RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

ALTON L. PSCHOLKA
DIRECTOR

November 27, 2017

MEMORANDUM

TO: Office of Internal Audit Services
State Budget Office

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

SUBJECT: Fiscal Year 2016 Statewide Single Audit Corrective Action Plan

---

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained in the Office of the Auditor General's State of Michigan Single Audit Report for fiscal year ended September 30, 2016.

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

Attachment

cc: Executive Office
Doug Ringler, Auditor General
Tom Leonard, Speaker of the House
Sam Singh, House Minority Leader
Arlan Meekhof, Senate Majority Leader
Jim Ananich, Senate Minority Leader
Alton Pscholka, State Budget Director
Kyle Jen, Deputy State Budget Director
Heather Boyd, Director, Accounting and Financial Reporting
Shawna Hessling, Statewide Single Audit Coordinator
House Fiscal Agency
Senate Fiscal Agency
Chief Financial Officers
Chief Accountants

STATE OF MICHIGAN
SINGLE AUDIT REPORT
SUMMARY OF AGENCY RESPONSES TO RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

1. **Audit Recommendations the Agency has complied with:**
   2016-007, 2016-009, 2016-010, 2016-012, 2016-013, 2016-014, 2016-017, 2016-018, 2016-019, 2016-020, 2016-022, 2016-024, 2016-025, 2016-026, 2016-028, 2016-030, 2016-032, 2016-034, 2016-040, 2016-043, 2016-045, 2016-048, 2016-051, 2016-053

2. **Audit Recommendations the agency agrees with and will comply:**
   2016-001, 2016-002, 2016-003 (except as noted in section 3 below), 2016-004, 2016-005, 2016-006, 2016-008, 2016-011, 2016-015, 2016-016, 2016-021, 2016-023, 2016-027, 2016-029, 2016-031, 2016-033, 2016-035, 2016-036, 2016-037, 2016-038, 2016-039, 2016-041, 2016-042, 2016-044, 2016-046, 2016-047, 2016-049, 2016-050, 2016-052, 2016-054, 2016-055, 2016-056*

3. **Audit Recommendations the agency disagrees with:**
   2016-003 (parts b, c, and d related to the Medicaid program)

4. **Audit Recommendations Related to Other Audits:**
   2016-057, 2016-058

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

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

Finding 2016-001
Bridges Interface and Change Controls

Recommendation
We recommend that MDHHS and DTMB ensure that effective interface and change controls are implemented for 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).

Management Views and Corrective Action Plan
For part a., DTMB will work to ensure that the file control and batch summary tables used to reconcile 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 performed 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. Completed
e. September 30, 2017
f. June 30, 2018

Finding 2016-002
Bridges Security Management and Access Controls

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

Management Views and Corrective Action Plan
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. MDHHS has discussed audit findings and will ensure updated procedures continue to be 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. New monitoring protocols will be developed by December 2017.
- c. September 30, 2017
- e. December 31, 2017

Finding 2016-003
Income Eligibility and Verification System (IEVS)

Recommendation
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 and Corrective Action Plan

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

MDHHS partially agrees with 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 completed by September 30, 2017.

Finding 2016-004
ADP Security Program

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

Management Views and Corrective Action Plan
MDHHS and DTMB have completed a remediation plan to ensure that a comprehensive ADP security program for disaster recovery and business continuity plans is established for information systems used to administer federal programs. Corrective action plans are in place for applications that are not being decommissioned.

Anticipated Completion Date:
The remediation plan has been completed. Implementation dates for specific corrective actions have not yet been determined.

Finding 2016-005
MiSACWIS Security Management and Access Controls

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

Management Views and Corrective Action Plan
For parts a. and b., the 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. MDHHS has discussed audit findings and will ensure updated procedures are 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., the MiSACWIS legacy database servers were moved to new servers on July 9, 2017. These servers provide the standard configurations and security measures to eliminate potential vulnerabilities, such as encryption, adaptive firewalls, and proactive intrusion detection measures.

Anticipated Completion Date:
- a. and b. New monitoring protocols will be developed by December 2017.
- c. and d. Completed

Finding 2016-006
CHAMPS Security and Access Controls

Recommendation
We recommend that DTMB fully establish and implement effective security and access controls over the operating system for the Community Health Automated Medicaid Processing System (CHAMPS) servers.

Management Views and Corrective Action Plan
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.

Finding 2016-007
CHAMPS Claims Edits

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

Management Views and Corrective Action Plan
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.

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

Finding 2016-008
MDE IT General Controls

Recommendation
We recommend that MDE and DTMB fully establish effective general controls over Michigan Electronic Grants System Plus (MEGS+), Food Nutrition System – Fiscal Reporting System (FNS-FRS), and the Cash Management System.

Management Views and Corrective Action Plan
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 MEGS+, FNS-FRS, and the 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 (TFS) to track all change management requests from initiation through post-implementation approvals. There is DTMB effort to edit the TFS workflow to adhere to the new Change Management Center of Excellence policies. Therefore, DTMB will not be altering any of the current workflow until the new TFS workflow is released. Until this is completed, the same workflow will be used as were used during the audit period. Updated procedures will be in place by December 31, 2017.

DTMB partially agrees with part c. DTMB has reviewed the database configuration recommendations in the summarized testing results. Changes that could be updated have been set in accordance with recommendations. Other recommendations require review and testing prior to making any changes to database configurations. DTMB is implementing configuration changes as allowed. DTMB is unable to change all configurations due to required functionality. Any recommended changes that cannot be implemented are being documented. 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. DTMB is reviewing requirements and assigning work for completion of corrective actions. The 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

Finding 2016-009
MDHHS, PACAP - Completeness and Accuracy of the PACAP

Recommendation
We recommend that MDHHS ensure that its Public Assistance Cost Allocation Plan (PACAP) includes a complete and accurate narrative.

Management Views and Corrective Action Plan
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 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.

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

Finding 2016-010
MDHHS, PACAP - Inappropriate PACAP Allocation

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

Management Views and Corrective Action Plan
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.

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

Finding 2016-011
MDHHS, PACAP - Inappropriate Expenditures Charged to the PACAP

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

Management Views and Corrective Action Plan
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

Finding 2016-012
MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Recommendation
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 and Corrective Action Plan
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. 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 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.

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

Finding 2016-013
MDHHS, PACAP - Service Organization Controls

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

Management Views and Corrective Action Plan
MDHHS has modified the vendor contract to require submission of an annual Service Organization Control compliance report.

Anticipated Completion Date:
Completed

Finding 2016-014
MDHHS, Inappropriate Allocation of Foster Care Maintenance Payments

Recommendation
We recommend that MDHHS ensure that foster care payments are correctly allocated between the Social Services Block Grant (SSBG) Program and the Foster Care - IV-E Program.

Management Views and Corrective Action Plan
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 SSBG Program and the Foster Care Title IV-E Program.

Anticipated Completion Date:
Completed

Finding 2016-015
MDHHS, Provider Eligibility

Recommendation
We recommend that MDHHS obtain all required disclosures from Prepaid Inpatient Health Plans (PIHP) entities, Medicaid Health Plan (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 and Corrective Action Plan
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

Finding 2016-016
DTMB, Lack of Contract File Documentation

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

Management Views and Corrective Action Plan
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:
November 6, 2017

Finding 2016-017
DTMB, Lack of Required Contract Provisions

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

Management Views and Corrective Action Plan
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 has added the contract provisions to the procurement templates.

Finding 2016-018
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Lack of Proper Approvals

Recommendation
We recommend that DMVA ensure that expenditures are properly approved.

Management Views and Corrective Action Plan
A communication was sent on May 4, 2017, 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:
Completed

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

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 Cash Management Improvement Act agreement.

Management Views and Corrective Action Plan
DMVA has added standard language to emails when distributing the SF-270s to the Michigan National Guard Federal Program Managers (PMs), requesting that they be signed and returned, or a status update provided, within five business days. DMVA believes

this will reduce the time elapsing between the disbursement of funds by the State and the transfer of Federal funds.

Anticipated Completion Date:
Completed

Finding 2016-020
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Ineligible Requests for Reimbursement

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 United States Property and Fiscal Office (USPFO).

Management Views and Corrective Action Plan
For fiscal year 2018, DMVA has sent USPFO a memo concerning the initial funding modifications. The memo indicates that initial funding modifications, whether fully or incrementally funded, need to be in place by October 1, 2017 for the start of fiscal year 2018.

In addition, in fiscal year 2017, DMVA began sending memos to USPFO when an appendix exceeded 90% of the National Guard Bureau's share of allowable costs. This is to help ensure that appendix modifications are executed timely to obligate any increases to the original Annual Funding Program.

Anticipated Completion Date:
Completed

Finding 2016-021
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Disclosure of Obligations

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

Management Views and Corrective Action Plan
Standard operating procedure (SOP) requires 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

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

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

Management Views and Corrective Action Plan
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

Finding 2016-023
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Lack of Required Provisions

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

Management Views and Corrective Action Plan
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

Finding 2016-024
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Lack of Documentation

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

Management Views and Corrective Action Plan
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

Finding 2016-025
National Infrastructure Investments, CFDA 20.933, Accuracy and Completeness of Financial Reports

Recommendation
We recommend that MDOT improve its internal control and submit accurate and complete financial reports to Federal Railroad Administration and Federal Transit Administration.

Management Views and Corrective Action Plan
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

Finding 2016-026
TANF Cluster, CFDA 93.558, Lack of Income Eligibility Documentation

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

Management Views and Corrective Action Plan
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.

Finding 2016-027
TANF Cluster, CFDA 93.558, Lack of Eligibility Documentation

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

Management Views and Corrective Action Plan
MDHHS FOA will continue to educate local office staff on policies, procedures, and required 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:
October 31, 2017

Finding 2016-028
TANF Cluster, CFDA 93.558, MOE New Spending Test

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 maintenance of effort requirements.

Management Views and Corrective Action Plan
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

Finding 2016-029
TANF Cluster, CFDA 93.558, Child Support Non-Cooperation

Recommendation
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 and Corrective Action Plan
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:
September 30, 2017

Finding 2016-030
TANF Cluster, CFDA 93.558, Penalty for Refusal to Work

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

Management Views and Corrective Action Plan
The cases listed in the finding were part of a system issue that was fixed with work request BRGUS00321074.

Anticipated Completion Date:
Completed

Finding 2016-031
CCDF Cluster, CFDA 93.575 and 93.596, Lack of Documentation

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

Management Views and Corrective Action Plan
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

Finding 2016-032
CCDF Cluster, CFDA 93.575 and 93.596, Licensing Inspector Training Documentation

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 and Corrective Action Plan
As of March 1, 2017, LARA requires sign-in sheets for all required trainings.

Anticipated Completion Date:
Completed

Finding 2016-033
CCDF Cluster, CFDA 93.575 and 93.596, Fraud Detection and Repayment

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

Management Views and Corrective Action Plan
MDE and MDHHS will assess existing Bridges work requests and determine if those meet current business needs, and additional work requests will be established if applicable. Due to CCDF reauthorization, development hours allocated to the CDC program for Bridges releases in the 2017 and 2018 development schedule are being used to ensure that MDE is in compliance with federal requirements. MDE and MDHHS will also analyze receivables and determine which debts will be referred to the Michigan Department of Treasury for collection. In addition, MDE and MDHHS will establish a debt referral process going forward.

Anticipated Completion Date:
December 31, 2019

Finding 2016-034
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Transitional Medicaid Eligibility

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

Management Views and Corrective Action Plan
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

Finding 2016-035
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Beneficiary Eligibility

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

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

Management Views and Corrective Action Plan
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 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

Finding 2016-036
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Under Age 21 Eligibility Group

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

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

Finding 2016-037
Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Ineligible Payments

Recommendation
We recommend that MDHHS ensure that Home Help Program (HHP) clients meet HHP eligibility criteria prior to paying for HHP services.

Management Views and Corrective Action Plan
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. A new procedure has been developed with the Office of Inspector General (OIG) to process the recoupments related to an overlap of home help and hospital stays that are captured on the reports. This new procedure was finalized and communicated to the field on August 2, 2017.

Anticipated Completion Date:
The edit was added to the home help payment system. Post-payment monitoring and recoupment is ongoing.

Finding 2016-038
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Benefit Reduction and Certification of Medical Needs

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

Management Views and Corrective Action Plan
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 went live during the first part of August in one county with Statewide roll-out expected by the end of 2017.
b. Completed

Finding 2016-039
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), ASW Contact with Providers

Recommendation
We recommend that MDHHS ensure that adult service workers timely complete six-month reviews with their assigned providers.

Management Views and Corrective Action Plan
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

Finding 2016-040
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Provider Logs

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

Management Views and Corrective Action Plan
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

Finding 2016-041
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Home Health Services and Documentation

Recommendation
We recommend that MDHHS ensure that home health agencies maintain appropriate documentation.

Management Views and Corrective Action Plan
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:
MDHHS anticipates implementation of resulting corrective actions by June 1, 2018.

Finding 2016-042
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Emergency Services Only - Pharmacy Payments

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

Management Views and Corrective Action Plan
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 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

Finding 2016-043
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Healthy Michigan Capitation Rates

Recommendation
We recommend that MDHHS ensure that correct capitation rates are paid to MHP's for Healthy Michigan Plan beneficiaries.

Management Views and Corrective Action Plan
MDHHS agrees it inadvertently loaded a hospital reimbursement adjustment rate that was three cents too high into CHAMPS. 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

Finding 2016-044
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Practitioner Reimbursement

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

Management Views and Corrective Action Plan
MDHHS has taken several actions to reduce the volume of overlapping 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

Finding 2016-045
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), MI Choice Overpayments

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

Management Views and Corrective Action Plan
MDHHS 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

Finding 2016-046
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Improper DMEPOS Payments

Recommendation
We recommend that MDHHS ensure proper payment of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) for beneficiaries residing in nursing facilities.

Management Views and Corrective Action Plan
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

Finding 2016-047
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Agency Provider Overpayments

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

Management Views and Corrective Action Plan
For part a, the Home Help Section updated the access database used to track agency requirements. Reports are being developed to assist staff in tracking what follow-up is needed. 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 the Adult Services Comprehensive Assessment Program. 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 completed the database in July 2017 and anticipates review of all currently approved agency files will be completed by December 2017.
b. Completed
c. MiAIMS Statewide roll-out is anticipated by the end of 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.

Finding 2016-048
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Overdrawn Funds

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

Management Views and Corrective Action Plan
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

Finding 2016-049
Low-Income Home Energy Assistance, CFDA 93.568, Incorrect Eligibility Determinations

Recommendation
We recommend that MDHHS ensure that clients receiving LIHEAP-funded State Emergency Relief (SER) energy payments are eligible.

Management Views and Corrective Action Plan
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 SER policy.

Anticipated Completion Date:
November 1, 2017

Finding 2016-050
Low-Income Home Energy Assistance, CFDA 93.568, Lack of Information

Recommendation
We recommend that LARA ensure that its LIHEAP subrecipients receiving grants through the Michigan Energy Assistance Program are notified of the required federal award information at the time of the subaward.

Management Views and Corrective Action Plan
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

Finding 2016-051
Foster Care – Title IV-E, CFDA 93.658, Foster Parent Household Out-of-State Background Checks

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 and Corrective Action Plan
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

Finding 2016-052
Foster Care - Title IV-E, CDFA 93.658, Lack of Documentation

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

Management Views and Corrective Action Plan
MDHHS Foster Care CDC policy needs have been identified and will be updated. Once these updates are in draft status with initial approval, a Business Integration Center (BIC) request for a system change in Bridges will be submitted.

Anticipated Completion Date:
MDHHS anticipates that the Foster Care CDC policy will be in review status by September 30, 2017. The timeframe for Bridges to prioritize and complete the BIC request is currently unknown, but will be determined shortly after the request is submitted.

Finding 2016-053
Adoption Assistance, CFDA 93.659, Adoption Household Out-of-State Background Checks

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 and Corrective Action Plan
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

Finding 2016-054
Adoption Assistance, CFDA 93.659, Annual Adoption Savings Calculation and Accounting Report

Recommendation
We recommend that MDHHS ensure the accuracy of the savings reported to the U.S. Department of Health and Human Services (HHS).

Management Views and Corrective Action Plan
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:
September 30, 2017

Finding 2016-055
Children's Health Insurance Program, CFDA 93.767, Reclassification Errors

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 and Corrective Action Plan
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 CHIP 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:
September 30, 2017

Finding 2016-056
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Risk Assessments

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 and Corrective Action Plan
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 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

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.