedures require that documentation used to verify eligibility be maintained in the case file.

Also, federal regulation 45 *CFR* 263.2(b) requires that funds counted as State MOE expenditures, except those expended for certain pro-family activities under the third and fourth purposes of the TANF Cluster, must be expended on needy families.

In addition, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the State.

Cause

MDHHS informed us that controls were not sufficient to ensure that required verification documentation was maintained in the client's case record.

Effect

MDHHS may have made payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$445 - federal share.
- \$122 – State share of costs that MDHHS inappropriately used as State MOE.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-028

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-037
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS may have inappropriately excluded the Section 31a At-Risk Pupils Program and the Great Start Readiness Program expenditures totaling \$98,071,204 from the new spending test used to meet the State's MOE requirement in fiscal year 2016.

These programs were in operation prior to fiscal year 1995 and were not part of the former Aid to Families with Dependent Children (AFDC) State Plan. In prior years, MDHHS had limited the amount of expenditures in these programs it counted toward TANF Cluster MOE until a private consulting group advised MDHHS that the programs would qualify as new programs.

We reviewed the legislative and contractual changes to these programs to determine if the changes would classify the programs as new programs exempt from the statutory limitations. For example, we noted that some of the programs were expanded to include more services, such as expanding a half-day school readiness program to be available all day and adding additional non-instructional services that could be provided to at-risk students. However, the overall mission and purpose of these programs did not change since fiscal year 1995.

Criteria

Federal regulation 45 *CFR* 263.5 states that expenditures of a state program, that was also operated in fiscal year 1995 and was not authorized under prior AFDC law, can be counted in the state's MOE requirement but are limited to the amount of current year state expenditures paid on behalf of eligible families in excess of the state expenditures in fiscal year 1995.

Also, the U.S. Department of Health and Human Services' Administration for Children and Families issued a letter, dated December 7, 2016, informing MDHHS that Michigan did not appropriately apply the new spending test for both the Section 31a At-Risk Pupils Program and the Great Start Readiness Program. The letter requires MDHHS to apply the new spending test correctly and reflect the correct application of the test in all relevant reports.

Cause

A hired private consulting group advised MDHHS that the program would qualify as new programs that would be exempt from the TANF Cluster statutory limitation because any change to a program in operation prior to fiscal year 1995 would qualify that program as a new program.

Effect

MDHHS may not have met its annual State MOE requirement in fiscal year 2016 because it may not have had other State expenditures to replace these unallowable MOE expenditures. In addition, MDHHS may not have accurately reported required State MOE information in its TANF Financial Report (ACF-196) and Annual Report on State Maintenance of Effort Programs (ACF-204). The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS appropriately limit Section 31a At-Risk Pupils Program and Great Start Readiness Program expenditures to the excess of expenditures in fiscal year 1995 for the programs to meet future State MOE requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2016-029

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Child Support Non-Cooperation
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately and timely sanction TANF Cluster families who did not cooperate with establishing paternity and child support orders.

We reviewed 60 case records of TANF Cluster families identified as not cooperating with paternity and child support order establishment procedures and noted that MDHHS did not appropriately sanction the family in 9 (15%) of the 60 case records. MDHHS uses an automated interface between the Michigan Child Support Enforcement System and Bridges to identify and sanction TANF Cluster families not cooperating with establishing paternity and child support orders. Our review noted:

- 3 (33%) of the 9 cases, the automated interface identified that TANF Cluster family was not cooperating but the benefits did not stop and the clients' case records did not contain evidence that the clients met good cause criteria for not cooperating.

- 3 (33%) of the 9 cases, the client was not required to reapply for assistance after serving a one-month sanction.
- 3 (33%) of the 9 cases, the TANF Cluster family cooperated within the negative action period; however, the family was inappropriately sanctioned and benefits were stopped.

Criteria

Federal regulation 45 *CFR* 264.30 states that MDHHS must deduct an amount equal to not less than 25% from the TANF Cluster assistance that would otherwise be provided to the family of the individual or may deny the family any TANF Cluster assistance. MDHHS's TANF State Plan states that failure to cooperate in establishing paternity and pursuing child support for dependent children will result in TANF Cluster ineligibility for a one-month minimum.

Also, MDHHS policies require a client to reapply for program eligibility if cooperation did not occur within the negative action period.

In addition, federal regulation 45 *CFR* 263.2(b) requires that funds counted as State MOE expenditures, except those expended for certain pro-family activities under the third and fourth purposes of the TANF Cluster, must be expended on needy families.

Cause

MDHHS's internal control did not prevent county/district office caseworkers from inappropriately reinstating benefits before clients serve the one-month sanction period or before the client reapplies after serving the sanction. Additionally, MDHHS's internal control did not prevent a client from being sanctioned inappropriately.

Effect

MDHHS may have inappropriately paid TANF Cluster funds to individuals who were ineligible because of failure to comply with child support requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

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

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

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-030

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	15 02 MI TANF 10/01/2014 - Until Expended 16 01 MI TANF 10/01/2015 - Until Expended
Total Expenditures of Federal Awards	\$673,799,874
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Penalty for Refusal to Work
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it appropriately and timely sanctioned TANF Cluster families who refused to engage in work and were not subject to good cause exceptions established by MDHHS.

We reviewed a sample of 60 case records of TANF Cluster families in which MDHHS identified a recipient as not cooperating in employment-related activities during fiscal year 2016. In 4 (7%) of the 60 sampled case records, MDHHS county/district office caseworkers did not apply minimum sanction periods or did not sanction the recipients on a timely basis.

Criteria

Federal regulation 45 *CFR* 261.14 requires MDHHS to reduce or terminate assistance of those recipients who refuse to engage in work and are not subject to good cause exceptions established by MDHHS. MDHHS's TANF State Plan states that if a person fails at application to participate in employment-related activities without good cause, the family is ineligible for assistance, and if a recipient fails to participate in employment-related activities without good cause, the family loses its eligibility for assistance for a minimum of three calendar months.

Cause

For 3 of the 4 cases, the penalty counter in Bridges was not accurate and, therefore, did not apply the appropriate sanction periods for the employment-related noncooperation. MDHHS explained that it is aware of this issue and has a work request to fix it.

For 1 of the 4 cases, MDHHS did not ensure that the case was closed according to MDHHS policy. The case was closed one month late.

Effect

MDHHS may have inappropriately paid TANF Cluster funds to individuals who were ineligible because of failure to comply with employment requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS appropriately and timely sanction TANF Cluster families who do not cooperate with employment requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2016-031

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	G 16 03 MI CCDF - \$1,063
Repeat Finding	2015-039
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Condition

MDE and MDHHS did not maintain sufficient documentation to support client and/or child eligibility, client need for the number of hours authorized, and/or the proper authorization of providers to render services. During our review of 62 sampled CCDF Cluster child care payments, which included payments to 53 licensed providers and 9 unlicensed providers, we noted:

- a. MDHHS did not maintain case record documentation to support client and/or child eligibility for 4 (6%) of the 62 sampled CCDF Cluster child care payments. We noted incomplete supporting documentation related to the client's categorical or income eligibility and the client's need reason for child care services.
- b. MDHHS did not maintain case record documentation to support client eligibility for the Temporary Assistance for Needy Families (TANF) - Family Independence Program (FIP). MDE's CCDF State Plan allows MDHHS county/district office caseworkers to determine financial eligibility for child care services based on the client's or child's eligibility determination for TANF - FIP. We noted that 18% of the total CCDF Cluster child care payments MDE made during fiscal year 2016 were on behalf of TANF - FIP eligible clients or children. During our review of the TANF Program, we noted that MDHHS did not maintain sufficient case record documentation to support client eligibility for 11 (48%) of 23 TANF - FIP payments sampled for fiscal year 2016. We were unable to determine the impact of known questioned costs on CCDF Cluster child care payments in regard to these TANF - FIP eligibility errors.

- c. MDHHS did not maintain documentation to support the client's need for the number of hours of child care MDHHS authorized in Bridges for 4 (6%) of 62 sampled CCDF Cluster child care payments. MDHHS authorized hours of care in Bridges that exceeded the client's documented need for hours of child care services.
- d. MDHHS did not maintain documentation to support that MDHHS appropriately authorized the provider to render services for a client's child prior to payment for 5 (8%) of 62 sampled CCDF Cluster child care payments.

Criteria

Federal regulation 45 *CFR* 98.20 provides eligibility requirements for child care services and permits MDE to establish eligibility requirements in addition to those outlined in the section as long as the additional requirements are not in violation of the regulation. Federal regulation 45 *CFR* 98.16(g)(5) requires that MDE identify additional eligibility requirements in its CCDF State Plan. MDE's CCDF State Plans for Federal Fiscal Years 2014-2015 (Sections 2.3 and 3.1) and Federal Fiscal Years 2016-2018 (Sections 3.1 and 5.1) provide specific requirements for client, child, and provider eligibility. Also, CCDF program policy requires the MDHHS county/district office caseworker to verify the children in child care, the date the child care began, where the child care is provided, and the provider's relationship to the children on the child care provider verification form in order to establish a certificate for the use of CCDF Cluster funds. CCDF program policy requires documentation of need for the hours of child care in the case record, including the calculations used to determine the hours needed and the source of the information used in the determination.

Also, CCDF program policy requires provider enrollment prior to payment. In addition, CCDF program policy deems clients to be categorically eligible if they participate in certain other programs such as TANF.

Federal regulation 45 *CFR* 98.53 allows states to claim expenditures to be matched at the federal medical assistance percentage rate for allowable activities, as described in the approved State Plan. In order to receive federal matching funds for a fiscal year, states must also expend an amount of nonfederal funds for child care activities in the state that is at least equal to the state's share of expenditures for the fiscal years 1994 or 1995 (whichever is greater) under Sections 402(g) and 402(i) of the Social Security Act as these sections were in effect before October 1, 1995, and the expenditures must be for allowable services or activities, as described in the approved State Plan.

Cause

MDHHS informed us that its internal control and monitoring activities were not sufficient to ensure that MDHHS maintained the required verification documentation in the client's case record to support eligibility, to support the client's need for the number of hours of child care that MDHHS authorized in Bridges, and/or to support that the provider was appropriately authorized to render services for a client's child.

Effect

MDE may have made payments that do not qualify for the CCDF Cluster. In addition, based on the exceptions noted, it is likely that MDE did not meet the CCDF Cluster match requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$1,063 - federal share.
- \$557 - State share of costs that MDE inappropriately used as matching expenditures for CCDF Cluster funds.

Recommendation

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

Management Views

MDE and MDHHS agree with the finding.

FINDING 2016-032

CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Licensing Inspector Training Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Health and Safety Requirements
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Department of Licensing and Regulatory Affairs

Background

In accordance with the interagency agreement between MDE and the Department of Licensing and Regulatory Affairs (LARA) for fiscal year 2016, LARA was responsible for conducting all initial and ongoing training of child care licensing inspectors.

Condition

MDE and LARA did not maintain sufficient documentation to support that the 22 child care licensing inspectors hired after March 1, 2016 attended all required health and safety and State licensure trainings.

We noted:

- LARA did not maintain attendance records to support that all 22 child care licensing inspectors sampled attended the required child care center and child care home orientations.
- LARA did not maintain attendance records to support that 7 (32%) of the 22 child care licensing inspectors attended the required new hire training.

Criteria

Federal law 42 USC 9858c(c)(2)(K) requires licensing inspectors to receive training in health and safety requirements, as well as all aspects of State licensure requirements. The approved CCDF State Plan for Federal Fiscal Years 2016-2018 certified that as of March 1, 2016, the State had policies and practices to ensure that individuals who are hired as licensing inspectors are trained in all aspects of the State's licensure requirements.

LARA required child care licensing inspectors hired after March 1, 2016 to attend a new hire training, an orientation for child care centers, and an orientation for child care homes.

Cause

LARA informed us that it did not require licensing inspectors to sign in at child care center and child care home orientations. LARA also informed us that it did not require sign-in sheets for small or individualized new hire training sessions.

Effect

MDE and LARA increased the risk that child care licensing inspectors were not properly trained to enforce child care center and child care home health and safety and State licensure requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE and LARA maintain documentation to support that child care licensing inspectors attend all required health and safety and State licensure trainings.

Management Views

MDE and LARA agree with the finding.

FINDING 2016-033

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 14 03 MI CCDF 10/01/2013 - 09/30/2014 G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$138,883,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Fraud Detection and Repayment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-042
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Background

In accordance with the interagency agreement between MDE and MDHHS for fiscal year 2016, MDHHS was responsible for working with MDE to recoup funds from any provider or client that had an outstanding financial obligation. MDE and MDHHS identified child care payments for repayment during the intentional program violation (IPV) review process. If certain criteria were met, this process may have led to the conviction of child care clients and providers on fraud charges.

Condition

MDE and MDHHS did not have a process to routinely send automated notices to providers and clients that were late in remitting payment for IPVs. In addition, MDE and MDHHS did not regularly submit delinquent provider and client claims to the Michigan Department of Treasury for additional collection efforts.

Criteria

Federal regulation 45 *CFR* 98.60 requires MDE to recover child care payments that are the result of fraud from the individual responsible for committing the fraud.

Cause

MDE and MDHHS informed us that a delinquency date for collections was not programmed into the Bridges Benefit Recovery System to allow for automated tracking of delinquent claims.

Effect

MDE and MDHHS increased the risk that fraudulent child care payments may not be recovered. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE and MDHHS agree with the finding.

FINDING 2016-034

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking

Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$3,065,423
Repeat Finding	2015-043
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Bridges and CHAMPS contained the appropriate termination date for beneficiaries receiving transitional Medicaid coverage.

Criteria

In accordance with federal regulation 42 *CFR* 435.10, MDHHS's Medicaid State Plan specifies that it provides extended medical coverage to families with dependent children terminated solely because of earnings, hours of employment, or loss of earned income disregards. MDHHS developed policies and procedures related to the "transitional Medicaid coverage" eligibility group that provides coverage for up to 12 months.

Cause

MDHHS indicated that there were several contributing factors, including staff actions and system issues.

Effect

MDHHS paid Medicaid providers \$4,673,121 during fiscal year 2016 on behalf of 15,728 beneficiaries in the transitional Medicaid eligibility group for medical services provided after the allowed 12-month transitional period had expired. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$3,065,568 - federal share of payments made to providers on behalf of beneficiaries, of which \$145 is questioned in Finding 2016-035.
- \$1,607,554 - State share of costs that MDHHS inappropriately used as matching, of which \$76 is questioned in Finding 2016-035.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-035

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)

Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP	10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684	
Total ARRA Expenditures	\$42,799,080	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	05-1605MI5MAP - \$15,739	
Repeat Finding	2015-044	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for Medicaid services for 14 (22%) of 65 Medicaid cases. Our review disclosed:

- a. MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 10 (15%) of 65 cases reviewed.
- b. MDHHS did not maintain case file documentation to support beneficiary eligibility for 1 (2%) of 65 cases reviewed.
- c. MDHHS did not determine beneficiary eligibility using modified adjusted gross income (MAGI) for 3 (5%) of 65 cases reviewed. These 3 cases received benefits under MAGI aid categories.

Criteria

Federal regulation 42 *CFR* 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries. Federal regulation 42 *CFR* 435.914 requires that case record documentation be maintained to support the eligibility decision. Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups.

Federal regulation 42 *CFR* 435.603 requires MDHHS to apply MAGI financial methodologies when determining the financial eligibility of all individuals for Medicaid, effective January 1, 2014. MDHHS received a federal waiver to delay eligibility redeterminations using MAGI until September 30, 2014.

Cause

For part a., MDHHS indicated that it did not properly consider all available beneficiary information when determining beneficiary eligibility because of system issues and staff actions.

For part b., MDHHS indicated that internal control was not always sufficient to ensure that documentation was retained.

For part c., MDHHS indicated that system issues prevented the use of MAGI methodologies in determining financial eligibility.

Effect

MDHHS cannot demonstrate compliance with established eligibility policies and procedures and, therefore, MDHHS cannot ensure that payments were made on behalf of eligible individuals. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$15,739 - federal share of payments made to providers on behalf of beneficiaries for the sampled dates of service.
- \$8,253 - State share of costs that MDHHS inappropriately used as matching.

Recommendations

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

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-036

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$28,816
Repeat Finding	2015-045
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Bridges and CHAMPS contained the appropriate termination date for beneficiaries in the "under age 21" Medicaid eligibility group.

Criteria

In accordance with federal regulation 42 *CFR* 435.10, MDHHS's State Plan specifies that it provides Medicaid coverage for financially eligible individuals who are under the age of 21. MDHHS policies and procedures related to the "under age 21" eligibility group require, when possible, MDHHS to consider eligibility for all other Medicaid categories at least 90 days before a beneficiary reaches age 21. Further, federal regulation 42 *CFR* 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries.

Cause

MDHHS indicated that there was a breakdown of internal processes that caused the delay in timely termination of some beneficiaries within the "under age 21" Medicaid eligibility group.

Effect

MDHHS paid Medicaid providers \$43,927 during fiscal year 2016 on behalf of 76 beneficiaries in the "under age 21" Medicaid eligibility group for medical services provided after the beneficiaries' 21st birthday. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$28,816 - federal share of payments made to providers on behalf of beneficiaries.
- \$15,111 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-037

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$1,505
Repeat Finding	2015-046
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Home Help Program (HHP) clients met HHP eligibility criteria prior to paying for HHP services. We noted:

- a. MDHHS overpaid for 6 (40%) of 15 sampled clients who were hospitalized. The overpayments for the 6 hospitalized clients totaled \$513.

- b. MDHHS overpaid for 4 (27%) of 15 sampled clients who were in a nursing facility. The overpayments for the 4 clients totaled \$1,781.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the Adult Services Manual (ASM) to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 135 prohibits payment for HHP services on days that a client is admitted to a hospital and for all subsequent days of hospitalization, excluding the day of discharge.

ASM 150 prohibits payment for HHP services on days that a client is admitted to a nursing facility and for all subsequent days of stay, excluding the day of discharge.

Cause

MDHHS informed us that it implemented a post-payment review process to identify providers who were reimbursed when clients were hospitalized or admitted to nursing facilities; however, the post-payment review process is complicated by the lag time (up to one year) associated with MDHHS receiving and processing hospital and nursing facility claims and delays in changes to clients' level of care.

Effect

MDHHS paid a total of \$2,294 for ineligible services from October 1, 2015 through September 30, 2016 for individuals who did not qualify for them because they were hospitalized or were in a nursing facility. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$1,505 - federal share of amounts paid for HHP services for clients from October 1, 2015 through September 30, 2016 who were either hospitalized or in a nursing facility during that same time period.
- \$789 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-038

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$828
Repeat Finding	2015-047
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it made required client benefit reductions and timely obtained client certifications of medical need. Our review disclosed:

- a. Adult services workers (ASWs) did not reduce the number of hours authorized for instrumental activities of daily living (IADLs) for 1 (8%) of 12 clients who shared a residence with another adult and who did not meet criteria exempting the clients from reduction. Failure to reduce the number of hours for IADLs resulted in additional monthly costs for the 1 client.
- b. ASWs did not obtain or timely obtain an annual certification of medical need for 7 (44%) of 16 clients. Failure to obtain or timely obtain the certifications of medical need could result in clients receiving services that they are not eligible to receive.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 120 requires ASWs to reduce the assessed hours for IADLs by 50% when there are other adults sharing a residence with the client.

ASM 115 requires most HHP clients to obtain certification from a Medicaid-enrolled medical professional of the clients' medical need for services before initially qualifying for services and annually thereafter to continue to be eligible to receive services. As of August 1, 2016, the certification is required for HHP clients only at the initial opening of a case unless special circumstances exist.

Cause

MDHHS informed us that the reason for the lapses in applying procedure and obtaining appropriate documentation is likely due to large ASW caseloads.

Effect

The deficiencies could potentially result in overpayments to providers and untimely services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$828 - federal share of amount overpaid from October 1, 2015 through September 30, 2016 for the sampled client who shared a residence with another adult.
- \$434 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-039

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 Providers

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-048
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that ASWs timely completed 3 (20%) of 15 required six-month reviews with their assigned providers. ASWs completed the untimely six-month reviews between 1 and 5 months late.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 155 requires ASWs to complete a face-to-face or telephone contact with the provider for each of their clients at the client's six-month review and annual redetermination to verify that services are being furnished.

Cause

MDHHS informed us that high ASW caseloads and system report limitations precluded some ASWs from completing all required contacts in a timely manner.

Effect

Because ASWs did not ensure that providers continued to deliver services to their clients, there is an increased risk of client and provider fraud. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that ASWs timely complete six-month reviews with their assigned providers.

Management Views

MDHHS agrees with the finding.

FINDING 2016-040

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 Logs

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2015-051
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain provider service logs for 11 (69%) of 16 monthly provider payments to ensure that providers had delivered the services paid for through a preauthorized payment process.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

For the period October 1, 2015 through July 31, 2016, MDHHS's ASM 135 required providers to prepare and submit a service log or invoice within 10 days of the last service date for each quarterly period and required that the provider and the client sign the provider service log to verify that the services approved for payment were delivered. As of August 1, 2016, MDHHS's ASM 135 requires providers to submit an electronic services verification (ESV) through CHAMPS each month. If a provider is unable to submit the electronic form, a paper services verification (PSV) form is available.

Cause

MDHHS informed us that, because of the conversion from quarterly hard-copy logs to monthly ESVs, communication was sent to providers in July 2015 informing them that they had until October 2015 to submit their logs for the previous three months before negative action would be taken. Subsequently, providers were informed that this grace period had been extended until September 2016. Although MDHHS informed providers not currently submitting logs that they had to begin submitting logs as of October 2016, MDHHS's communication did not address previously unsubmitted logs for care provided between July 2015 and September 2016.

Effect

MDHHS could not be sure that the client actually received the approved services and could not support payments made to the provider. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS obtain provider service logs to ensure that providers have delivered the paid services.

Management Views

MDHHS agrees with the finding.

FINDING 2016-041

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$17,999
Repeat Finding	2015-049
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in our performance audit of Home Health Services, Michigan Department of Health and Human Services (391-0700-15), located at <audgen.michigan.gov/wp-content/uploads/2016/07/r391070015.pdf>, MDHHS did not ensure that home health agencies (HHAs) always maintained appropriate documentation (Finding #1).

Our review of 11 HHAs' documentation of services provided to beneficiaries and our analysis of all fee-for-service home health claims paid during fiscal year 2016 disclosed that HHAs did not always maintain appropriate documentation:

- a. Beneficiaries' plans of care did not include all required elements for all 15 beneficiaries reviewed. Some of the missing elements included environment status and specific circumstances, conditions, or situations that require services to be provided in the home and not in a physician's office or outpatient clinic.
- b. Beneficiaries' plans of care did not include documentation that 1 (7%) of 15 beneficiaries had a required face-to-face encounter with his/her physician. The face-to-face encounter form was signed and dated prior to the date of the encounter. In addition, 4 (27%) of 15 face-to-face encounter forms did not include clinical findings that support the need for home health eligibility and skilled nursing or therapy services and 1 (7%) of 15 face-to-face encounter forms was not clearly titled.
- c. Beneficiaries did not have documentation of prior authorization for 75 physical and occupational therapy services provided to 7 (47%) of 15 beneficiaries.

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of home health services for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid home health fee-for-service claims. In addition, federal regulation 45 *CFR* 75.403 requires that costs conform to any limitations or exclusions and be consistent with policies and procedures that apply to the federal award.

Cause

The noted exceptions may have been a result of the following:

- a. MDHHS's home health chapter of the Medicaid Provider Manual did not provide clear guidance related to some home health services requirements, such as plans of care.

- b. MDHHS issues home health policy changes, clarifications, and reminders on an as-needed basis to providers who have subscribed to the electronic notification service (Listserv). Some HHAs providing home health services had not subscribed to the Listserv.

Effect

MDHHS did not ensure that HHAs maintained appropriate documentation to support payments made to the HHAs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$17,999 - federal share of payments made during fiscal year 2016 on behalf of sampled beneficiaries without approval and documentation to support services received.
- \$7,927 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that HHAs maintain appropriate documentation.

Management Views

MDHHS agrees with the finding.

FINDING 2016-042

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$6,747
Repeat Finding	2015-050
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS paid for pharmacy services that did not appear directly related to an emergency condition for 10 (67%) of 15 undocumented aliens reviewed.

Criteria

Federal law 8 *USC* 1611 allows all aliens who otherwise meet Medicaid eligibility requirements to receive care and services that are necessary for the treatment of an emergency medical condition.

Cause

MDHHS informed us that it had not yet implemented planned corrective action, including point-of-sale coding to deny and require prior authorization for medications in select drug classes, because of limited resources and competing priorities.

Effect

MDHHS cannot ensure that pharmacy payments made on behalf of beneficiaries eligible for emergency services only were directly related to an emergency service. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$6,747 - federal share of payments made to pharmacy providers on behalf of the beneficiaries for the sampled dates of service.
- \$3,538 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-043

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Healthy Michigan Capitation Rates

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$130,279
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that the correct capitation rates were paid to Medicaid Health Plans (MHPs) for Healthy Michigan Plan beneficiaries.

Criteria

According to its Medicaid Provider Manual, MDHHS pays MHPs a fixed capitated rate per month for the healthcare services that it provides to each enrolled Medicaid beneficiary regardless of the frequency, extent, or kind of services provided to each Medicaid beneficiary. Subpart E of federal regulation 45 *CFR* 75 requires that costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award. Also, Subpart F of federal regulation 42 *CFR* 433 requires MDHHS to refund the federal share of overpayments to the federal government within a year of discovery.

Cause

MDHHS stated that it had inadvertently loaded an improper hospital reimbursement adjustment rate, which is a component of the capitation rate, into CHAMPS.

Effect

MDHHS made improper MHP payments of \$130,279 for dates of service from January 1, 2016 through September 30, 2016. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$130,279 - federal share of improper payments made to MHPs for dates of service from January 1, 2016 through September 30, 2016.

Recommendation

We recommend that MDHHS ensure that correct capitation rates are paid to MHPs for Healthy Michigan Plan beneficiaries.

Management Views

MDHHS agrees with the finding.

FINDING 2016-044

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$441,299

Repeat Finding	2015-052
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in our performance audit of Medicaid Practitioner Fee-for-Service Reimbursement, Department of Community Health (391-0713-13), located at audgen.michigan.gov/finalpdfs/13_14/r391071313.pdf, MDHHS did not ensure proper payment of practitioner fee-for-service claims. We conducted follow-up procedures during the fiscal year 2016 single audit and identified one reportable condition that continued to impact single audit conclusions related to fee-for-service claims paid for beneficiaries simultaneously enrolled in an MHP (Finding #2).

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of practitioner services for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid practitioner fee-for-service claims. In addition, Subpart E of federal regulation 45 *CFR* 75 requires that costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award.

Cause

MDHHS stated that CHAMPS correctly made payments to Medicaid providers based on the beneficiary's eligibility at the time of payment; however, subsequent to those payments, CHAMPS eligibility was retroactively modified by Bridges (the source system for Medicaid eligibility). This resulted in monthly capitation payments to MHPs for the same months in which fee-for-service payments were made. MDHHS also indicated that it has decided to wait until CHAMPS is the system of record for managed care enrollment to remediate this issue.

Effect

Based on follow-up procedures conducted during the fiscal year 2016 single audit, we determined that MDHHS made improper fee-for-service practitioner payments of \$668,357 from October 1, 2015 through September 30, 2016. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$441,299 - federal share of improper payments made to providers from October 1, 2015 through September 30, 2016.
- \$227,058 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-045

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$66,874
Repeat Finding	2015-056
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that payments to long-term care providers were terminated for beneficiaries no longer eligible to receive services.

Criteria

Federal regulation 42 CFR 456.22 requires MDHHS to have procedures for the ongoing evaluation, on a sample basis, of the need for and the quality and timeliness of Medicaid services. As part of this process, MDHHS contracted for the performance of long-term care reviews to ensure that long-term care providers are providing services only to beneficiaries who meet MDHHS's medical and functional nursing facility level-of-care criteria.

Cause

MDHHS informed us that it did not always properly recoup funds paid to the providers because of a system error.

Effect

Based on our review of 16 beneficiaries who were no longer eligible to receive MI Choice services, MDHHS overpaid two MI Choice providers \$101,942 (\$35,068 General Fund/general purpose) during fiscal year 2016. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$66,874 - federal share of the payments made to the providers.
- \$35,068 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-046

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$40,851
Repeat Finding	2015-054
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in our performance audit of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS), Department of Community Health (391-0717-12), located at audgen.michigan.gov/finalpdfs/12_13/r391071712.pdf, MDHHS did not ensure proper payment of DMEPOS. We conducted follow-up procedures during the fiscal year 2016 single audit and identified one reportable condition that continued to impact single audit conclusions related to DMEPOS claims paid for beneficiaries in nursing facilities (Finding #3).

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of DMEPOS for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid DMEPOS claims. In addition, federal regulation 45 *CFR* 75.403 requires that costs conform to any limitations or exclusions and be consistent with policies and procedures that apply to the federal award.

Cause

MDHHS informed us that, because of delays in updating beneficiaries' level of care, MDHHS paid DMEPOS providers on behalf of beneficiaries residing in nursing facilities for DMEPOS procedure codes that were included in the nursing facility per diem rate.

Effect

Based on the follow-up procedures conducted during the fiscal year 2016 single audit, we determined that MDHHS made improper DMEPOS payments of \$62,273 for dates of service from October 1, 2015 through September 30, 2016. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$40,851 - federal share of improper payments made to providers for dates of service from October 1, 2015 through September 30, 2016.
- \$21,422 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure proper payment of DMEPOS for beneficiaries residing in nursing facilities.

Management Views

MDHHS agrees with the finding.

FINDING 2016-047

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016 05-1605MI5ADM 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5MAP - \$29,821
Repeat Finding	2015-053
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that agency providers met the requirements to receive the higher agency pay rate. Individual provider pay rates ranged from \$8.15 to \$11.00 per hour, whereas agency provider rates ranged from \$13.50 to \$15.50 per hour. Our review disclosed:

- a. MDHHS did not obtain the required supporting documentation to meet fiscal year 2016 policy requirements for 2 (20%) of 10 agencies that were on MDHHS's list of approved agencies. We estimate that MDHHS paid these agencies \$24,487 at the agency rate during fiscal year 2016, an amount that exceeded the individual pay rates by \$9,253.
- b. MDHHS did not remove nonresponding agencies from its list of provisionally approved agencies and reduce the nonresponding agencies' pay rate to the individual provider pay rate. Of the 2 agencies on the provisionally approved list, one has been listed since fiscal year 2012 and one has been listed since fiscal year 2014. We estimate that MDHHS paid these agencies \$54,630 at the agency rate during fiscal year 2016, an amount that exceeded the individual rates by \$22,357.
- c. MDHHS did not have an automated control in the Adult Services Comprehensive Assessment Program (ASCAP) to prevent ASWs from authorizing payments at the agency pay rate for agencies that were not on MDHHS's list of approved agencies. MDHHS paid 6 (40%) of 15 providers \$91,924 at the agency rate during fiscal year 2016, an amount that exceeded the individual rates by \$13,849.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM 136 requires an agency provider to either be a current Medicaid-enrolled HHA or provide MDHHS with the agency's federal employment identification number and evidence that the agency either employed or subcontracted with two individuals, excluding the owner, to receive the agency pay rate. ASM 136 also states that, after an agency is on the approved provider list, an ASW can authorize payment to the agency at the applicable agency pay rate. Prior to appearing on the approved provider list, ASWs can only authorize agencies to be paid at the applicable individual provider pay rate.

Cause

MDHHS informed us that the cited conditions were caused by system limitations and limited staff resources.

Effect

MDHHS overpaid agencies \$45,459 during fiscal year 2016. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$29,821 - federal share of the payments made to providers that exceeded the individual rates.
- \$15,638 - State share of payments made to providers that exceeded the individual rates and MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-048

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Cash Management - Overdrawn Funds

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	05-1605MI5MAP 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$12,676,233,684
Total ARRA Expenditures	\$42,799,080
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

For 1 (8%) of 12 sampled draws, MDHHS did not draw down the correct amount of federal funds and did not report the overdraw on its noncompliant draw report to the Michigan Department of Treasury.

Criteria

Federal regulation 31 *CFR* 205 requires state recipients to enter into agreements with the U.S. Department of Treasury that prescribe specific methods of drawing down federal funds for selected large programs, including the Medical Assistance Program. In the agreement, the State agreed that the amount of funds it requests should be for the exact amount of the disbursement. In addition, the agreement requires that the State be liable for interest on federal funds from the date federal funds are credited to a State account until the date those funds are paid out for program purposes.

Cause

MDHHS informed us that there was a miscalculation in one of the formulas for the sampled draw, causing disbursements to be overstated and therefore causing federal funds to be overdrawn. Although the overdraw was reported to management, because of a transition in management, the overdraw was not reported in MDHHS's noncompliant report to the Michigan Department of Treasury.

Effect

The funds were overdrawn by \$244 million for 56 days, resulting in \$95,840 in interest due to the federal government. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS draw down the correct amount of federal funds and report this and all other all noncompliant draws to the Michigan Department of Treasury.

Management Views

MDHHS agrees with the finding.

FINDING 2016-049

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 16 B1 MI LIEA 10/01/2015 - 09/30/2017 G 15 B1 MI LIEA 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0

Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$1,706 G 16 B1 MI LIEA - \$1,509 G 15 B1 MI LIEA - \$197
Repeat Finding	2015-059
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not always ensure that clients were eligible for LIHEAP-funded State Emergency Relief (SER) energy payments. We reviewed 29 sampled SER energy payments and noted:

- MDHHS did not document or consider all client assets or income in 2 (7%) of 29 SER energy payments made on behalf of clients who disclosed these on their SER application, potentially resulting in an incorrect eligibility determination.
- MDHHS did not maintain documentation of all necessary client information, including SER application, shut-off notice, and proof of required copayment for 3 (10%) of 29 SER energy payments.

Criteria

Federal law 42 *USC* 8624 requires that the State expend funds in accordance with the LIHEAP State Plan and allows MDHHS to use LIHEAP funds to intervene in energy-related crisis situations and assist eligible households to meet the costs of home energy.

MDHHS policy requires county/district office caseworkers to verify and include certain assets or income of SER group members to determine eligibility for SER energy services. MDHHS policy also requires all SER applicants to complete the applicable SER application before authorizing any SER services. Policy also states that a shut-off notice and verification that the client has paid any shortfall and/or client contribution must be obtained before authorizing a payment.

Also, federal regulation 45 *CFR* 96.30 requires that MDHHS's fiscal control and accounting procedures permit the tracing of LIHEAP funds to document that MDHHS did not use LIHEAP funds in violation of restrictions and prohibitions of LIHEAP laws and federal regulations.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure that county/district office caseworkers adhered to established policies and procedures.

Effect

MDHHS made payments to clients who were ineligible according to the LIHEAP State Plan and MDHHS policy. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$1,706 - federal share.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2016-050

Low-Income Home Energy Assistance, CFDA 93.568, Subrecipient Monitoring - Lack of Information

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 16 B1 MI LIEA 10/01/2015 - 09/30/2017 G 15 B1 MI LIEA 10/01/2014 - 09/30/2016
Total Expenditures of Federal Awards	\$137,131,615
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-061
State Agencies	Michigan Department of Health and Human Services and Department of Licensing and Regulatory Affairs

Condition

LARA did not ensure that its LIHEAP subrecipients receiving grants through the Michigan Energy Assistance Program (MEAP) were notified of the required federal award information at the time of the subaward. For all 4 subrecipient grant agreements sampled, LARA did not notify the subrecipient of the required federal award information.

Criteria

Federal regulation 2 CFR 200.331(a)(1) requires the granting agency to inform each subrecipient of the CFDA title and number, federal award name and number, federal award date, and name of federal agency.

Cause

LARA's MEAP grant agreements were not designed to ensure that they included the required federal award information.

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the LIHEAP compliance requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

LARA agrees with the finding.

FINDING 2016-051

Foster Care - Title IV-E, CFDA 93.658, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Foster Parent Household Out-of-State Background Checks

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	16 01 MI FOST - \$158
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS made 1 (3%) of 39 foster care maintenance payments to ineligible providers.

We reviewed a sample of 39 Title IV-E foster care maintenance payments made to providers. Our review disclosed that MDHHS did not maintain documentation to support the performance of out-of-State child abuse and neglect registry checks on prospective foster parents or other adults living in a prospective foster parent's home prior to issuing the foster care license.

Criteria

Federal law 42 USC 671(a)(20)(B)(i) requires that the State shall check any child abuse and neglect registry maintained by the State for information on any prospective foster parent and on any other adult living in the home of such a prospective parent and check with any other state in which any such prospective parent or other adult has resided in the preceding five years before the prospective foster parent may be finally approved for placement of a child. Also, MDHHS policy requires that a check for substantiated child abuse or neglect be conducted in every state where the applicant or any adult household member has lived in the five years preceding application.

In addition, federal regulation 45 CFR 75.306 requires that costs used for matching be allowable costs to the federal award.

Cause

MDHHS informed us that its internal control was not sufficient to ensure that the documentation to support the out-of-State child abuse and neglect registry checks was maintained.

Effect

MDHHS may have made payments to ineligible providers. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$158 - federal share.
- \$83 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS maintain documentation to support the performance of out-of-State child abuse and neglect registry checks on prospective foster parents or other adults living in a prospective foster parent's home prior to issuing the foster care license to the foster parents.

Management Views

MDHHS agrees with the finding.

FINDING 2016-052

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	15 01 MI FOST 10/01/2014 - 09/30/2015 16 01 MI FOST 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$116,891,213
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	16 01 MI FOST - \$120
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain documentation to support the foster parent's employment need reason for child care assistance for 1 of 3 sampled maintenance payments.

We randomly selected and reviewed 42 foster care maintenance payments. MDHHS made maintenance payments for child care assistance in 3 of the 42 payments. We noted that in 1 instance, MDHHS did not maintain documentation of the county/district office caseworker's verification of the foster parent's employment need reason for child care assistance as required by MDHHS policy.

Criteria

Federal regulation 45 *CFR* 1355.20(a)(1) allows foster care maintenance payments to be made for daily supervision in licensed child care only when work responsibilities preclude foster parents from being at home when the foster child is not in school. Also, MDHHS policy requires that the county/district office caseworker verify the foster parent's need reason for child care assistance and that documentation be maintained in the case record. In addition, federal

regulation 45 *CFR* 75.403 requires that costs charged to federal programs be adequately documented.

Further, federal regulation 45 *CFR* 75.306 requires that costs used for matching be allowable costs to the federal award.

Cause

MDHHS informed us that internal control and monitoring activities were not sufficient to ensure that required verification documentation was maintained in the client's case record.

Effect

MDHHS may have made payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$120 - federal share.
- \$63 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS maintain documentation to support the foster parent's employment need reason for child care assistance.

Management Views

MDHHS agrees with the finding.

FINDING 2016-053

Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Adoption Household Out-of-State Background Checks

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	16 01 MI ADPT - \$9,313
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that out-of-State child abuse and neglect registry checks on prospective adoptive parents and other adults living in the prospective adoptive parent's home were

completed prior to issuing adoption assistance to the adoptive parents for 4 (10%) of 40 sampled adoption assistance cases.

We reviewed 40 completed adoption assistance cases and the corresponding licensing record clearance requests filled out by prospective adoptive parents or other adults living in the home. Our review disclosed that MDHHS issued adoption assistance to 4 (10%) adoptive parents without ensuring that the prospective parent or other adults living in the home disclosed either how long they had lived in Michigan or if they had resided in other states in the past five years.

Criteria

Federal law 42 *USC* 671(a)(20)(B)(i) requires the State to check any child abuse and neglect registry maintained by the State for information on any prospective adoptive parent and on any other adult living in the home of such a prospective parent and check with any other state in which any such prospective parent or other adult has resided in the preceding five years before the prospective adoptive parent may be finally approved for placement of a child. Also, MDHHS policy requires that a check for substantiated child abuse or neglect be conducted in every state where the applicant or any adult household member has lived in the five years preceding application.

In addition, federal regulation 45 *CFR* 1356.60(a) allows states to claim federal financial participation for allowable expenditures in the approved Title IV-E State Plan, including expenditures related to adoption assistance payments.

Cause

MDHHS's internal control and monitoring activities were insufficient to detect that applicable portions of the licensing record clearance request were not complete.

Effect

MDHHS may have made adoption subsidy payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000. Total known questioned costs are adoption subsidy payments made during fiscal year 2016 for cases without a complete licensing record clearance request form.

- \$9,313 - federal share.
- \$4,884 - State share of costs that MDHHS inappropriately used as matching expenditures for the adoption assistance funds.

Recommendation

We recommend that MDHHS ensure that the required out-of-State child abuse and neglect registry checks on prospective adoptive parents and other adults living in a prospective adoptive parent's home are completed prior to issuing adoption assistance.

Management Views

MDHHS agrees with the finding.

FINDING 2016-054

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016
Total Expenditures of Federal Awards	\$112,256,145
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2015-063
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure the accuracy of the savings reported to HHS on the Annual Adoption Savings Calculation and Accounting Report. Our review of MDHHS's query disclosed:

- a. The incorrect age range was used for each year. For example, the query calculated savings for applicable children age 4 or 5 in fiscal year 2016; however, the query should have calculated savings for applicable children age 4 or older.
- b. The applicable child's age was not calculated based on the adoption agreement date, as required.
- c. The query did not calculate the savings for children who were determined to be applicable children due to being placed in an adoptive home with an applicable sibling.

Criteria

Federal law 42 USC 673(a)(8)(A) requires MDHHS to calculate savings realized as a result of applying revised eligibility requirements during the fiscal year.

Federal law 42 USC 673(a)(8)(D)(i) requires MDHHS to spend an amount equal to the calculated savings on any service provided to children of families under Part B or E of Title IV of the Social Security Act.

Federal law 42 USC 673(a)(8)(B)(ii) and (iii) require MDHHS to report annually to HHS the savings realized and how the savings were spent on the Annual Adoption Savings Calculation and Accounting Report.

Cause

MDHHS informed us that it has worked with the federal government to develop a query to calculate the savings; however, inaccurate query criteria was not always detected.

Effect

MDHHS may have improperly calculated savings and inaccurately reported the information to HHS. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure the accuracy of the savings reported to HHS.

Management Views

MDHHS agrees with the finding.

FINDING 2016-055

Children's Health Insurance Program, CFDA 93.767, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Reclassification Errors

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	05-1505MI1081 10/01/2014 - 09/30/2016 05-1505MI5021 10/01/2014 - 09/30/2016 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$241,034,174
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	05-1605MI5021 - \$1,063
Repeat Finding	2015-064
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS inappropriately reclassified 4 (19%) of 21 payments from the Medicaid Cluster to CHIP. These payments should not have been reclassified to CHIP because the family income did not fall within the federal poverty limits for CHIP.

Criteria

According to the CHIP State Plan, MDHHS can request federal reimbursement of 98.92% for children between the ages of 1 and 5 whose family income is between 144% and 160% of federal poverty limits or children between the ages of 6 and 18 whose family income is between 110% and 160% of federal poverty limits.

Cause

During fiscal year 2016, payments made on behalf of beneficiaries meeting CHIP eligibility requirements were claimed at the Medicaid federal reimbursement rate of 65.60% because of an eligibility classification error. To reclassify these payments as CHIP expenditures, MDHHS developed a query to identify all beneficiaries meeting CHIP eligibility requirements and then queried paid claim data to identify an amount of expenditures that MDHHS could claim at the higher CHIP federal reimbursement rate. MDHHS informed us that it did not properly identify some beneficiaries meeting CHIP eligibility requirements because there was a flaw in the logic used to identify some of the CHIP population.

Effect

MDHHS inappropriately received federal reimbursement at the CHIP rate of 98.92% instead of the Medicaid rate of 65.60%, resulting in \$1,063 additional federal funding. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs that are less than \$25,000 if it is likely that total questioned costs would exceed \$25,000.

- \$1,063 - additional amount of federal reimbursement received for the reclassified payments.

Recommendation

We recommend that MDHHS request federal reimbursement at the CHIP rate for only payments made on behalf of children whose family income falls within the federal poverty limits for CHIP.

Management Views

MDHHS agrees with the finding.

FINDING 2016-056

Block Grants for Prevention and Treatment of Substance Abuse, *CFDA* 93.959, Subrecipient Monitoring - Risk Assessments

Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	Not Applicable		
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959		
Federal Award Identification Number (FAIN) and Year	TI010026-15	10/01/14 - 09/30/16	
	TI010026-16	10/01/15 - 09/30/17	
Total Expenditures of Federal Awards	\$52,041,172		
Total ARRA Expenditures	\$0		
Compliance Requirement(s)	Subrecipient Monitoring		
Type of Finding	Significant Deficiency		
Known Questioned Costs by FAIN	\$0		
Repeat Finding	Not Applicable		
State Agency	Michigan Department of Health and Human Services		

Condition

MDHHS did not evaluate its subrecipients' risk of noncompliance with Block Grants for Prevention and Treatment of Substance Abuse program requirements to determine MDHHS's appropriate monitoring for each subrecipient.

Criteria

Federal regulation 45 *CFR* 75.352(b) requires MDHHS to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Cause

MDHHS informed us that it did not complete risk assessments during fiscal year 2016 because MDHHS policy during the fiscal year was to rely on the Block Grants for Prevention and

Treatment of Substance Abuse program subrecipient's single audit if the program was tested as a major program. Departmentwide guidance was not implemented until fiscal year 2017.

Effect

Insufficient monitoring of high-risk subrecipients could increase subrecipients', and potentially MDHHS's, noncompliance with federal statutes, regulations, or the terms and conditions of federal awards. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS evaluate its subrecipients' risk of noncompliance with Block Grants for Prevention and Treatment of Substance Abuse program requirements to determine MDHHS's appropriate monitoring for each subrecipient.

Management Views

MDHHS disagrees with the finding.

Findings Identified by Other Auditors

FINDING 2016-057

Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2016, Finding 2016-01.

FINDING 2016-058

CCDF Cluster, CFDA 93.575 and 93.596

See Early Childhood Investment Corporation, Supplementary Information to Financial Statements (Federal Awards), September 30, 2016, Finding 2016-001.

AUDITEE SECTION



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

ALTON L. PSCHOLKA
DIRECTOR

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2016

PRIOR AUDIT FINDINGS RELATED TO FINANCIAL STATEMENTS

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2015
Finding Title: Improvements needed to processes for establishing tax receivables and payables.

Finding: The Department of Treasury (Treasury) and the Office of Financial Management (OFM), within the State Budget Office, should enhance internal control to prevent, or detect and correct, misstatements and ensure the reasonableness and accuracy of the tax accruals.

Current Status: The Department of Treasury and OFM partially corrected the deficiencies noted in the finding. Parts b. through f. have been corrected.

Reason(s) For Recurrence: The report logic for accumulating tax information was not accurate.

Corrective Action: For part a., see corrective action for Findings Related to the Financial Statements, Finding 2.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2010
Finding Title: Monitoring of receivables and payables needs improvement.

Finding: OFM, in conjunction with State departments, should continue to improve internal control to ensure the validity and reasonableness of estimated receivable and payable amounts reported within the State of Michigan Comprehensive Annual Financial Report (SOMCAFR).

Current Status: OFM, in conjunction with State departments, partially corrected the deficiencies noted in the finding. The Michigan Department of

Health and Human Services (MDHHS) corrected part b. of the finding.

Reason(s) For Recurrence: For part a., Treasury had not developed a process to compare and evaluate significant accounting estimates with subsequent activity.

Corrective Action: For part a., see corrective action for Findings Related to the Financial Statements, Finding 2.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: Finding 3
Initial Year Written: Fiscal Year 2015
Finding Title: Improvements needed to the accuracy of the AIDS Drug Assistance Program receivable.

Finding: MDHHS, in conjunction with OFM, should strengthen internal control to improve the accuracy of the AIDS Drug Assistance Program receivable.

Current Status: MDHHS, in conjunction with OFM, corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: Finding 4
Initial Year Written: Fiscal Year 2012
Finding Title: Improvements needed to MDOT's project and financial accounting practices.

Finding: The Michigan Department of Transportation (MDOT), in conjunction with OFM, should improve internal control to ensure that activity reported within the *SOMCAFR* is properly accounted for in accordance with generally accepted accounting principles.

Current Status: MDOT, in conjunction with OFM, partially corrected the deficiencies noted in the finding. MDOT corrected part a. of the finding.

Reason(s) For Recurrence: For part b., the service dates are not readily available to central office contractor payment staff and efficient access would require system changes. MDOT believes that the cost of the needed system changes would significantly outweigh the benefits derived from any resulting improvements in precision.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 4.

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 3131210
Initial Year Written: Fiscal Year 2008
Finding Title: Early Intervention Services (IDEA) Cluster, CFDA 84.181 and 84.393 (ARRA)

Finding: The Michigan Department of Education's (MDE's) internal control over the Early Intervention Services (IDEA) Cluster did not ensure its compliance with federal laws and regulations regarding matching, level of effort (LOE), and earmarking.

Current Status: MDE partially corrected the deficiencies noted in the finding.

Reason(s) For Recurrence: Michigan Electronic Grants Plus (MEGS+) data regarding budgeting for Part C of IDEA appears to be consistent and complete; however, Financial Information Database (FID) expenditure data reported by intermediate school districts (ISDs) for Part C of IDEA continues to lack completeness.

Corrective Action: The MDE Office of Great Start – Early Childhood Education and Family Services has implemented a process for monitoring LOE for Part C of IDEA. The LOE requirement applies to the aggregated Statewide total of budgeted non-federal funds compared to the aggregated Statewide total of actual expenditures for Part C early intervention services. Budget and expenditure information is collected from local service areas to enable MDE to determine the aggregated totals for budgeted funds and actual expenditures. Actual expenditure data is collected through the FID in November of each year. Budget information is collected through MEGS+ in July of each year, and is compared to actual expenditure data from the most recent FID collection.

When the comparison was completed in August 2016, MDE determined that the expenditure data from the November 2015 FID was not complete enough to provide meaningful information. Efforts were made to collect more complete information in the November 2016 FID, including:

- additional training and technical assistance to ISDs;
- work with local software vendors to correct collection issues;
- work with the Center for Educational Performance and Information to correct collection issues; and
- collection of missing information through alternate reports.

MDE anticipates that it will be able to complete a meaningful comparison in August 2017, at which point MDE will consider this process to be fully implemented.

Audit Period: October 1, 2009 through September 30, 2011
Finding Number: 7511206
Initial Year Written: Fiscal Year 2004
Finding Title: Outdoor Recreation - Acquisition, Development and Planning, CFDA 15.916

Finding: The Department of Natural Resources' (DNR's) internal control over the Outdoor Recreation - Acquisition, Development and Planning Program did not ensure compliance with federal laws and regulations regarding reporting.

Current Status: DNR corrected the deficiencies noted in the finding in September 2016.

Audit Period: October 1, 2012 through September 30, 2013
Finding Number: 2013-004
Initial Year Written: Fiscal Year 2013
Finding Title: Adoption Subsidy, Adult Services Comprehensive Assessment Program (ASCAP), and Services Worker Support System (SWSS) Security Management and Access Controls

Finding: The Department of Human Services (DHS) and the Department of Technology, Management, and Budget (DTMB) had not established effective security management and access controls over the Adoption Subsidy, ASCAP, and SWSS systems.

Current Status: The deficiencies noted for Adoption Subsidy and SWSS are no longer applicable. The Adoption Subsidy and SWSS systems were frozen as of April 24, 2014 and were replaced by the Michigan Statewide Automated Child Welfare Information System (MiSACWIS). MDHHS and DTMB partially corrected the deficiencies noted for ASCAP.

Reason(s) For Recurrence: Limited staff resources have delayed implementation of all corrective actions.

Corrective Action: MDHHS local offices monitor their staff and the department's Office of Aging and Adult Services monitors central office users to ensure that ASCAP access is appropriate. The ASCAP system is being rewritten and integrated into MiLogin with role based access. Full implementation of this new application is expected in October 2017. Controls are being put in place as part of the Oracle Database Security Program to address the access and database configuration issues. Auditing has been enabled in the databases and as part of the project, DTMB will be sending the logs to Enterprise QRadar for monitoring. DTMB has established standards for all operating system configurations and is implementing three projects to help meet these standards.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-005
Initial Year Written: Fiscal Year 2013
Finding Title: High-Risk Security and Access Controls
Finding: MDHHS and DTMB had not established effective security management and access controls for significant systems used to administer federal programs.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. The departments corrected part b. of the finding as of September 2015 and did not correct part c. of the finding. For parts a. and d., see the current status for Finding 2015-005.

Reason(s) For Recurrence: For part c., MDHHS did not implement its planned corrective action because of upcoming system changes.

Corrective Action: For part c., MDHHS had been working with its security office to develop the appropriate access documentation utilizing the database security application; however, implementation had been delayed due to the implementation of Michigan Identity, Credential and Access Management to replace Single Sign On. During a subsequent meeting, the department decided that it was not necessary to move to the database security application because of the upcoming migration of the Children's Special Health Care Services (CSHCS) system to the Electronic Medicaid Eligibility Determination Systems (eMEDS) and Community Health Automated Medicaid Processing System (CHAMPS). CSHCS migration was delayed due to other CHAMPS priorities. MDHHS expects to have other options researched by September 30, 2017.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-039
Initial Year Written: Fiscal Year 2014
Finding Title: Twenty-First Century Community Learning Centers, CFDA 84.287, Eligibility - Data Sheets

Finding: MDE did not ensure that 2 (8%) of 26 sampled projects included data sheets documenting MDE's review of subrecipient eligibility.

Current Status: MDE did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDE did not conduct a grant application and award process for this program during fiscal years 2015 or 2016 that required MDE to complete data sheets to document its review of subrecipient eligibility.

Corrective Action: MDE initiated corrective action by conducting a program staff meeting 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 Twenty-First Century Community Learning Center 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.

No further action is warranted until the next grant application and award process is held in fiscal year 2017.

Audit Period: October 1, 2013 through September 30, 2014
Finding Number: 2014-045
Initial Year Written: Fiscal Year 2011
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Unallowable Juvenile Justice Expenditures

Finding: MDHHS may not have appropriately excluded juvenile justice expenditures from TANF Cluster claims.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-001
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Interface and Change Controls

Finding: MDHHS and DTMB did not ensure that effective interface and change controls were implemented for the Bridges Integrated Automated Eligibility Determination System (Bridges) related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP).

Current Status: MDHHS and DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS and DTMB determined it would take considerable resources to correct the cited deficiencies. The departments instead devoted valuable information technology (IT) resources to the Bridges Modernization Project rather than correcting deficiencies in the current version of Bridges.

Corrective Action: See corrective action for Finding 2016-001.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-002
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Security Management and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls over Bridges users.

Current Status: MDHHS and DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources have delayed implementation of all corrective actions.

Corrective Action: See corrective action for Finding 2016-002.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-003
Initial Year Written: Fiscal Year 2011
Finding Title: Income Eligibility and Verification System

Finding: MDHHS and DTMB did not request and obtain Income Eligibility and Verification System (IEVS) information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs.

Current Status: MDHHS and DTMB did not correct the deficiencies in the finding.

Reason(s) For Recurrence: MDHHS and DTMB determined it would take considerable resources to correct the cited deficiencies. The departments instead devoted valuable IT resources to the Bridges Modernization Project rather than correcting deficiencies in the current version of Bridges.

Corrective Action: See corrective action for Finding 2016-003.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-004
Initial Year Written: Fiscal Year 2008
Finding Title: ADP Security Program

Finding: MDHHS and DTMB did not ensure that a comprehensive automated data processing (ADP) security program was established for information systems used to administer their federal programs.

Current Status: MDHHS and DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS and DTMB have focused resources on federal and State mandates while also maintaining operational needs and addressing IT security risks highlighted in prior audits. Limited resources at MDHHS and DTMB have caused delays in the completion of a comprehensive ADP security program.

Corrective Action: See corrective action for Finding 2016-004.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-005
Initial Year Written: Fiscal Year 2013
Finding Title: High-Risk Security and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls for significant systems used to administer federal programs.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. MDHHS and DTMB corrected the deficiencies related to CHAMPS in part a. and corrected part b. of the finding.

Reason(s) For Recurrence: For part a., MDHHS and DTMB have focused their available Michigan Women, Infants, and Children Information System (MI-WIC) resources on federal and State mandates, maintaining operational needs, and addressing the IT security risks highlighted in prior audits. Limitations in available resources for MDHHS and DTMB have caused delays in completing the implementation of the specified user access controls and database-security interfaces for MI-WIC.

Corrective Action: For part a., MDHHS and DTMB will work with the business owners and vendors to establish and implement effective database security management and access controls over MI-WIC. MDHHS has worked with DTMB to establish timelines for completion of this portion of the finding. Weekly updates are being requested until the finding is fully remediated.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-006
Initial Year Written: Fiscal Year 2014
Finding Title: MiSACWIS Security Management and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls over MiSACWIS.

Current Status: MDHHS and DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources have delayed implementation of all corrective actions.

Corrective Action: See corrective action for Finding 2016-005.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-007
Initial Year Written: Fiscal Year 2013
Finding Title: CHAMPS Security and Access Controls

Finding: DTMB did not fully establish and implement effective security and access controls over the operating system for CHAMPS servers.

Current Status: MDHHS and DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS and DTMB focused available CHAMPS resources on federal and State mandates, maintaining operational needs, and addressing the IT security risks highlighted in prior audits. Limitations in available resources for MDHHS and DTMB have caused delays in completing the implementation of security and access controls for the CHAMPS servers.

Corrective Action: See corrective action for Finding 2016-006.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-008
Initial Year Written: Fiscal Year 2014
Finding Title: CHAMPS Claims Edits

Finding: MDHHS and DTMB had not fully established effective logical access and change management controls over CHAMPS claims edits.

Current Status: MDHHS and DTMB corrected the deficiencies noted in the finding as of October 1, 2016.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-009
Initial Year Written: Fiscal Year 2013
Finding Title: MDE, IT Security and Controls

Finding: MDE and DTMB did not fully establish effective general controls over MEGS+, Cash Management System, and Food Nutrition System - Fiscal Reporting System.

Current Status: MDE and DTMB partially corrected the deficiencies noted in the finding. The departments corrected parts a., b., and d. of the finding.

Reason(s) For Recurrence: For part c., DTMB grants DBAs administrative rights for a limited timeframe when they work on a request for change. These elevated rights allow them the ability to make changes to audit log files which are otherwise read only to all other access groups. DTMB was not aware of the conflict in access this process created. For part e., DTMB was not aware of all of the change control requirements.

Corrective Action: See corrective action for Finding 2016-008.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-010
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Accuracy of the PACAP

Finding: MDHHS did not ensure that it had an accurate narrative in its amended Public Assistance Cost Allocation Plan (PACAP).

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: During implementation planning for the State's new accounting system, it became apparent that duties of the Cost Allocation Section needed to change to meet the requirements of the new system. Job descriptions were developed and MDHHS filled these positions in the spring of 2017.

Corrective Action: See corrective action for Finding 2016-009.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-011
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Inappropriate PACAP Allocation

Finding: MDHHS did not ensure that it used the appropriate PACAP data and account codes to allocate expenditures to its federal programs for 16 (84%) of 19 cost pools sampled.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: During implementation planning for the State's new accounting system, it became apparent that duties of the Cost Allocation Section needed to change to meet the requirements of the new system. Job descriptions were developed and MDHHS filled these positions in the spring of 2017.

Corrective Action: See corrective action for Finding 2016-010.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-012
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, PACAP - Inappropriate Expenditures Charged to the PACAP

Finding: MDHHS did not ensure that only allowable payments were charged to the PACAP.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Accounting codes were not always up to date as a result of numerous organizational changes within MDHHS.

Corrective Action: See corrective action for Finding 2016-011.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-013
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Finding: MDHHS did not allocate federal expenditures for 2 (11%) of 19 cost pools sampled in accordance with its PACAP.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: During implementation planning for the State's new accounting system, it became apparent that duties of the Cost Allocation Section needed to change to meet the requirements of the new system. Job descriptions were developed and MDHHS filled these positions in the spring of 2017.

Corrective Action: See corrective action for Finding 2016-012.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-014
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, PACAP - Service Organization Controls

Finding: MDHHS could improve its monitoring of the operating effectiveness of general controls, such as availability and processing integrity, for the vendor hosting the AlloCAP system.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: A review of the operating effectiveness of general controls for the vendor was not originally included in the MDHHS monitoring activities. Due to the time it takes to complete this type of review, MDHHS had not fully implemented planned corrective action by the end of fiscal year 2016.

Corrective Action: See corrective action for Finding 2016-013.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-015
Initial Year Written: Fiscal Year 2015
Finding Title: 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

Finding: MDHHS made 2 (4%) of 57 foster care maintenance or treatment payments for children who were not eligible for assistance.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-016
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking - Foster Care Payments to Ineligible Providers

Finding: MDHHS made 2 (4%) of 53 foster care maintenance or treatment payments to ineligible providers.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-017
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; Special Tests and Provisions - Payment Rate Setting and Application - Inappropriate Allocation of Foster Care Maintenance Payments

Finding: MDHHS incorrectly allocated the maintenance portion of foster care payments to the Social Services Block Grant Program for 7 (22%) of the 32 payments reviewed.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: The allocation percentage originally entered for fiscal year 2015 carried over to fiscal year 2016 and was not updated.

Corrective Action: See corrective action for Finding 2016-014.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-018
Initial Year Written: Fiscal Year 2008
Finding Title: MDHHS, Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility

Finding: MDHHS did not obtain all required disclosures from Prepaid Inpatient Health Plan entities, Medicaid Health Plan entities, MI Choice Waiver Program entities, Dental Health Plan entities, and its pharmacy benefits manager during the audit period. In addition, MDHHS did not monitor its Dental Health Plan entities' network of providers to ensure that the providers were licensed, entered into provider agreements, and made required disclosures.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Due to restricted CHAMPS access, staff were unable to update the disclosure information in the system by the anticipated compliance date.

Corrective Action: See corrective action for Finding 2016-015.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-019
Initial Year Written: Fiscal Year 2015
Finding Title: MDE, Subrecipient Monitoring - Subaward Information

Finding: MDE did not report to its subrecipients all subaward information as required by Uniform Administrative Requirements.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-020
Initial Year Written: Fiscal Year 2013
Finding Title: MDE, Subrecipient Monitoring - Function Codes

Finding: MDE did not ensure that subrecipient budgets included only allowable function codes for 1 (4%) of 25 sampled Title I Grants to Local Educational Agencies subrecipients and 3 (11%) of 27 sampled Improving Teacher Quality State Grants subrecipients.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-021
Initial Year Written: Fiscal Year 2015
Finding Title: Food Distribution Cluster: CFDA 10.565, 10.568, and 10.569, Subrecipient Monitoring - Annual Reviews

Finding: MDE did not complete 1 (14%) of 7 required annual reviews for The Emergency Food Assistance Program eligible recipient agencies in fiscal year 2015.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-022
Initial Year Written: Fiscal Year 2015
Finding Title: Child and Adult Care Food Program, CFDA 10.558, Allowable Costs/Cost Principles and Subrecipient Monitoring - MiND Read-Only User Access

Finding: MDE did not properly restrict access to the Michigan Nutrition Data (MiND) system for the Child and Adult Care Food Program.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-023
Initial Year Written: Fiscal Year 2015
Finding Title: Fish and Wildlife Cluster, CFDA 15.605, 15.611, and 15.626, Reporting and Special Tests and Provisions - RSS Controls

Finding: DNR did not obtain a third party review of the operating effectiveness of general controls that covered all of the contractual responsibilities, such as processing integrity, of the vendor hosting the Retail Sales System (RSS).

Current Status: DNR did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: DNR obtained a Service Organization Controls (SOC) 1, type 2 report for RSS; however, the report did not include a review of the operating effectiveness of general controls. Due to the time it takes to complete this type of review, DNR had not fully implemented planned corrective action by the end of fiscal year 2016.

Corrective Action: DNR will ensure the operating effectiveness of general controls such as logical security, change management, and

processing integrity of RSS license revenue data is included in the next SOC 1, type 2 report.

Compensating controls have been implemented for application and database log files to satisfy the lack of operating effectiveness. DNR is currently reviewing all transactions to the production database and the production application server on a quarterly basis. In addition, change detection has been incorporated into RSS to provide real time tracking of general controls.

The targeted date for completion is December 31, 2017.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-024
Initial Year Written: Fiscal Year 2013
Finding Title: 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

Finding: DTMB had not fully established and implemented effective access controls over the MAP Financial Obligation System (MFOS) and the Project Accounting and Billing (PAB) System database management systems.

Current Status: DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence:

Although QRadar was implemented for MFOS and PAB by DTMB Agency Services and DTMB Technical Services, the logs were not periodically reviewed for appropriateness. Shared account access remained to facilitate support of all databases.

Corrective Action:

DTMB implemented QRadar software in the development environment as of March 2015 and implemented the software for quality assurance and production environments on June 1, 2016. There are logs that can be reviewed from this software showing the activity of the databases. The DTMB Center of Excellence will be implementing a Statewide standard for all agencies on monitoring the logs along with a separation of duties document.

Work will take place with Michigan Cyber Security to implement periodic reviews of logs generated by privileged user access. The Enterprise Team scheduled a kick-off meeting in April to discuss a plan of action for a monitoring process.

To monitor the account with shared access, DTMB Technical Services will implement Centrify to the databases by June 2017. This will allow for all actions on the account to be tracked back to the DBA that performed any tasks.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-025
Initial Year Written: Fiscal Year 2015
Finding Title: Clean Water State Revolving Fund Cluster, CFDA 66.458, Cash Management - Inappropriate Funding Technique

Finding: The Department of Environmental Quality (DEQ) did not make administrative and payroll cash draws for the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) in accordance with the funding technique as required in the Cash Management Improvement Act (CMIA) agreement.

Current Status: The deficiencies noted are no longer valid. The CWSRF Cluster was not included in the fiscal year 2016 CMIA agreement.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-026
Initial Year Written: Fiscal Year 2015
Finding Title: Clean Water State Revolving Fund Cluster, CFDA 66.458, Subrecipient Monitoring - Obtaining Subrecipient Single Audit Reports

Finding: DEQ did not obtain 4 (29%) of 14 required CWSRF subrecipient single audit reports.

Current Status: DEQ corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-027
Initial Year Written: Fiscal Year 2015
Finding Title: Clean Water State Revolving Fund Cluster, CFDA 66.458, Subrecipient Monitoring - Untimely Management Decisions

Finding: DEQ did not issue management decision letters within six months after the receipt of the audit report for two sampled subrecipient single audit reports.

Current Status: DEQ corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-028
Initial Year Written: Fiscal Year 2014
Finding Title: Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Final Expenditure Reports

Finding: MDE did not ensure that 4 of 4 sampled Special Education Cluster (IDEA) preschool subrecipient final expenditure reports were reviewed and approved.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-029
Initial Year Written: Fiscal Year 2015
Finding Title: Title I Grants to Local Educational Agencies, CFDA 84.010, Subrecipient Monitoring - Cash Management

Finding: MDE did not monitor Title I Grants to Local Educational Agencies subrecipient cash draws to ensure that program costs were incurred prior to reimbursement.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-030
Initial Year Written: Fiscal Year 2015
Finding Title: Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management - Incorrect Quarterly Cash Settlement

Finding: MDHHS did not accurately complete quarterly cash settlements for the Rehabilitation Services - Vocational Rehabilitation Grants to States Program.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-031
Initial Year Written: Fiscal Year 2015
Finding Title: Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Eligibility - Timeliness of Eligibility Determinations

Finding: The Department of Licensing and Regulatory Affairs (LARA) and MDHHS did not timely determine eligibility for vocational rehabilitation services for 11 (20%) of 56 cases reviewed.

Current Status: LARA and MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-032
Initial Year Written: Fiscal Year 2015

Finding Title: Twenty-First Century Community Learning Centers, CFDA 84.287, Procurement and Suspension and Debarment - Suspension and Debarment Certification

Finding: MDE did not ensure that 11 subrecipients of fiscal year 2016 grant awards certified that they were not suspended or debarred from receiving federal awards.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-033

Initial Year Written: Fiscal Year 2014

Finding Title: 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

Finding: MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility. Consolidated Inquiry and/or State Online Query reviews and results were not documented in accordance with policy for 19 (70%) of 27 sampled TANF Cluster assistance case records.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: A portion of MDHHS's corrective action required Social Security Administration approval, which was received after the end of fiscal year 2016.

Corrective Action: See corrective action for Finding 2016-026.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-034

Initial Year Written: Fiscal Year 2011

Finding Title: 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

Finding: MDHHS did not maintain sufficient case record documentation to support client eligibility for 14 (42%) of 33 sampled TANF Cluster assistance case records.

In addition, we noted that MDHHS counted all 14 of the case records that did not have documentation to support client eligibility toward the State's maintenance of effort (MOE) requirement.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources delayed issuance of the Field Operations Administration (FOA) memo for staff education until early October 2016.

Corrective Action: See corrective action for Finding 2016-027.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-035
Initial Year Written: Fiscal Year 2014
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Finding: MDHHS did not conduct an annual eligibility redetermination to ensure that the adoptive family met eligibility requirements for 2 (22%) of 9 sampled TANF Cluster-funded adoption subsidy case records.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-036
Initial Year Written: Fiscal Year 2007
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Lack of Documentation to Identify Drug Felony Convictions and Probation/Parole Violations

Finding: MDHHS did not maintain sufficient documentation in 11 (31%) of 36 case records to identify whether the associated individuals were convicted of a drug-related felony after August 22, 1996 and were in violation of probation or parole; were convicted of two or more drug-related felonies; or were in violation of their probation or parole requirements related to any offense.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-037
Initial Year Written: Fiscal Year 2009
Finding Title: TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking and Reporting - MOE New Spending Test

Finding: MDHHS may have inappropriately excluded the Section 31a At-Risk Pupils Program and the Great Start Readiness Program expenditures totaling \$143,147,054 from the new spending test used to meet the State's MOE requirement in fiscal year 2015.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS disagreed the finding and continued to seek guidance from the U.S. Department of Health and Human Services (HHS).

Corrective Action: See corrective action for Finding 2016-028.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-038
Initial Year Written: Fiscal Year 2015
Finding Title: TANF Cluster, CFDA 93.558, Special Tests and Provisions - Penalty for Refusal to Work and Adult Custodial Parent of Child Under Six When Child Care Not Available

Finding: MDHHS did not ensure that it appropriately documented good cause exceptions in 6 (16%) of 38 cases reviewed.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-039
Initial Year Written: Fiscal Year 2005
Finding Title: 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

Finding: MDE and MDHHS did not maintain sufficient documentation to support client and/or child eligibility, client need for the number of hours authorized, and/or the proper authorization of providers to render services.

Current Status: MDE and MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS in coordination with MDE has significantly increased support to the field to assist with Child Development and Care eligibility determinations. However, changes remain and four counties still remain on a corrective action plan. In addition, there have been numerous policy changes within the last two fiscal years to comply with CCDF reauthorization as well as a continued shortage of MDHHS field staff. Limited staff resources delayed issuance of the FOA memo until early October 2016.

Corrective Action: See corrective action for Finding 2016-031.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-040

Initial Year Written: Fiscal Year 2014
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Cash Management - Cash Management Process

Finding: MDE did not have a process in place to ensure the accuracy of the information used to reconcile the amount of federal revenue previously drawn.

Current Status: MDE corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-041
Initial Year Written: Fiscal Year 2015
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Eligibility - Disqualification of Clients and Providers

Finding: MDE did not consider for disqualification from the CCDF Cluster 3 (8%) of 36 sampled clients and providers who were determined by MDHHS to have committed an intentional program violation (IPV).

Current Status: MDE and MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-042
Initial Year Written: Fiscal Year 2011
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Fraud Detection and Repayment

Finding: MDE and MDHHS did not have a process to routinely send automated notices to providers and clients that were late in remitting payment for IPVs. In addition, MDE and MDHHS did not regularly submit delinquent client claims to the Michigan Department of Treasury for additional collection efforts.

Current Status: MDE and MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Completion of technology related corrective actions is contingent upon prioritization and commitment of DTMB resources. MDHHS lacks adequate staffing to perform referrals to the Michigan Department of Treasury on a regular basis.

Corrective Action: See corrective action for Finding 2016-033.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-043
Initial Year Written: Fiscal Year 2015

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

Finding: MDHHS did not ensure that Bridges and CHAMPS contained the appropriate termination date for beneficiaries receiving transitional Medicaid coverage.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources have delayed implementation of all corrective actions.

Corrective Action: See corrective action for Finding 2016-034.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-044

Initial Year Written: Fiscal Year 2008

Finding Title: 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

Finding: MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for Medicaid services for 14 (23%) of 60 Medicaid cases.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources have delayed implementation of corrective actions.

Corrective Action: See corrective action for Finding 2016-035.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-045

Initial Year Written: Fiscal Year 2012

Finding Title: 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

Finding: MDHHS did not ensure that Bridges and CHAMPS contained the appropriate termination date for beneficiaries in the "under age 21" Medicaid eligibility group.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: A breakdown of internal processes caused delay in timely termination of some beneficiaries within the “under age 21” Medicaid eligibility group.

Corrective Action: See corrective action for Finding 2016-036.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-046
Initial Year Written: Fiscal Year 2013
Finding Title: 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

Finding: MDHHS did not ensure that Home Help Program (HHP) clients met HHP eligibility criteria prior to paying for HHP services.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part a. of the finding.

Reason(s) For Recurrence: A post payment review process was implemented; however, the review process is complicated by a lag time of up to one year and delays in changes to the clients’ level of care (LOC).

Corrective Action: See corrective action for Finding 2016-037.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-047
Initial Year Written: Fiscal Year 2013
Finding Title: 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

Finding: MDHHS did not ensure that it made required client benefit reductions and timely obtained client certifications of medical need.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: The reason for the lapses in applying procedure and obtaining appropriate documentation is due to large adult services worker (ASW) caseloads. Currently, there are obstacles to obtaining the Medical Needs form (DHS-54A) that are beyond the Adult Services specialists' control.

Corrective Action: See corrective action for Finding 2016-038.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-048
Initial Year Written: Fiscal Year 2013
Finding Title: 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

Finding: MDHHS did not ensure that ASWs timely completed six-month reviews and annual redeterminations for their assigned clients and providers.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected parts a. and c. of the finding.

Reason(s) For Recurrence: High ASW caseloads and system report limitations precluded some ASWs from completing all required contacts in a timely manner.

Corrective Action: See corrective action for Finding 2016-039.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-049
Initial Year Written: Fiscal Year 2015
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Health Services and Documentation

Finding: MDHHS did not ensure that home health agencies (HHAs) always obtained the necessary approvals prior to providing services and that HHAs always maintained appropriate documentation (Finding #1).

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part a. of the finding.

Reason(s) For Recurrence: The Medicaid Provider Manual did not provide clear guidance related to some home health services requirements, such as plans of care. In addition, MDHHS issues home health policy changes, clarifications, and reminders to providers, on an as needed basis, to providers who have subscribed to the electronic notification service (Listserv). Some HHAs had not subscribed to the Listserv.

Corrective Action: See corrective action for Finding 2016-041.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-050
Initial Year Written: Fiscal Year 2014
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Emergency Services Only - Pharmacy Payments

Finding: MDHHS paid for pharmacy services that did not appear directly related to an emergency condition for 10 (67%) of 15 undocumented aliens reviewed.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Questions about whether a medication is necessary to prevent or treat an urgent/emergency or life-threatening condition are evaluated on a post-payment sample basis.

Corrective Action: See corrective action for Finding 2016-042.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-051
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Provider Log Documentation

Finding: MDHHS did not timely obtain sufficient documentation, including provider service logs and provider and client verification, to ensure that providers had delivered the services paid for through a preauthorized payment process.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS encountered considerable difficulties during the conversion to allow provider electronic submission of service logs and establish a client verification process.

Corrective Action: See corrective action for Finding 2016-040.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-052
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Practitioner Reimbursement

Finding: MDHHS did not ensure proper payment of practitioner fee-for-service claims.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: CHAMPS correctly made payments based on the beneficiary's eligibility at the time of the payment, however, subsequent to those payments, CHAMPS eligibility was retroactively modified by Bridges.

Corrective Action: See corrective action for Finding 2016-044.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-053

Initial Year Written: Fiscal Year 2013

Finding Title: 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

Finding: MDHHS did not ensure that agency providers met the requirements to receive the higher agency pay rate.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: System limitations and limited staff resources delayed implementation of corrective actions.

Corrective Action: See corrective action for Finding 2016-047.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-054

Initial Year Written: Fiscal Year 2012

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

Finding: MDHHS did not ensure proper payment of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS).

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected the deficiencies related to duplicate payments.

Reason(s) For Recurrence: Due to delays in updating beneficiaries LOC, DMEPOS providers were paid on behalf of beneficiaries residing in nursing facilities for DMEPOS procedure codes that were included in the nursing facility per diem rate.

Corrective Action: See corrective action for Finding 2016-046.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-055
Initial Year Written: Fiscal Year 2013
Finding Title: 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

Finding: MDHHS's internal control did not prevent or detect and correct payments made on behalf of beneficiaries who were assigned more than one Medicaid identification number.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources have delayed implementation of all corrective actions.

Corrective Action: MDHHS continues to research additional options for preventing the creation of multiple Medicaid identification numbers for the same beneficiary. MDHHS has not yet finalized its monitoring process to identify and correct potential multiple Medicaid identification numbers. Once this monitoring process is finalized, MDHHS will develop a process to recover any potential improper payments.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-056
Initial Year Written: Fiscal Year 2015
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - MI Choice Overpayments

Finding: MDHHS did not ensure that payments to a long-term care provider were terminated for a beneficiary no longer eligible to receive services.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Due to a system error, MDHHS did not always properly recoup funds paid to the providers.

Corrective Action: See corrective action for Finding 2016-045.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-057
Initial Year Written: Fiscal Year 2006

Finding Title: 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

Finding: MDHHS did not report all pregnancy and birthing-related Medicaid costs to the Friend of the Court or the local prosecuting attorney office responsible for establishing paternity and for seeking court-ordered child support.

Current Status: MDHHS corrected the deficiencies noted in the finding in February 2016.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-058

Initial Year Written: Fiscal Year 2014

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

Finding: MDHHS did not redetermine the eligibility of 9 (69%) of 13 sampled cases with clients receiving refugee medical assistance for expanded Medicaid when the State's expanded Medicaid went into effect April 1, 2014.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-059

Initial Year Written: Fiscal Year 2012

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

Finding: MDHHS did not always ensure that clients were eligible for LIHEAP-funded State Emergency Relief energy payments.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part b. of the finding.

Reason(s) For Recurrence: Limited staff resources delayed implementation of all corrective actions.

Corrective Action: See corrective action for Finding 2016-049.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-060

Initial Year Written: Fiscal Year 2015

Finding Title: Low-Income Home Energy Assistance, CFDA 93.568, Allowable Costs/Cost Principles and Eligibility - Home Heating Credit Payment Errors

Finding: MDHHS and the Department of Treasury did not properly calculate payments to individuals claiming the home heating credit (HHC) for 2 (7%) of 29 sampled HHC payments.

Current Status: MDHHS and the Department of Treasury corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-061
Initial Year Written: Fiscal Year 2015
Finding Title: Low-Income Home Energy Assistance, CFDA 93.568, Subrecipient Monitoring - Lack of Information

Finding: LARA did not ensure that its LIHEAP subrecipients receiving grants through the Michigan Energy Assistance Program were notified of the required federal award information at the time of the subaward.

Current Status: LARA partially corrected the deficiencies noted in the finding.

Reason(s) For Recurrence: The grant agreements were not designed to ensure they included the required federal award information.

Corrective Action: See corrective action for Finding 2016-050.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-062
Initial Year Written: Fiscal Year 2003
Finding Title: Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed and Eligibility - Determination of Eligibility for Children Adopted Prior to July 2009

Finding: MDHHS did not ensure that adoption subsidy payments made on behalf of children who were adopted prior to July 2009, and whose eligibility for adoption subsidy was based on the former Aid to Families with Dependent Children eligibility and judicial determinations, were eligible for the adoption subsidy.

Current Status: The deficiencies noted are no longer valid based on a federal management decision on this issue.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-063
Initial Year Written: Fiscal Year 2015

Finding Title: Adoption Assistance, CFDA 93.659, Matching, Level of Effort, and Earmarking and Reporting - Annual Adoption Savings Calculation and Accounting Report

Finding: MDHHS did not ensure the accuracy of the savings reported to HHS on the Annual Adoption Savings Calculation and Accounting Report.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. A process has been established to track the coding that will count as reinvestment expenditures.

Reason(s) For Recurrence: MDHHS worked with the federal government to develop a query to calculate the savings; however, inaccurate query criteria was not always detected.

Corrective Action: See corrective action for Finding 2016-054.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-064

Initial Year Written: Fiscal Year 2015

Finding Title: Children's Health Insurance Program, CFDA 93.767, Eligibility - Beneficiary Eligibility

Finding: MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for CHIP services for 20 (80%) of 25 CHIP cases.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. Part b. of the finding is no longer applicable because Healthy Kids Expansion and MI Child eligibility are based on Modified Adjusted Gross Income (MAGI). MAGI based eligibility determinations are reviewed under the Medicaid and CHIP Eligibility Pilots, which serve as the Centers for Medicare and Medicaid Services oversight of Medicaid and CHIP eligibility determinations. MDHHS corrected part c. of the finding.

Reason(s) For Recurrence: Limited staff resources has delayed implementation of all corrective actions.

Corrective Action: See corrective action for Finding 2016-055.

Audit Period: October 1, 2014 through September 30, 2015

Finding Number: 2015-065

Initial Year Written: Fiscal Year 2014

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

Finding: MDHHS did not meet the fiscal year 2015 LOE requirement by approximately \$68 million.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-066
Initial Year Written: Fiscal Year 2014
Finding Title: Block Grants for Community Mental Health Services, CFDA 93.958, Procurement and Suspension and Debarment - Procurement Procedures

Finding: MDHHS did not procure services in accordance with State policies and procedures.

Current Status: The deficiencies noted are no longer applicable. MDHHS appropriately reclassified the contractors to subrecipients.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-067
Initial Year Written: Fiscal Year 2015
Finding Title: Block Grants for Community Mental Health Services, CFDA 93.958, Subrecipient Monitoring - During-the-Award Monitoring

Finding: MDHHS did not ensure that quarterly narrative reports for 2 (22%) of 9 sampled subrecipients were obtained and reviewed, documenting MDHHS's during-the-award subrecipient monitoring.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-068
Initial Year Written: Fiscal Year 2015
Finding Title: Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Special Tests and Provisions - Independent Peer Reviews

Finding: MDHHS could not demonstrate that at least 5% of substance abuse and prevention service providers obtained accreditation.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-069
Initial Year Written: Fiscal Year 2015
Finding Title: Home Investment Partnerships Program, CFDA 14.239

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

Current Status: The Michigan State Housing Development Authority partially corrected the deficiencies noted in the finding. See Michigan Housing Development Authority, Financial Report with Supplemental Information, June 30, 2016, Schedule of Findings and Questioned Costs, Finding 2016-001

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-070
Initial Year Written: Fiscal Year 2015
Finding Title: Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

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

Current Status: The Unemployment Insurance Agency (UIA) corrected the deficiencies in the finding. See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2016, Summary Schedule of Prior Audit Findings, Finding 15-01

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-071
Initial Year Written: Fiscal Year 2015
Finding Title: Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

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

Current Status: UIA corrected the deficiencies in the finding. See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2016, Summary Schedule of Prior Audit Findings, Finding 15-02



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

ALTON L. PSCHOLKA
DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 1

Improvements needed to prevent issuance and provide timelier resolution of duplicate tax refunds.

Management Views:

The Michigan Department of Treasury (Treasury) and the Office of Financial Management (OFM) agree with the finding.

Planned Corrective Action:

Treasury has already implemented a change to the tax system that improves controls to prevent and detect duplicate Michigan Business Tax refunds. The operating effectiveness of this change has been confirmed through Treasury testing and validation. In addition, training has occurred and Treasury procedures are being reviewed and updated to ensure timely resolution of issues.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Tim Johnson, Department of Treasury

Finding 2

Continued improvements needed to processes for establishing and monitoring tax receivables and payables.

Management Views:

Treasury and OFM agree with the finding.

Planned Corrective Action:

For part a., Treasury staff have been trained on the proper rules for compiling the prepared sales tax amounts. In addition, the report that Accounting Services will be provided in subsequent fiscal years will contain the file period of the payment, so that Accounting Services staff can ensure that only filing periods prior to October 1 are included in the accrual.

For part b., the Office of Revenue and Tax Analysis (ORTA) understands the urgency of the GASB 34 Report and has a better understanding of how SAP impacts the GASB 34

Report. The Office of Accounting Services, ORTA, Office of Internal Audit Services (OIAS), and SAP contractors are meeting bi-weekly to ensure the SAP GASB 34 Report fixes are in production timely.

For part c. related to receivables, OIAS and Treasury staff are working on developing a methodology to evaluate significant tax accrual year-end estimates with subsequent payment activity. This methodology will include a quarterly data match that should allow Treasury management to determine if receivable tax accrual estimate methodology adjustments are necessary for the fiscal year 2017 year-end close process.

For payables, Office of Accounting Services staff are researching options for comparing the year-end payables to actual refunds paid. In addition, Individual Income Tax staff are researching possible reporting that can be done to provide the Office of Accounting Services with a comparison between estimates and actual refunds. Further research is needed to determine whether Discovery refunds can be identified separately from regular Individual Income Tax refunds.

Anticipated Completion Date:

- a. Completed
- b. June 30, 2017
- c. October 31, 2017 for receivables and September 30, 2017 for payables

Responsible Individual(s):

Tim Johnson, Department of Treasury

Finding 3

Improvements needed to OFM's capital asset reporting process.

Management Views:

OFM agrees with the finding.

Planned Corrective Action:

OFM is in the process of cross training staff and updating procedures related to capital asset reporting.

Anticipated Completion Date:

September 2017

Responsible Individual(s):

Heather Boyd, OFM

Finding 4

Improvements needed to MDOT's financial accounting practices.

Management Views:

The Michigan Department of Transportation (MDOT) and OFM agree that comprehensive consideration of the dates of service when processing contractor payments might lead to accounts payable transactions that are more accurate. However, the service dates mentioned in the recommendation are not readily available to central office contractor payment staff and efficient access would require system changes. As a result, MDOT does not intend to implement the recommendation because it believes that the cost of the needed system changes would significantly outweigh the benefits derived from any resulting improvements in precision.

Planned Corrective Action:

MDOT does not intend to take further action at this time.

Anticipated Completion Date:

Not applicable

Responsible Individual(s):

Myron Frierson, MDOT

Findings Related to Federal Awards

Finding 2016-001

Bridges Interface and Change Controls

Management Views:

The Michigan Department of Health and Human Services (MDHHS) and the Department of Technology, Management, and Budget (DTMB) agree with the finding.

Planned Corrective Action:

For part a., DTMB will work to ensure that the file control and batch summary tables used to reconcile Bridges Integrated Automated Eligibility Determination System (Bridges) interfaces consistently account for header and trailer records and represent control totals of information processed, or whether the interface processed with or without exceptions.

For part b., DTMB, in conjunction with MDHHS, will establish procedures to account for all interfaced records and to ensure that all records identified with errors and excluded from interface processing are investigated, corrected, and resubmitted for processing as appropriate.

For part c., MDHHS's Compliance Office is developing new data sharing processes as well as defining various roles in the process. The outstanding data sharing agreements will be updated as a priority.

For part d., through the Change Management Center of Excellence, DTMB will do bi-annual change management audits to ensure that the Bridges Change Control process is being followed.

For part e., the DTMB Bridges Security liaison will work with MDHHS staff to develop a review process which governs user roles and user management (review) to properly restrict privileged access to ensure effective controls over ClearCase and ClearQuest.

For part f., DTMB will be migrating to a new workflow and version control tool with role based access that will alleviate the incompatible access of the batch support team.

Anticipated Completion Date:

- a. July 31, 2019, subject to MDHHS project prioritization
- b. July 31, 2019, subject to MDHHS project prioritization
- c. September 30, 2018, subject to MDHHS prioritization
- d. June 30, 2017
- e. September 30, 2017
- f. June 30, 2018

Responsible Individual(s):

Business Integration Center, MDHHS
Business Relationship Management, DTMB

Finding 2016-002

Bridges Security Management and Access Controls

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

For parts a., b., and d., the MDHHS Compliance Office has established quarterly security meetings/training with Local Office Coordinators. These meetings will be used to communicate proper procedures for granting and managing access. During the next scheduled meeting, MDHHS plans to discuss audit findings and will ensure updated procedures are discussed and made available to all security staff. In addition, MDHHS is developing internal monitoring protocols for local office review and to ensure that central office staff are following all policies and procedures.

For part c., DTMB will establish and implement effective security configurations for the database management system.

For part e., DTMB Technical services has created a project plan to address access and security controls for the operating systems of Bridges servers. An Operational Compliance script is being created so a report can be run and access and security controls can be evaluated, at a minimum, on a quarterly basis.

Anticipated Completion Date:

- a., b., and d. The next quarterly meeting is scheduled for June 29, 2017. New monitoring protocols will be developed by December 2017.
- c. September 30, 2017
- e. December 31, 2017

Responsible Individual(s):

- a., b. and d. James Bowen, MDHHS
Cynthia Green-Edwards, MDHHS
- c. Business Integration Center, MDHHS
Business Relationship Management, DTMB
- e. Technical Services, DTMB

Finding 2016-003

Income Eligibility and Verification System (IEVS)

Management Views:

MDHHS and DTMB agree with part a. of the finding. MDHHS agrees with parts b., c., and d. for the TANF Cluster and SNAP Cluster. MDHHS partially agrees with parts b., c., and d. for the Medicaid Cluster. MDHHS agrees with part e. of the finding.

Planned Corrective Action:

For part a., MDHHS and DTMB will implement effective interface and change controls for Bridges related to eligibility and benefit level for the SNAP Cluster, TANF Cluster, CCDF Cluster, Medicaid Cluster, Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP).

For parts b., c., and d. related to the TANF Cluster and SNAP Cluster, MDHHS Field Operations Administration (FOA) currently provides training and policy support to ensure that the specialists appropriately utilize IEVS interface information in determining recipients' eligibility and will continue to provide this guidance in the future. In addition, MDHHS is in the process of implementing the Integrated Service Delivery (ISD) portal and Universal Case Load tool which are Bridges System changes.

For part b, c, and d, related to the Medicaid program, MDHHS acknowledges that it may not have followed the criteria cited in the finding; however, MDHHS did verify its data to a more current data source via the modified adjusted gross income (MAGI) rules engine. The Centers for Medicare Medicaid Services (CMS) does not require MDHHS to re-verify information that has already been verified through other sources. For example, if information on employment or receipt of taxable social security income has been verified via the Federal Data Services Hub, MDHHS is not obligated by federal guidelines to re-verify that same information via IEVS match. MDHHS will obtain confirmation from CMS that additional verification does not need to be completed.

For part e, MDHHS identified the data elements that are to be shared between the Michigan Statewide Automated Child Welfare Information System (MiSACWIS) and Bridges for the IEVS match process and work requests have been written; however, they are not yet prioritized.

Anticipated Completion Date:

For part a: July 31, 2019, subject to MDHHS project prioritization

For parts b, c, and d related to TANF and SNAP: The ISD/Universal Case Load is expected to pilot December 31, 2017. Training is continuous

For parts b, c, and d related to Medicaid: September 30, 2017

For part e: MDHHS is working with the Business Integration Center to prioritize the work requests, and MDHHS expects this will be completed by September 30, 2017.

Responsible Individual(s):

For part a: Business Relationship Management, DTMB
Business Integration Center, MDHHS

For parts b, c, and d related to TANF and SNAP: Terry Beurer and Amy Hundley, MDHHS

For parts b, c, and d related to Medicaid: Logan Dreasky, MDHHS

For part e: Dawn Ritter, MDHHS

Finding 2016-004

ADP Security Program

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

MDHHS and DTMB will complete a remediation plan to ensure that a comprehensive automated data processing security program for disaster recovery and business continuity plans is established for information systems used to administer federal programs. As part of the State of Michigan Material Internal Control Weaknesses Remediation and Accountability Program (MICWRAP), MDHHS will work with DTMB to prepare a plan for remediation for each system listed in this finding.

Anticipated Completion Date:

The departments anticipate preparation of remediation plans by July 15, 2017.
Implementation dates for specific corrective actions will be determined at a later date.

Responsible Individual(s):

Business Integration Center, MDHHS
Agency Services supporting MDHHS, DTMB

Finding 2016-005

MiSACWIS Security Management and Access Controls

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

For parts a. and b., the MDHHS Compliance Office has established quarterly security meetings/training with Local Office Coordinators. These meetings will be used to communicate proper procedures for granting access including incompatible roles. In addition, during the next scheduled meeting, MDHHS plans to discuss audit findings and will

ensure updated procedures are discussed and made available to all security staff. In addition, MDHHS is developing internal monitoring protocols for local office review and to ensure that central office staff are following all policies and procedures.

For parts c., and d., remediation efforts for the MiSACWIS security and access controls included in this finding are under review and prioritization by MDHHS and will be part of MDHHS's overall MICWRAP plan.

Anticipated Completion Date:

- a. and b. The next quarterly meeting is scheduled for June 29, 2017. New monitoring protocols will be developed by December 2017.
- c. and d. The priority plan and timeline for both remediation efforts will be identified by July 1, 2017.

Responsible Individual(s):

- a. and b. James Bowen, MDHHS
Cynthia Green-Edwards, MDHHS
- c. and d. Agency Services, DTMB
Business Integration Center, MDHHS

Finding 2016-006

CHAMPS Security and Access Controls

Management Views:

DTMB and MDHHS agree with the finding and will continue efforts to implement effective security and access controls for the operating system of the servers containing Community Health Automated Medicaid Processing System (CHAMPS) data and application files.

Planned Corrective Action:

DTMB is implementing an Identity Access Management System that leverages the State of Michigan's Lightweight Directory Access Protocol to secure the access controls of the operating system. In addition, DTMB is implementing an automated configuration management tool that will assist in rapidly deploying, maintaining, and auditing operating system and access controls. The automated configuration management tool will also assist in preventing changes from the required minimal service configurations and deviations from the approved initial operating system configuration settings.

Anticipated Completion Date:

Full compliance for all phases is expected by December 29, 2017.

Responsible Individual(s):

Faith Bushard, DTMB
Tanner Jones, DTMB
Karen Scott, MDHHS

Finding 2016-007

CHAMPS Claims Edits

Management Views:

MDHHS agrees that it did not generate a report for management to compare preapproved CHAMPS claims alternate dispositions to what was actually implemented in CHAMPS until October 2016. The request to develop and implement the report was submitted within the audit period; however, due to limited capacity in each CHAMPS scheduled release and higher priority initiatives, the report was not implemented until after the audit period.

Planned Corrective Action:

A report listing all the edit disposition changes has been generated by CHAMPS every 3 months since October 2016. Reports are being verified by the manager of the Policy Implementation Section in Medicaid Payments by comparing the preapproved requests stored in SharePoint and the reported implemented change in CHAMPS.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Susan A. Klein, MDHHS

Finding 2016-008

MDE IT General Controls

Management Views:

The Michigan Department of Education (MDE) and DTMB agree with the parts a., b., and d. of the finding. DTMB partially agrees with part c.

Planned Corrective Action:

For part a., DTMB is addressing Enterprise Log Management as a Statewide project with a completion date of May 1, 2018. MDE will comply with all DTMB directives. The DTMB database team supporting MDE applications updated the audit log retention period from 45 to 90 days on May 4, 2017.

For part b., MDE and DTMB have reviewed each of the noted control weaknesses for the Michigan Electronic Grants System Plus, Food Nutrition System – Fiscal Reporting System (Michigan Nutrition Data), and Cash Management System. Corrective action will require updated procedures to comply with the recommended standards. DTMB and MDE program office staff are committed to using the Team Foundation Server to track all change management requests from initiation through post-implementation approvals. Updated procedures will be in place by December 31, 2017.

For part c., DTMB has reviewed the database configuration recommendations in the summarized testing results. Recommended changes that could be updated have been set in accordance with recommendations. DTMB is unable to change all configurations due to required functionality. Other recommendations will have to be reviewed and tested prior to making any changes to database configurations. DTMB will have all changes reviewed and updated by March 31, 2018.

For part d., a project plan has been created to address access and security controls. An Operational Compliance script is being created so a report can be run and access and security controls can be evaluated, at a minimum, on a quarterly basis. Estimated completion date is December 31, 2017.

Anticipated Completion date:

- a. May 1, 2018
- b. December 31, 2017
- c. March 31, 2018
- d. December 31, 2017

Responsible Individual(s):

- a. Paul Groll, DTMB
- b. Louis Burgess, MDE
Maria Thomas, DTMB
- c. Glenn Gorton, DTMB
Tom Bell, DTMB
- d. Darlene Dawley, DTMB

Finding 2016-009

MDHHS, PACAP - Completeness and Accuracy of the PACAP

Management Views:

MDHHS partially agrees with the finding.

For part a., MDHHS acknowledges that a cost pool allocation method for the expenditures associated with a cost pool was not included in the amended Public Assistance Cost Allocation Plan (PACAP). MDHHS considered the language in the PACAP narrative introduction under the "Other Governmental Agency Costs" section, together with a fully executed interagency agreement with the involved State department, sufficient to meet the PACAP requirements as described in the federal regulations.

For part b., MDHHS acknowledges that the appropriate cost pool code was not reflected in the amended PACAP for two sampled cost pools. The U.S. Department of Health & Human Services does not require states to report the cost pool code in the PACAP narrative. However, the coding methodology used in the narrative must match the coding used in the State's accounting system. MDHHS believes that the allocation methodologies as described in the narrative were correctly used in the State's accounting system in the two sampled cost pools, and that the appropriate allocation base was used, even if the cost pool codes did not match.

Planned Corrective Action:

MDHHS included the missing cost pool and cost allocation method in the PACAP amendment with an effective date of October 1, 2016.

In March 2016, MDHHS implemented a new Cost Allocation Section within the Bureau of Budget. Staff were hired in late April 2016. An implementation analyst position serves as a liaison with the Bureau of Finance and Accounting and has lead responsibility for

coordinating the development of new account coding and staff recoding to ensure costs are allocated in accordance with the department's PACAP, while a maintenance analyst is responsible for the ongoing development and maintenance of the PACAP document. The department has also contracted with a vendor to provide specialized cost allocation support to assist with many aspects of the PACAP, including internal quality control efforts to help ensure the accuracy of the PACAP. During fiscal year 2017, MDHHS created an additional cost allocation section within the Bureau of Accounting. Two of the vacant positions were transferred to this new section.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Susan Kangas, MDHHS

Finding 2016-010

MDHHS, PACAP - Inappropriate PACAP Allocation

Management Views:

MDHHS partially agrees with the finding. Seven of the 15 types of input and account code errors were subsequently identified and corrected by MDHHS and its contractor. However, MDHHS acknowledges that this process could have been documented more adequately.

Planned Corrective Action:

In January 2017, MDHHS implemented weekly "Operationalizing Cost Allocation" meetings attended by representatives of the department's Bureau of Finance and Accounting and Bureau of Budget. One of the regular agenda topics is to individually and jointly review the quarterly AlloCAP™ report results and investigate any anomalies. In addition, MDHHS's contractor performs quality assurance steps to ensure the accuracy of cost allocation plan (CAP) processing. This quality assurance step is built into the quarterly CAP processing timeline agreed to by the contractor and the department.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Susan Kangas, MDHHS

Finding 2016-011

MDHHS, PACAP – Inappropriate Expenditures Charged to the PACAP

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

During fiscal year 2016, there were an unusual number of organizational changes due to the ongoing merger of the former departments of Community Health and Human Services. Since the contractor's software, AlloCAP™, is programmed to allocate costs according to

the Cost Allocation Plan and accounting adjustments were processed at year-end to reclassify expenditures to benefitting federal programs based on quarterly AlloCAP™ reports, recoding was not a top priority. In March 2016, MDHHS implemented a new Cost Allocation Section within the Bureau of Budget. Staff were hired in late April 2016. An implementation analyst position serves as a liaison with the Bureau of Finance and Accounting and has lead responsibility for coordinating the development of new account coding and staff recoding to ensure costs are allocated in accordance with the department's PACAP, while a maintenance analyst is responsible for the ongoing development and maintenance of the PACAP document. The department has also contracted with a vendor to provide specialized cost allocation support to assist with many aspects of the PACAP, including internal quality control efforts to help ensure the accuracy of the PACAP. The department will no longer use the contractor or the AlloCAP™ software to process cost allocation effective with the quarter beginning October 1, 2017 when the Statewide Integrated Governmental Management Applications system is implemented.

Anticipated Completion Date:
October 1, 2017

Responsible Individual(s):
Susan Kangas, MDHHS

Finding 2016-012

MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Management Views:
MDHHS partially agrees with the finding.

MDHHS agrees with part a. In May 2016, it came to the MDHHS's attention that a longstanding query that was labeled "FTE" count was not actually producing a true full-time equivalent (FTE) count.

For part b., the contractor's AlloCAP™ software utilized a "four step-down" methodology to allocate costs, which is described in the MDHHS CAP narrative. Even after four allocations, there will still be a small amount of cost left over from initial cost pools in the non-final accounts. These unallocated costs are redistributed to all final receiver cost pools according to the distribution of costs to each final account where multiple step-downs occurred. It is not possible to fully allocate a cost with an infinite number of step-downs and decimal points. To further expand this to an infinite number of step-downs and decimals, would result in a process that never ends. MDHHS acknowledges that a review protocol should have been implemented to verify that data was provided to the auditors as requested.

Planned Corrective Action:

For part a., based on the complexity involved with calculating an FTE count, the decision was made to utilize a head count statistic for cost allocation purposes instead of FTE. The CAP amendment with an effective date of October 1, 2016, changed all instances of FTE to Head Count. Because MDHHS has very few part time staff, the impact to the statistics was not material and the change to head count was a reasonable alternative.

For part b., the final step-down process has been modified effective October 1, 2016 for fiscal year 2017 so unallocated costs are only allocated to the final receiver cost pools that the initial account allocated to in steps 2 through 4. This process is repeated for all initial cost pools with unallocated costs after four step-downs. By the end of all the allocations, all of the costs that begin in the system end up in final accounts.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Susan Kangas, MDHHS

Finding 2016-013

MDHHS, PACAP - Service Organization Controls

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
MDHHS has modified the vendor contract to require submission of an annual Service Organization Control compliance report.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Susan Kangas, MDHHS

Finding 2016-014

MDHHS, Inappropriate Allocation of Foster Care Maintenance Payments

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
MDHHS has established procedures to annually review and update allocation percentages for each vendor to ensure that foster care payments are correctly allocated between the Social Services Block Grant Program and the Foster Care Title IV-E Program.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Christine Sanchez, MDHHS
Deb Hallenbeck, MDHHS

Finding 2016-015**MDHHS, Provider Eligibility**

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has been diligently working to resolve this finding since it was first identified; however, the majority of the managed care entities were uncomfortable giving out social security numbers, dates of birth, and home addresses to MDHHS. Additional assurances had to be provided as to exactly what MDHHS would be doing with the information. MDHHS staff have been monitoring provider enrollment information in CHAMPS, which shows that all the health plans have the disclosure form and the majority sent them back to MDHHS. The ones that did not were under management changes, which extended submission. Limited staff resources have also delayed entry of the information received into CHAMPS.

Anticipated Completion Date:

September 30, 2017

Responsible Individual(s):

Samantha Rutledge-Wolf, MDHHS

Finding 2016-016**DTMB, Lack of Contract File Documentation**

Management Views:

DTMB agrees with the finding.

Planned Corrective Action:

DTMB Central Procurement will be changing the procedures for manager approval on the recommendation of award and evaluation synopsis and will be adding a Contract File Quality Assurance process to ensure the contract checklist is complete.

Anticipated Completion Date:

August 3, 2017

Responsible Individual(s):

Chenoa Reyes, DTMB

Finding 2016-017**DTMB, Lack of Required Contract Provisions**

Management Views:

DTMB agrees with the finding.

Planned Corrective Action:

DTMB Central Procurement has reached out to the Attorney General's Office for help to create the language for all the applicable required contract provisions to be added to the procurement templates.

Anticipated Completion Date:

DTMB anticipates the contract provisions will be added to the procurement templates by June 30, 2017.

Responsible Individual(s):

Chenoa Reyes, DTMB

Finding 2016-018

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Lack of Proper Approvals

Management Views:

The Department of Military and Veterans Affairs (DMVA) agrees with the finding.

Planned Corrective Action:

A communication will be sent reminding individuals authorized to approve expenditures that they must follow established vendor payment authorization procedures and approve expenditures before payments are made.

Anticipated Completion Date:

October 1, 2017

Responsible Individual(s):

Al Christian, DMVA

Kimberly Graham, DMVA

Finding 2016-019

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Timeliness of Cash Draws

Management Views:

DMVA agrees with the finding.

Planned Corrective Action:

DMVA, in cooperation with Federal Program Managers (PM) and the United States Property and Fiscal Office-Michigan (USPFO), will update DMVA's standard operating procedure to include timelines for PM review and approval of the SF270 and payment by USPFO. DMVA believes the updated process will reduce the time elapsing between the disbursement of funds by the State and the transfer of Federal funds.

Anticipated Completion Date:

October 1, 2017

Responsible Individual(s):
Al Christian, DMVA
Christine Apostol, DMVA

Finding 2016-020

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Ineligible Requests for Reimbursement

Management Views:
DMVA agrees with the finding.

Planned Corrective Action:
DMVA is drafting communication to USPFO concerning initial funding modifications, indicating that whether fully or incrementally funded, modifications need to be in place by October 1, 2017 for the start of fiscal year 2018. In addition, DMVA will work with USPFO to ensure appendix modifications are executed timely to obligate any increases to the original Annual Funding Program and to de-obligate funds against a Cooperative Agreement.

Anticipated Completion Date:
Initial funding modifications, whether fully or incrementally funded, must be in place by October 1, 2017 for the start of fiscal year 2018.

Responsible Individual(s):
Al Christian, DMVA
Christine Apostol, DMVA

Finding 2016-021

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Disclosure of Obligations

Management Views:
DMVA agrees with the finding.

Planned Corrective Action:
Standard operating procedure (SOP) requires Michigan National Guard Federal Program Managers (PMs) to review the list of outstanding obligations provided to them and tell DMVA of any additions, deletions, or changes that are necessary as well as any outstanding in-kind assistance. In cooperation with PMs and USPFO, DMVA will update its' SOP to further clarify roles and responsibilities.

In addition to the listing of every outstanding obligation which requires payment by Federal funds (vendor name, obligation number, account identifier, project description, amount, and estimated completion date), DMVA will provide the PMs with a list of open purchase requisitions (Form 6-1). PMs will monitor their outstanding purchase requisitions on an ongoing basis and should have the most up to date information. The PM will be required to respond in writing with any additions, deletions, changes, and outstanding in-kind assistance to the listing provided by DMVA.

Anticipated Completion Date:
October 1, 2017

Responsible Individual(s):
Al Christian, DMVA
Christine Apostol, DMVA

Finding 2016-022

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

Management Views:
DMVA agrees with the finding.

Planned Corrective Action:
On May 22, 2017, DMVA sent an internal communication to various staff stating that DMVA will follow State procurement policies and procedures and DMVA internal policy and procedures for procurement requests and authorization. DMVA will ensure all purchase requisitions (Form 6-1) include the proper signatures.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Al Christian, DMVA
Kimberly Graham, DMVA

Finding 2016-023

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Lack of Required Provisions

Management Views:
DMVA agrees with the finding.

Planned Corrective Action:
DMVA will include all applicable federal provisions as required by federal regulation 2 CFR 200.326 and Appendix II to Part 200 in contracts and purchase orders.

All DMVA procurement staff have been notified and a communication was sent to DTMB Procurement on May 22, 2017, requesting the language be added to the State of Michigan standard terms and conditions.

See related corrective action for finding 2016-017.

Anticipated Completion Date:
October 1, 2017

Responsible Individual(s):
Al Christian, DMVA
Kimberly Graham, DMVA

Finding 2016-024

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Lack of Documentation

Management Views:
DMVA agrees with the finding.

Planned Corrective Action:
DMVA Procurement staff was informed on April 4, 2017 to make sure the Excluded Parties List System (EPLS) is checked to verify contractor eligibility to receive contracts and subcontracts.

DMVA Procurement will document EPLS verification by placing a copy of the print out, which will include the verification date, in the contract or purchase order file.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Al Christian, DMVA
Kimberly Graham, DMVA

Finding 2016-025

National Infrastructure Investments, CFDA 20.933, Accuracy and Completeness of Financial Reports

Management Views:
MDOT agrees with the finding.

Planned Corrective Action:
MDOT's internal reviews identified and completed corrective action on November 10, 2016, prior to audit review. The issue resulted from MDOT establishing a Michigan Administrative Information Network profile without including the associated grant. MDOT staff reviewed all profiles to ensure that new profiles include grant coding.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Patrick McCarthy, MDOT

Finding 2016-026

TANF Cluster, CFDA 93.558, Lack of Income Eligibility Documentation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Consolidated Inquiry (CI) and State Online Query (SOLQ) results can now be stored in the Electronic Case File within Bridges.

Anticipated Completion Date:

The CI work request was completed in March 2016, and the SOLQ work request was completed in October 2016.

Responsible Individual(s):

Terry Beurer, MDHHS
Amy Hundley, MDHHS

Finding 2016-027

TANF Cluster, CFDA 93.558, Lack of Eligibility Documentation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS FOA will continue to educate local office staff on policies, procedures, and required verifications needed while determining eligibility through the Office of Workforce and Development Training website. FOA will also continue to work with the Compliance Division on TANF sampling for case reads.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Terry Beurer, MDHHS
Dawn Sweeney, MDHHS
Dale Shaw, MDHHS
Bethany Cabanaw, MDHHS
Amy Zimmerman, MDHHS

Finding 2016-028

TANF Cluster, CFDA 93.558, MOE New Spending Test

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Effective with the fiscal year beginning October 1, 2016, MDHHS will apply the 1995 spending level test when determining maintenance of effort expenditures for the At-Risk Pupils Program and the Great Start Readiness Program.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Susan Kangas, MDHHS

Finding 2016-029

TANF Cluster, CFDA 93.558, Child Support Non-Cooperation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The deficiencies related to evidence of good cause and clients not required to reapply after sanction are training issues that are covered under the Office of Workplace Development and Training website. MDHHS will continue to supply the specialist with trainings and policy support as needed.

For the last part of the finding, MDHHS requested a technical review to ensure the system is correctly sanctioning individuals. A work request will be written if needed.

Anticipated Completion Date:

Training is ongoing. The technical review has been requested and a completion date has not yet been determined.

Responsible Individual(s):

Terry Beurer, MDHHS
Amy Hundley, MDHHS
Dale Shaw, MDHHS
Bethany Cabanaw, MDHHS

Finding 2016-030

TANF Cluster, CFDA 93.558, Penalty for Refusal to Work

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The cases listed in the finding were part of a system issue that was fixed with work request BRGUS00321074.

Anticipated Completion Date:

Completed

Responsible Individual(s):
Terry Beurer, MDHHS
Dawn Sweeney, MDHHS
Heidi Norfleet, MDHHS

Finding 2016-031

CCDF Cluster, CFDA 93.575 and 93.596, Lack of Documentation

Management Views:
MDE and MDHHS agree with the finding.

Planned Corrective Action:
MDE and MDHHS will continue their efforts to educate staff regarding policy eligibility factors and documentation requirements. MDE and MDHHS will continue to hold quarterly webinars that focus on training and technical assistance for error prone areas or policy changes, as well as case processing. MDE and MDHHS, including the MDHHS Office of Workforce Development and Training, are creating new training content that addresses the comprehensive needs of staff to ensure they have technical training and scenario based examples to learn from. MDHHS FOA memos will be issued Statewide for all policy updates upon release. MDE will utilize a Statewide point of contact directory for Child Development and Care (CDC) matters and issues that require resolution. In addition, the MDE CDC policy office collaborates with MDHHS for monthly Partners in Progress meetings to deliver CDC information.

Anticipated Completion Date:
December 31, 2017

Responsible Individual(s):
Terry Beurer, MDHHS
Lisa Brewer-Walraven, MDE

Finding 2016-032

CCDF Cluster, CFDA 93.575 and 93.596, Licensing Inspector Training Documentation

Management Views:
MDE and the Department of Licensing and Regulatory Affairs (LARA) agree with the finding.

Planned Corrective Action:
As of March 1, 2017, LARA requires sign-in sheets for all required trainings.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Mark C. Jansen, LARA

Finding 2016-033

CCDF Cluster, CFDA 93.575 and 93.596, Fraud Detection and Repayment

Management Views:

MDE and MDHHS agree with the finding.

Planned Corrective Action:

MDE and MDHHS will analyze receivables and determine which debts will be referred to the Michigan Department of Treasury for collection. MDE and MDHHS will also assess existing Bridges work requests and determine if those meet current business needs, and additional work requests will be established if applicable. In addition, MDE and MDHHS will establish a debt referral process going forward.

Anticipated Completion Date:

September 30, 2017

Responsible Individual(s):

Lisa Brewer-Walraven, MDE
Steve Bendele, MDHHS

Finding 2016-034

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Transitional Medicaid Eligibility

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

During the fiscal year, MDHHS researched and implemented system solutions to resolve this issue. All Transitional Medicaid Assistance (TMA) cases appear to be running correctly with MAGI rules when Low Income Family eligibility is lost and TMA eligibility is gained. MAGI rules are also being utilized when TMA ends and redeterminations are conducted. MDHHS believes no further action is required at this time.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Logan Dreasky, MDHHS

Finding 2016-035

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Beneficiary Eligibility

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For part a, MDHHS will identify worker relief work requests and system enhancements or changes and have them prioritized and implemented. In addition, worker training will continue through Office of Workforce Development and Training.

For part b, as MDHHS's electronic document management (EDM) system becomes fully integrated with eligibility documentation, this finding should be fully remediated.

For part c, the cases were "frozen" Types of Assistance (TOA) at the time of review. MAGI was not called, which prevented all reviews from occurring. There are no longer any frozen TOAs.

Anticipated Completion Date:

- a. MDHHS anticipates that the work requests will be prioritized by the end of fiscal year 2017. Worker training is continuous.
- b. Ongoing
- c. Complete

Responsible Individual(s):

Logan Dreasky, MDHHS
Michelle Best, MDHHS

Finding 2016-036

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Under Age 21 Eligibility Group

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will continue to review and monitor beneficiaries in the "under age 21" Medicaid eligibility group on a monthly basis to ensure the cases are re-determined when an individual ages out. MDHHS will determine the root cause of any beneficiary not being removed from the "under age 21" eligibility group on a timely basis and determine if other corrections are necessary.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Logan Dreasky, MDHHS
Dan Ridge, MDHHS

Finding 2016-037

Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Ineligible Payments

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS added an edit to the home help payment system that prevents home help payments from being issued once the level of care (LOC) code has been updated to reflect the nursing home LOC. However, this edit does not capture hospitalization if there is no LOC change or will not stop payment if there is a delay in getting the LOC changed within the system. This edit will continue in the new Michigan Adult Information Management System (MiAIMS).

In addition, MDHHS continues to monitor on a post-payment basis to identify providers who were reimbursed prior to the LOC being entered in the system or for any potential overlap in services. During this fiscal year, MDHHS's Office of Health Services Inspector General also began reviewing for overlapping payments and referring for recoupment. MDHHS has established receivables for several of the payments identified in the finding and has negotiated payments plans with two of the providers.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Michelle Martin, MDHHS

Finding 2016-038

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Benefit Reduction and Certification of Medical Needs

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For part a., MDHHS is in the process of developing a new computer system for Adult Services Programs called MiAIMS. This new application will have system functionality which prompts the worker to prorate services when there are multiple adults in the household or to document why proration is not applicable. Part a. will be corrected when the new system rolls out.

For part b., MDHHS implemented the policy change (ASM 115) in August 2016.

Anticipated Completion Date:

- a. The MiAIMS pilot is currently scheduled for August 2017 with Statewide roll-out in October 2017.
- b. Completed

Responsible Individual(s):

Michelle Martin, MDHHS

Finding 2016-039

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), ASW Contact with Providers

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will develop a monthly report to send to local office management to monitor for timely completion of the required six-month provider contact.

Anticipated Completion Date:

September 30, 2017

Responsible Individual(s):

Michelle Martin, MDHHS

Finding 2016-040

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Provider Logs

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Beginning October 2016, individual providers cannot be paid without the submission of an electronic services verification or paper services verification form. Agencies that submit paper monthly invoices do not get paid until the invoice is received and the monthly authorization is entered in the system.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Michelle Martin, MDHHS

Finding 2016-041

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Home Health Services and Documentation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will conduct a review of Home Health policies to analyze opportunities for improvement and strategies for ensuring greater compliance by providers. Strategies such as post-payment reviews and controls within the automated claims system (CHAMPS) will be analyzed for cost-effectiveness.

Anticipated Completion Date:
June 1, 2018

Responsible Individual(s):
Michael Daeschlein, MDHHS
Michelle Tyus, MDHHS

Finding 2016-042

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Emergency Services Only - Pharmacy Payments

Management Views:

MDHHS agrees that payments were inadvertently made on behalf of beneficiaries that may not have been related to an emergency condition.

Planned Corrective Action:

In collaboration with Medical Services Administration's Office of Medical Affairs (OMA), point-of-sale (POS) coding changes and call center functionality are being developed to require a prior authorization and clinical emergency medical necessity review prior to payment for select drugs for Emergency Services Only (ESO) beneficiaries in the future. An OMA physician will make a determination that the drug is medically necessary for an emergency condition in accordance with policy.

The Pharmacy Management Division (PMD) is working on a referral to the Office of Inspector General (OIG) for ESO emergency medical necessity policy compliance and potential post-payment audit recovery for claims for drug products in the classes that OMA physicians identified warranting individual clinical review for coverage and policy compliance moving forward. Based on the OIG findings, the PMD will then evaluate whether any additional POS coding revisions and pharmacy policy clarification are warranted.

Anticipated Completion Date:
September 30, 2017

Responsible Individual(s):
Trish O'Keefe, MDHHS
Helen Walley, MDHHS

Finding 2016-043

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Healthy Michigan Capitation Rates

Management Views:

MDHHS agrees it inadvertently loaded a hospital reimbursement adjustment rate that was three cents too high into CHAMPS.

Planned Corrective Action:

MDHHS completed, and as new actuary rate letters are received, will continue to complete a comparison between the actuary's rate letter and the CHAMPS template. If there is a discrepancy, MDHHS will recoup and repay the rates.

Anticipated Completion Date:

Completed/ongoing for future rate changes

Responsible Individual(s):

Penny Rutledge, MDHHS

Finding 2016-044

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Practitioner Reimbursement

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has taken several actions to reduce the volume of overlapping fee-for-service (FFS) and managed care capitation payments:

- MDHHS implemented new procedures to detect the retroactive enrollment and recoup the capitation payment prior to the health plan paying providers for services.
- MDHHS instituted automatic managed care capitation recoupments for retroactive dis-enrollments for nursing home placement, incarceration, and other administrative purposes.
- These recoupments will ensure that a FFS payment and managed care capitation payment does not exist for the same month when MDHHS effects administrative dis-enrollments.
- MDHHS is currently in the design phase of a system project that will remove Bridges from the managed care enrollment process. CHAMPS will be the system of record for managed care enrollment. Once CHAMPS is the system of record for enrollment, Bridges eligibility and enrollment errors that create retroactive segments or remove segments retroactively will be almost entirely eliminated.

Anticipated Completion Date:

December 2017

Responsible Individual(s):

Susan A. Klein, MDHHS

Samantha Rutledge-Wolf, MDHHS

Finding 2016-045

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), MI Choice Overpayments

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has processed recoupments for the identified charges. It has also corrected the system error related to the LOC 55 code. MDHHS and the system contractor have confirmed that when the LOC 55 code is properly in place on the record, MI Choice capitation payments will not be issued.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Elizabeth Gallagher, MDHHS

Samantha Wolf-Rutledge, MDHHS

Finding 2016-046

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Improper DMEPOS Payments

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS is currently engaged in a major initiative to change these and related functions in CHAMPS. The Modernizing Continuum of Care (MCC) project will allow providers to enter LOC changes online, which will align the LOC change with the admission date and avoid payments to the wrong provider. The MCC also automates the MSA-2565 Facility Admission Notice form, so that nursing facilities can submit it online in CHAMPS. This will greatly reduce current processing times.

Anticipated Completion Date:

January 1, 2018

Responsible Individual(s):

Mike Daeschlein, MDHHS

Lisa Trumbell, MDHHS

Finding 2016-047

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Agency Provider Overpayments

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

For part a, the Home Help Section is updating the access database used to track agency requirements. Reports are being developed to assist staff in tracking what follow-up is needed. Once the database has been completed, staff will complete a final review of all approved agency files to ensure required documents have been received.

For part b, all agencies on the provisionally approved agency list have been removed. This list no longer exists.

For part c, MiAIMS will be replacing ASCAP. The new system will only authorize payment at the agency rate if the agency has an approved agency indicator in the CHAMPS. This indicator is only made a "Yes" after the Home Help Section verifies that they have submitted all required paperwork and are on the approved agency list.

In addition to the above, the Actuarial Division is currently running a monthly report to compare the agencies on the approved agency list with all agencies that received the agency rate for the current month. The report is then sent to the Home Help Section to follow-up on any discrepancies.

Anticipated Completion Date:

- a. MDHHS anticipates completion of the database in July 2017 and review of all currently approved agency files by December 2017.
- b. Completed
- c. MiAIMS Statewide roll-out is anticipated by August 2017. The Actuarial Division report process has been completed and will continue monthly until MiAIMS rolls out and there is no longer a need for it.

Responsible Individual(s):

Michelle Martin, MDHHS

Finding 2016-048

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Overdrawn Funds

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The formula cited has been corrected. MDHHS will perform analytical reviews of draws for the Medical Assistance Program to help ensure any miscalculation errors are identified prior to future draws. In addition, any potential noncompliance issues in the future will be reported to the Michigan Department of Treasury.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Steve Bendele, MDHHS

Finding 2016-049

Low-Income Home Energy Assistance, CFDA 93.568, Incorrect Eligibility Determinations

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
The MDHHS program office will provide communication to the local county MDHHS offices identified as having LIHEAP exceptions to provide guidance and training on application processing, case record maintenance, and State Emergency Relief policy.

Anticipated Completion Date:
August 1, 2017

Responsible Individual(s):
Terry Beurer, MDHHS
Tammy Bair, MDHHS

Finding 2016-050

Low-Income Home Energy Assistance, CFDA 93.568, Lack of Information

Management Views:
LARA agrees with the finding.

Planned Corrective Action:
LARA will implement additional information for the fiscal year 2018 grants to comply with federal regulation 2 CFR 200.331(a)(1). In addition, LARA's Michigan Agency for Energy sent letters to recipients of fiscal year 2017 grants to provide the additional information.

Anticipated Completion Date:
September 1, 2017

Responsible Individual(s):
Susan Corbin, LARA
Wanda Jones, LARA
LeAnn Droste, LARA
Lora MacKay, LARA

Finding 2016-051

Foster Care – Title IV-E, CFDA 93.658, Foster Parent Household Out-of-State Background Checks

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The Division of Child Welfare Licensing (DCWL) will ensure that all Licensing Record Clearance Request (MDHHS 1326) forms submitted by workers are signed by the foster parent(s) and any adult household members residing in the prospective foster parent household with all boxes completed. If the boxes are not completed, the form will be returned for accurate completion.

Upon receipt of application for foster care licensure, DCWL will review the MDHHS 1326 form for completeness and accuracy. If the prospective foster parent and/or any adult household member residing in the prospective foster parent residence has indicated out of state residence within the past five years, DCWL will ensure the worker obtains supporting documentation that reflects the out of state abuse and neglect check results were completed and provided by the worker within the licensure application packet.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Christine Rehagen, MDHHS

Finding 2016-052

Foster Care - Title IV-E, CDFA 93.658, Lack of Documentation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS continues to work with MDE on policy modifications and training to help ensure CDC policies and procedures are being followed.

In addition, over the past several years, MDHHS has been working to fully integrate all eligibility documentation into the electronic case record. Once EDM is fully integrated with eligibility documentation, MDHHS expects additional improvements with documentation requirements.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Terry Beurer, MDHHS

Jenifer Pettibone, MDHHS

Finding 2016-053

Adoption Assistance, CFDA 93.659, Adoption Household Out-of-State Background Checks

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

DCWL will ensure that all MDHHS 1326 forms submitted by adoption workers are signed by the prospective adoptive parent(s) and any adult household members residing in the prospective adoptive parent household with all boxes completed. If the boxes are not completed, the form will be returned for accurate completion.

Upon receipt of application for eligibility determination of adoption assistance, the Adoption Assistance Office will review the MDHHS 1326 form for completeness and accuracy. If the prospective adoptive parent and any adult household member residing in the prospective adoptive parent residence has indicated out of state residence within the past five years, the Adoption Assistance Office will ensure it obtains supporting documentation that reflects the out of state abuse neglect check results were completed and provided by the adoption worker within the adoption assistance eligibility determination application packet.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Dawn Ritter, MDHHS
Christine Rehagen, MDHHS

Finding 2016-054

Adoption Assistance, CFDA 93.659, Annual Adoption Savings Calculation and Accounting Report

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will continue to pursue HHS guidance to identify the elements that are required to complete an accurate query to identify annual savings. In addition, MDHHS will resubmit the Annual Adoption Savings Calculation and Accounting Report for fiscal year 2016.

Anticipated Completion Date:

July 31, 2017

Responsible Individual(s):

Cathe Hoover, MDHHS
Dawn Ritter, MDHHS

Finding 2016-055

Children's Health Insurance Program, CFDA 93.767, Reclassification Errors

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will review the current query methodology used for determining the eligible population and subsequent associated claim data to determine if modifications are necessary to further enhance resulting Children's Health Insurance Program eligible paid claim data. In addition, MDHHS will review the current Bridges work request to fix eligibility classifications within Bridges to see if it can be reprioritized.

Anticipated Completion Date:

July 31, 2017

Responsible Individual(s):

Logan Dreasky, MDHHS

Erin Emerson, MDHHS

Finding 2016-056

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Risk Assessments

Management Views:

MDHHS disagrees that it did not evaluate subrecipients' risk of noncompliance to determine appropriate monitoring procedures. However, MDHHS acknowledges that this process could have been better documented. MDHHS's process during fiscal year 2016 was to review the most recent single audit for the Substance Abuse Prevention and Treatment Block Grant (SAPT BG) subrecipients. If the program was tested as a major program, MDHHS placed reliance on these audits. During the audit period, the SAPT BG program was tested as a major program in all of the single audit reports reviewed. If the program was not tested as a major program for two consecutive years, the program area would have conducted additional monitoring. The reliance on the single audit and the policy that was in place meant that MDHHS did not need to conduct additional monitoring as all SAPT BG funding through the Prepaid Inpatient Health Plans (PIHPs) was already examined under the subrecipient single audits. In any cases where the single audits had findings related to the SAPT BG, the department would have evaluated the PIHP's corrective action plan and issued a management decision indicating whether the finding was valid and whether the corrective action plan was adequate. If there were questioned costs, MDHHS would seek to ensure they were addressed in the settlement process.

Planned Corrective Action:

MDHHS followed the policy in place for this program during fiscal year 2016. Starting in fiscal year 2017, the MDHHS Behavioral Health and Developmental Disabilities Administration implemented the new department wide guidance and established an updated process to perform risk assessments to evaluate the low, medium and high risk subrecipients and to ensure an adequate monitoring plan is developed and implemented.

Anticipated Completion Date:
September 30, 2017

Responsible Individual(s):
John Duvendeck, MDHHS

Finding 2016-057

Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

See Talent Investment Agency, Unemployment Insurance Agency – Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2016, Corrective Action Plan, Finding 2016-01.

Finding 2016-058

CCDF Cluster, CFDA 93.575 and 93.596

See Early Childhood Investment Corporation, Supplementary Information to Financial Statements (Federal Awards), September 30, 2016, Corrective Action Plan, Finding 2016-001.

GLOSSARY

LIST OF ABBREVIATIONS

ACA	Affordable Care Act.	DCWL	Division of Child Welfare Licensing.
ACF	HHS's Administration for Children and Families.	DEQ	Department of Environmental Quality.
ADP	automated data processing.	DHS-54A	Medical Needs form.
AFDC	Aid to Families with Dependent Children.	DMEPOS	durable medical equipment, prosthetics, orthotics, and supplies.
ARRA	American Recovery and Reinvestment Act of 2009.	DMVA	Department of Military and Veterans Affairs.
ASCAP	Adult Services Comprehensive Assessment Program.	DMVA 6-1	Request for Purchase and/or Service.
ASM	Adult Services Manual.	DNR	Department of Natural Resources.
ASW	adult services worker.	DRP	disaster recovery plan.
AWARE	Accessible Web-Based Activity and Reporting Environment.	DTMB	Department of Technology, Management, and Budget.
BCP	business continuity plan.	EDM	electronic document management.
Bridges	Bridges Integrated Automated Eligibility Determination System.	EPLS	Excluded Parties List System.
BRS	Bridges Benefit Recovery System.	ESV	electronic services verification.
CAP	cost allocation plan.	FAA	Federal Aviation Administration.
CCDF	Child Care and Development Fund.	FAIN	Federal Award Identification Number.
CCI	child care institution.	FAST	Family Automated Screening Tool.
CDC	Child Development and Care.	FFEL	Federal Family Education Loans.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>	FFR	federal financial report.
CFMO	Construction and Facilities Management Officer.	FID	Financial Information Database.
CFR	<i>Code of Federal Regulations.</i>	FIP	Family Independence Program.
CHAMPS	Community Health Automated Medicaid Processing System.	FISCAM	Federal Information System Controls Audit Manual.
CHIP	Children's Health Insurance Program.	FNS-FRS	Food Nutrition System - Fiscal Reporting System.
CI	Consolidated Inquiry.	FOA	Field Operations Administration.
CMIA	Cash Management Improvement Act.	FRA	Federal Railroad Administration.
CMS	Cash Management System.	FSSP	Family Self-Sufficiency Plan.
CSHCS	Children's Special Health Care Services.	FTA	Federal Transit Administration.
CWSRF	Capitalization Grants for Clean Water State Revolving Funds.	FTE	full-time equivalent.
DCA	Division of Cost Allocation.	GAO	U.S. Government Accountability Office.
		HHA	home health agency.
		HHC	home heating credit.
		HHP	Home Help Program.

HHS	U.S. Department of Health and Human Services.	MOE	maintenance of effort.
IADLs	instrumental activities of daily living.	MSHDA	Michigan State Housing Development Authority.
IDEA	Early Intervention Services.	NGR	National Guard Regulations.
IEVS	Income Eligibility and Verification System.	OFM	Office of Financial Management.
IPV	intentional program violation.	OMA	Office of Medical Affairs.
ISD	intermediate school district or Integrated Service Delivery.	OMB	U.S. Office of Management and Budget.
IT	information technology.	PACAP	Public Assistance Cost Allocation Plan.
LARA	Department of Licensing and Regulatory Affairs.	PATH	Projects for Assistance in Transition from Homelessness.
LIHEAP	Low-Income Home Energy Assistance Program.	PIHP	Prepaid Inpatient Health Plan.
LOC	level of care.	PM	Federal Program Manager.
LOE	level of effort.	POS	point-of-sale.
MAGI	modified adjusted gross income.	R&D	research and development.
MAIN	Michigan Administrative Information Network.	SEFA	schedule of expenditures of federal awards.
MDE	Michigan Department of Education.	SER	State Emergency Relief.
MDHHS	Michigan Department of Health and Human Services.	SF-270	Request for Advance or Reimbursement.
MDOT	Michigan Department of Transportation.	SNAP	Supplemental Nutrition Assistance Program.
MEAP	Michigan Energy Assistance Program.	SOC	Service Organization Controls.
MEGS+	Michigan Electronic Grants System Plus.	SOLQ	State Online Query.
MHP	Medicaid Health Plan.	SSA	Social Security Administration.
MiAIMS	Michigan Adult Information Management System.	SSBG	Social Services Block Grant.
MI Choice	MI Choice Waiver Program.	SSI	Supplemental Security Income.
MICWRAP	Material Internal Control Weakness Remediation and Accountability Program.	SWSS	Services Worker Support System.
MiND	Michigan Nutrition Data.	TANF	Temporary Assistance for Needy Families.
MiSACWIS	Michigan Statewide Automated Child Welfare Information System.	TOA	type of assistance.
MI-WIC	Michigan Women, Infants, and Children Information System.	USC	<i>United States Code.</i>
		USDOE	U.S. Department of Education.
		USPFO	United States Property and Fiscal Office.
		WR	work request.

GLOSSARY OF TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009.
application controls	Controls that are directly related to individual computer applications. These controls help ensure that transactions are valid, properly authorized, and completely and accurately processed and reported.
availability	Timely and reliable access to data and information systems.
Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system for Michigan's cash assistance, medical assistance, food assistance, child care assistance, and emergency assistance programs.
<i>Catalog of Federal Domestic Assistance (CFDA)</i>	The catalog that provides a full listing, with detailed program descriptions, of all federal programs available to state and local governments.
change controls	Controls that ensure that program, system, or infrastructure modifications are properly authorized, tested, documented, and monitored.
cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of the Uniform Guidance.
<i>Code of Federal Regulations (CFR)</i>	The codification of the general and permanent rules published by the departments and agencies of the federal government.
confidentiality	Protection of data from unauthorized disclosure.

configuration	The way a system is set up. Configuration can refer to either hardware or software or the combination of both.
database management system	Software that uses a standard method of cataloging, retrieving, and running queries on data. The database management system manages incoming data, organizes the data, and provides ways for the data to be modified or extracted by users or other programs.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.
deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
Federal Information System Controls Audit Manual (FISCAM)	A methodology published by the GAO for performing information system control audits of federal and other governmental entities in accordance with <i>Government Auditing Standards</i> .
financial audit	An audit that is designed to provide reasonable assurance about whether the basic financial statements and/or financial schedules of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
general controls	The structure, policies, and procedures that apply to an entity's overall computer operations. These controls include an entitywide security program, access controls, application development and change controls, segregation of duties, system software controls, and service continuity controls.
in-relation-to opinion	An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures and considering materiality of the basic financial statements taken as a whole.
integrity	Accuracy, completeness, and timeliness of data in an information system.

internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
known questioned costs	Questioned costs that are specifically identified by the auditor.
low-risk auditee	As provided for in the Uniform Guidance, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results.
material misstatement	A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on basic financial statement and/or financial schedule amounts.
material weakness in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supports accounting, purchasing, and other financial management activities.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.
operating system	The essential program in a computer that manages all the other programs and maintains disk files, runs applications, and handles devices such as the mouse and printer.

other noncompliance	Violations of contracts or grant agreements that are not material to the basic financial statements but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; abuse; or other internal control deficiencies that may be communicated to management in accordance with <i>Government Auditing Standards</i> .
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.
privileged access	Extensive system access capabilities granted to persons responsible for maintaining system resources. This level of access is considered high risk and must be controlled and monitored by management.
qualified opinion	A type of modified opinion in which the auditor identifies a scope limitation or material noncompliance with one or more of the cited compliance requirements that are applicable to each major federal program.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
security	Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity.
segregation of duties	Separation of the management or execution of certain duties or areas of responsibility to prevent or reduce opportunities for unauthorized modification or misuse of data or service; also known as separation of duties.
Service Organization Controls (SOC) report	<p>Designed to help organizations that provide services to user entities build trust and confidence in their delivery processes and controls through a report by an independent certified public accountant (CPA). Each type of SOC report is designed to help service organizations meet specific user needs:</p> <ul style="list-style-type: none"> • SOC 1 (Report on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting) - Intended for user entities and the CPAs auditing their financial statements in evaluating the effect of the service organization's controls on the user entities' financial statements.

- SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy) - Intended for a broad range of users that need information and assurance about a service organization's controls relevant to any combination of the five predefined control principles.

There are two types of SOC 1 and SOC 2 reports:

- Type 1 - Reports on the fairness of the service organization's description of controls and the suitability of the design of the controls to achieve the related control objectives included in the description, as of a specified date.
- Type 2 - Includes the information in a type 1 report and also addresses the operating effectiveness of the controls to achieve the related control objectives included in the description, throughout a specified period.
- SOC 3 (Trust Services Report for a Service Organization) - Intended for those needing assurance about a service organization's controls that affect the security, availability, or processing integrity of the systems a service organization employs to process user entities' information, or the confidentiality or privacy of that information, but do not have the need for or the knowledge necessary to make effective use of a SOC 2 report.

significant deficiency in internal control over federal program compliance

A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

significant deficiency in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

single audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance, which is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with the Uniform Guidance.

subrecipient	A nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.
Uniform Guidance	Title 2, U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> . The Uniform Guidance, which was officially implemented in December 2014 by the Council on Financial Assistance Reform, establishes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance supersedes guidance from earlier OMB circulars.
unmodified opinion	<p>The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:</p> <ul style="list-style-type: none"> a. The basic financial statements or financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. b. The audited entity complied, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
U.S. Office of Management and Budget (OMB)	A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.



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