

Office of the Auditor General

**State of Michigan
Single Audit Report**

Fiscal Year Ended September 30, 2017

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, 2017

**Report Number:
000-0100-18**

**Released:
June 2018**

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 Findings		No instances of noncompliance or other matters required to be reported
	1 material weakness	5 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.

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
\$24.6 billion	20 programs	6 programs	No programs	\$15,242,074	13	52
Number of findings repeated from the prior audit					10	24

Identification of Major Federal Programs, Type of Opinion Issued on Compliance, Questioned Costs, and Audit Finding Numbers [(M) denotes a material weakness and/or material noncompliance finding]:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
10.551 and 10.561	SNAP Cluster	Qualified	Undeterminable	<u>2017-001 (M)</u> <u>2017-002 (M)</u> <u>2017-003 (M)</u> <u>2017-004</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-019</u>
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	Unmodified	\$0	<u>2017-008</u> <u>2017-009</u> <u>2017-021</u>
10.565, 10.568, and 10.569	Food Distribution Cluster	Unmodified	\$0	<u>2017-008</u> <u>2017-009</u> <u>2017-021</u> <u>2017-022</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified	\$1,082,867 known plus an undeterminable amount	<u>2017-007</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-019</u> <u>2017-023 (M)</u>
16.575	Crime Victim Assistance	Unmodified	Undeterminable	<u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u>
17.258, 17.259, and 17.278	WIOA Cluster	Unmodified	\$0	<u>2017-010</u> <u>2017-020</u>
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	Unmodified	\$0	<u>2017-010</u> <u>2017-020</u>
20.600 and 20.616	Highway Safety Cluster	Qualified	Undeterminable	<u>2017-026 (M)</u>
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified	\$0	<u>2017-008</u> <u>2017-009</u> <u>2017-027</u> <u>2017-028</u>
84.048	Career and Technical Education - Basic Grants to States	Unmodified	\$0	<u>2017-008</u> <u>2017-009</u> <u>2017-029</u> <u>2017-030</u> <u>2017-031</u> <u>2017-032</u>
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Unmodified	Undeterminable	<u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-019</u> <u>2017-033</u>
90.401	Help America Vote Act Requirements Payments	Unmodified	\$0	Not Applicable
93.044, 93.045, and 93.053	Aging Cluster	Unmodified	Undeterminable	<u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.558	TANF Cluster	Qualified	\$23,420 known plus an undeterminable amount	<u>2017-001 (M)</u> <u>2017-002 (M)</u> <u>2017-003 (M)</u> <u>2017-005</u> <u>2017-010</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015 (M)</u> <u>2017-019</u> <u>2017-020</u> <u>2017-034 (M)</u> <u>2017-035 (M)</u> <u>2017-036</u> <u>2017-037</u> <u>2017-038</u> <u>2017-039</u>
93.575 and 93.596	CCDF Cluster	Qualified	\$2,976,681 known plus an undeterminable amount	<u>2017-001 (M)</u> <u>2017-002 (M)</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-040 (M)</u> <u>2017-041</u> <u>2017-042</u> <u>2017-043</u> <u>2017-070 (M)</u>
93.775, 93.777, and 93.778	Medicaid Cluster	Qualified	\$1,524,061 known plus an undeterminable amount	<u>2017-001 (M)</u> <u>2017-002 (M)</u> <u>2017-003 (M)</u> <u>2017-004</u> <u>2017-006</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-016</u> <u>2017-017</u> <u>2017-018</u> <u>2017-019</u> <u>2017-044</u> <u>2017-045</u> <u>2017-046 (M)</u> <u>2017-047</u> <u>2017-048</u> <u>2017-049</u> <u>2017-050</u> <u>2017-051</u> <u>2017-052</u> <u>2017-053</u> <u>2017-054</u> <u>2017-055</u> <u>2017-056</u> <u>2017-057</u> <u>2017-058</u>
93.563	Child Support Enforcement	Unmodified	Undeterminable	<u>2017-004</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-019</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.568	Low-Income Home Energy Assistance	Unmodified	\$154 known plus an undeterminable amount	<u>2017-001 (M)</u> <u>2017-002 (M)</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-019</u> <u>2017-059</u>
93.658	Foster Care - Title IV-E	Unmodified	\$43 known plus an undeterminable amount	<u>2017-004</u> <u>2017-005</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015 (M)</u> <u>2017-019</u> <u>2017-060</u> <u>2017-061</u>
93.659	Adoption Assistance	Unmodified	\$12 known plus an undeterminable amount	<u>2017-004</u> <u>2017-005</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-019</u> <u>2017-062</u> <u>2017-063 (M)</u> <u>2017-064</u>
93.667	Social Services Block Grant	Unmodified	Undeterminable	<u>2017-005</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015 (M)</u> <u>2017-019</u>
93.767	Children's Health Insurance Program	Unmodified	Undeterminable	<u>2017-001 (M)</u> <u>2017-002 (M)</u> <u>2017-006</u> <u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-016</u> <u>2017-017</u> <u>2017-018</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Qualified	Undeterminable	<u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015</u> <u>2017-065 (M)</u> <u>2017-066</u>
96.001	Disability Insurance/SSI Cluster	Unmodified	Undeterminable	<u>2017-011</u> <u>2017-012 (M)</u> <u>2017-013</u> <u>2017-014</u> <u>2017-015 (M)</u> <u>2017-019</u>

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
14.182 and 14.856	Section 8 Project-Based Cluster	Unmodified	\$0	Not Applicable
17.225	Unemployment Insurance, including ARRA	Unmodified	\$0	2017-067 2017-068 2017-069

Findings Related to Non-Major Programs

CFDA Number(s)	Name of Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Not Applicable	\$9,634,836 known	2017-024 2017-025

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Doug A. Ringler, CPA, CIA
Auditor General

June 28, 2018

Mr. John J. Walsh, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Dear Mr. Walsh:

This is our single audit report for the State of Michigan for the fiscal year ended September 30, 2017.

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 the auditee section of this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to 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, 2017

Federal Agency/Program or Cluster	CFDA * Number
<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
WIC 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
Farm to School Grant Program	10.575
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
Wood Utilization Assistance	10.674
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
Total 10.680	
Good Neighbor Authority	10.691
Partnership Agreements (Note 15)	10.699
Soil and Water Conservation	10.902
Environmental Quality Incentives Program	10.912
Conservation Stewardship Program	10.924
Regional Conservation Partnership Program	10.932

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 2,007,177,493	\$	\$	\$ 2,007,177,493
		136,376,503	26,582,030		162,958,533
		<u>\$ 2,143,553,996</u>	<u>\$ 26,582,030</u>	<u>\$ 0</u>	<u>\$ 2,170,136,026</u>
		\$ 58,886	\$ 112,552,597	\$	\$ 112,611,483
		186,953	301,094,110		301,281,063
		3,687	41,506,376		41,510,063
			202,073		202,073
		572,140	10,954,368		11,526,508
			37,463		37,463
		<u>\$ 821,666</u>	<u>\$ 466,346,987</u>	<u>\$ 0</u>	<u>\$ 467,168,653</u>
		\$ 141,568	\$ 5,289,675	\$	\$ 5,431,243
			15,402,983		15,402,983
		50,470	2,514,565		2,565,035
			17,514,752		17,514,752
		<u>\$ 192,038</u>	<u>\$ 40,721,975</u>	<u>\$ 0</u>	<u>\$ 40,914,013</u>
		\$	\$ 2,448,624	\$	\$ 2,448,624
		<u>\$ 0</u>	<u>\$ 2,448,624</u>	<u>\$ 0</u>	<u>\$ 2,448,624</u>
		\$ 385,258	\$ 246,947	\$	\$ 632,205
			36,904		36,904
		542,537			542,537
			180,813		180,813
		1,230,000			1,230,000
		290,816	1,687,884		1,978,700
		7,172			7,172
		295,785			295,785
		67,716			67,716
		112,914,689	44,540,779		157,455,468
		416,876	71,052,547		71,469,423
		7,595,649			7,595,649
		415,652	5,317		420,969
		345,112			345,112
		598			598
		223,473			223,473
		(5,009)	378,596		373,587
		5,784,359	1,336,152		7,120,511
		183,412	4,031,813		4,215,225
		1,025,466	406,425		1,431,891
		50,551	11,801		62,352
		326,588			326,588
		54,165			54,165
		75,638			75,638
		230,267			230,267
The Gypsy Moth Slow the Spread Foundation Inc.	307116	9,000			9,000
		<u>\$ 239,267</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 239,267</u>
		\$ 199,414	\$	\$	\$ 199,414
		22,552			22,552
			173,797		173,797
			130,187		130,187
			52,895		52,895
		260,615			260,615

STATE OF MICHIGAN
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2017
 (Continued)

Federal Agency/Program or Cluster	CFDA * Number
Wetlands Mitigation Banking Program	10.933
Forest Service Drug Team	10.14-LE-11091000-004**
Total U.S. Department of Agriculture	
<u>U.S. Department of Commerce</u>	
Interjurisdictional Fisheries Act of 1986 (Note 15)	11.407
Coastal Zone Management Administration Awards	11.419
Habitat Conservation	11.463
State and Local Implementation Grant Program	11.549
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
Estuary Habitat Restoration Program	12.130
Military Construction, National Guard	12.400
National Guard Military Operations and Maintenance (O&M) Projects (Note 13)	12.401
National Guard ChalleNGe Program	12.404
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611
Troops to Teachers Grant Program	12.620
Defense Activity for Non-Traditional Education Support	12.N3569713MDTSTOP**
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	
Housing Counseling Assistance Program	14.169
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
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive	
Housing for Persons with Disabilities	14.326
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	

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 225,155	\$	\$	\$ 225,155
		1,443			1,443
		\$ 2,277,742,649	\$ 660,372,473	\$ 0	\$ 2,938,115,122
		\$ 13,531	\$	\$	\$ 13,531
		1,514,582	1,275,848		2,790,430
		3,463,906			3,463,906
		527,822			527,822
		\$ 5,519,841	\$ 1,275,848	\$ 0	\$ 6,795,689
		\$ 1,512,744	\$	\$	\$ 1,512,744
		1,655			1,655
		1,555,287			1,555,287
		66,750,993		4,812,647	71,563,640
		3,508,129	1,981,457		5,489,586
Macomb/St. Clair Workforce Development	15-241-01	702,921			702,921
		63,583			63,583
		1,236			1,236
		\$ 74,096,548	\$ 1,981,457	\$ 4,812,647	\$ 80,890,652
		\$ 231,836,947	\$	\$	\$ 231,836,947
		110,280,187			110,280,187
		1,290,462			1,290,462
		\$ 343,407,596	\$ 0	\$ 0	\$ 343,407,596
		\$ 190,067,888	\$	\$	\$ 190,067,888
		260,138			260,138
		\$ 190,328,026	\$ 0	\$ 0	\$ 190,328,026
		\$ 1,502,460	\$ 367,031	\$	\$ 367,031
			28,926,545		30,429,005
			4,342,348		4,342,348
		(1,137,757)	4,268,550		3,130,793
		16,471,783	3,295,795		19,767,578
			8,337		8,337
			1,050,741		1,050,741
			211,500		211,500
		8,451	8,478,448		8,486,899
		110,917			110,917
		1,162,000			1,162,000
		966,000			966,000
		1,080,274	200,856		1,281,130
		\$ 553,899,750	\$ 51,150,151	\$ 0	\$ 605,049,901
		\$ 11,117,451	\$	\$	\$ 11,117,451
		24,515,935			24,515,935
		238,800			238,800
		\$ 35,872,186	\$ 0	\$ 0	\$ 35,872,186

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
Fish and Wildlife Management Assistance	15.608
Fish and Wildlife Management Assistance	15.608
Total 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
Coastal	15.630
State Wildlife Grants (Note 15)	15.634
Research Grants (Generic)	15.650
Endangered Species Conservation Recovery Implementation Funds (Note 15)	15.657
Natural Resource Damage Assessment, Restoration and Implementation	15.658
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
Justice Systems Response to Families	16.021
Services for Trafficking Victims	16.320
Supervised Visitation, Safe Havens for Children	16.527
Juvenile Justice and Delinquency Prevention	16.540
Missing Children's Assistance	16.543
National Criminal History Improvement Program (NCHIP)	16.554
Crime Victim Assistance	16.575
Crime Victim Compensation	16.576
Crime Victim Assistance/Discretionary Grants	16.582
Violence Against Women Formula Grants	16.588
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590
Residential Substance Abuse Treatment for State Prisoners	16.593
Project Safe Neighborhoods	16.609
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
Harold Rogers Prescription Drug Monitoring Program	16.754
Second Chance Act Reentry Initiative	16.812
Byrne Criminal Justice Innovation Program	16.817
Children Exposed to Violence	16.818
Postconviction Testing of DNA Evidence	16.820
National Sexual Assault Kit Initiative	16.833
FBI - Detroit Cyber Task Force	16.**
FBI - Public Corruption Task Force	16.**
FBI - SE MI Human Trafficking Task Force	16.**
FBI - Bay City Child Exploitation Task Force	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.**

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Purdue	F14AP00521	\$ 95,821	\$ 17,549	\$	\$ 113,370
		1,035			1,035
		<u>\$ 96,856</u>	<u>\$ 17,549</u>	<u>\$ 0</u>	<u>\$ 114,405</u>
		\$ 27,946	\$	\$	\$ 27,946
		1,282,214			1,282,214
		107,813	32,939		140,752
		1,890,281			1,890,281
		39,567			39,567
		1,834,795			1,834,795
		19,465			19,465
		38,115			38,115
		457			457
		922,219	135,065		1,057,284
		200			200
		110,805	113,204		224,009
		<u>1,954,595</u>			<u>1,954,595</u>
		\$ 44,197,514	\$ 298,757	\$ 0	\$ 44,496,271
		\$ 26,612	\$ 304,477	\$	\$ 331,089
		15,194	146,250		161,444
		44,258	192,964		237,222
		17,723	46,210		63,933
		1,072,268	18,344		1,090,612
		416,715	27,256		443,971
		1,170,427	250,000		1,420,427
		1,550,089	28,817,290		30,367,379
		655,000			655,000
		(39)	127,139		127,100
		(590,079)	4,530,785		3,940,706
		6,416	99,016		105,432
		306,089			306,089
		123,533	65,652		189,185
Black Family Development	2016-GP-BX-0002	14,840			14,840
		869,931			869,931
		1,578,998	3,817,142		5,396,140
		1,847,686			1,847,686
		225,131	29,368		254,499
		125,891			125,891
		390,948			390,948
		197,488			197,488
		334,786			334,786
		218,711			218,711
		37,822	26,470		64,292
		16,869			16,869
		61,767			61,767
		55,560	222,125		277,685
		1,588			1,588
		14,738			14,738
		13,035			13,035
		12,708			12,708
		26,787			26,787
		200,300			200,300
		10,801			10,801
		86,380			86,380
		32,905			32,905
		60,450			60,450
		32,011			32,011

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
ATF OT 8th District	16.**
Violent Crimes Task Force	16.**
Detroit Major Crimes Task Force (DMCTF)	16.**
Oakland County Violent Gang Task Force	16.**
Oakland/Macomb Co. Gang & Violent Crime Task Force	16.**
DEA - Tactical Diversion Task Force	16.**
Joint Terrorism Task Force	16.**
OCDETF - National Heroin Initiative	16.**
US Marshal - Sex Offender Sweeps	16.**
Saginaw County Safe Streets Task Force	16.**
Domestic Cannabis Eradication/Suppression Program (DCE/SP)/US DOJ	16.2017-78**
Genesee County Safe Streets Task Force (GCSSTF)	16.281D-DE-C98517**
Southeast Michigan Crimes Against Children Task Force (SEMCAAC)	16.31E-DE-C100515**
FANG OCDETF	16.GL-MIE-0524**
Tri County Metro OCDETF	16.GL-MIW-160**
US Marshal Fugitive Task Force	16.JLEOTFS4**
US Marshal Western District	16.JLEOTFS4**
OCDETF - National Heroin Initiative	16.SI-G-008-10**
OCDETF/US DOJ	16.SI-WG-004-16**
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	
WIOA Cluster:	
WIOA Adult Program	17.258
WIOA Youth Activities	17.259
WIOA Dislocated Worker Formula Grants	17.278
Total 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
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
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280
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 Transportation</u>	
Highway Planning and Construction Cluster:	
Highway Planning and Construction (Note 15)	20.205
ARRA - Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Total Highway Planning and Construction Cluster	

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 3,690	\$	\$	\$ 3,690
		61,684			61,684
		19,976			19,976
		17,753			17,753
		1,831			1,831
		19,993			19,993
		18,093			18,093
		33,576			33,576
		17,130			17,130
		6,998	62,387		69,385
		119,613			119,613
		88,626			88,626
		17,753			17,753
		11,649			11,649
		1,423			1,423
		95,861			95,861
		54,964			54,964
		94,318			94,318
		9,987			9,987
		\$ 11,977,255	\$ 38,782,875	\$ 0	\$ 50,760,130
		\$ 4,572,298	\$ 12,202,280	\$	\$ 16,774,578
		3,701,620			3,701,620
		885,352			885,352
		\$ 9,159,270	\$ 12,202,280	\$ 0	\$ 21,361,550
		\$ 1,184,492	\$ 22,683,078	\$	\$ 23,867,570
		1,147,724	27,184,911		28,332,635
		3,990,162	38,434,750		42,424,912
		\$ 6,322,378	\$ 88,302,739	\$ 0	\$ 94,625,117
		\$ 2,090,000	\$	\$	\$ 2,090,000
		249,000			249,000
		972,520,889			972,520,889
		2,097,433			2,097,433
		44,311	2,708,475		2,752,786
		1,165,954	9,352,108		10,518,062
		1,261,591			1,261,591
		290,181			290,181
		695,235	15,778,076		16,473,311
		21,728	2,067,181		2,088,909
		169,212			169,212
		182,221	577,243		759,464
		9,963,300			9,963,300
		1,639,900			1,639,900
		\$ 1,007,872,603	\$ 130,988,102	\$ 0	\$ 1,138,860,705
		\$ 1,012,248,637	\$ 37,054,006	\$	\$ 1,049,302,643
		29,016			29,016
		1,625,194	1,067,857		2,693,051
		\$ 1,013,902,847	\$ 38,121,863	\$ 0	\$ 1,052,024,710

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
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
New Freedom Program	20.521
Total Transit Services Programs Cluster	
Highway Safety Cluster:	
State and Community Highway Safety	20.600
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 Implementation 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
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505
Formula Grants for Rural Areas	20.509
Public Transportation Research, Technical Assistance, and Training	20.514
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
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.**
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
Election Reform Payments	39.011
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	

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$	\$ 7,368,197	\$	\$ 7,368,197
			2,251,078		2,251,078
		\$ 0	\$ 9,619,275	\$ 0	\$ 9,619,275
		\$	\$ 4,173,577	\$	\$ 4,173,577
			103,546		103,546
		\$ 0	\$ 4,277,123	\$ 0	\$ 4,277,123
		\$ 5,489,357	\$ 2,811,220	\$	\$ 8,300,577
		5,138,285	3,898,310		9,036,595
		\$ 10,627,642	\$ 6,709,530	\$ 0	\$ 17,337,172
		\$ 29,953,145	\$	\$	\$ 29,953,145
		578,088			578,088
		144,397			144,397
		8,927,236			8,927,236
		165,221			165,221
		453,899			453,899
		172,822			172,822
		(1,439,012)			(1,439,012)
		20,373	1,661,208		1,681,581
		2,186,115	807,768		2,993,883
		1,011,451	2,323,391		3,334,842
		2,483,521	21,986,897		24,470,418
			9,486		9,486
		250,147			250,147
		1,344,354			1,344,354
		347,828	171,075		518,903
			59,964		59,964
		40,774			40,774
		190,541	3,918,286		4,108,827
		\$ 1,071,361,389	\$ 89,665,866	\$ 0	\$ 1,161,027,255
		\$ 526,358	\$	\$	\$ 526,358
		\$ 526,358	\$ 0	\$ 0	\$ 526,358
		\$ 585,000	\$	\$	\$ 585,000
		\$ 585,000	\$ 0	\$ 0	\$ 585,000
		\$ 970,120	\$ 1,289,000	\$	\$ 1,289,000
		\$ 970,120	\$ 1,289,000	\$ 0	\$ 2,259,120
		\$	\$ 770,600	\$	\$ 770,600
		\$ 0	\$ 770,600	\$ 0	\$ 770,600

STATE OF MICHIGAN
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2017
 (Continued)

Federal Agency/Program or Cluster	CFDA * Number
<u>Institute of Museum and Library Services</u>	
Museums for America	45.301
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	
<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 Fund	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
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
Total 66.038	
State Clean Diesel Grant Program	66.040
Multipurpose Grants to States and Tribes	66.204
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
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

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 28,701	\$	\$	\$ 28,701
		4,077,503	171,569		4,249,072
		\$ 4,106,204	\$ 171,569	\$ 0	\$ 4,277,773
		\$	\$ 820,000	\$	\$ 820,000
		\$ 0	\$ 820,000	\$ 0	\$ 820,000
		\$ 580,892	\$	\$	\$ 580,892
		24,156,968			24,156,968
		356,436			356,436
		\$ 25,094,296	\$ 0	\$ 0	\$ 25,094,296
		\$ 2,236,707	\$ 49,402,663	\$	\$ 51,639,370
		\$ 2,236,707	\$ 49,402,663	\$ 0	\$ 51,639,370
		\$ 6,223,172	\$ 18,674,581	\$	\$ 24,897,753
		\$ 6,223,172	\$ 18,674,581	\$ 0	\$ 24,897,753
		\$ 4,938,592	\$	\$	\$ 4,938,592
		104,428			104,428
		\$ 5,043,020	\$ 0	\$ 0	\$ 5,043,020
		\$ 289,000	\$	\$	\$ 289,000
		994,029			994,029
Little River Band of Ottawa Indians	TX00E98703	691			691
Inter-Tribal Council of Michigan	TX97522905; TX97522906	5,052			5,052
		\$ 5,743	\$ 0	\$ 0	\$ 5,743
		\$ 24,988	\$ 119,198	\$	\$ 144,186
		389,383			389,383
		247,846	215,584		463,430
		4,310,092			4,310,092
		446,809	96,240		543,049
			2,374,859		2,374,859
		219,061	47,441		266,502
Central Michigan University	GL00E01567	2,285,146	1,164,733		3,449,879
		11,929			11,929
		\$ 2,297,075	\$ 1,164,733	\$ 0	\$ 3,461,808
		\$ 45,953	\$ 175,571	\$	\$ 221,524
		11,660,055	7,511		11,667,566
		114,792	28,746		143,538
		179,963	225,565		405,528
		91,173			91,173

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
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
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
Total 81.119	
Total U.S. Department of Energy	
<u>U.S. Department of Education</u>	
Student Financial Assistance Cluster:	
Federal Pell Grant Program	84.063
Total Student Financial Assistance Cluster	
Special Education Cluster (IDEA):	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
Total Special Education Cluster (IDEA)	
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
National Institute on Disability and Rehabilitation Research	84.133
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
Assistive Technology	84.224
Charter Schools	84.282
Twenty-First Century Community Learning Centers	84.287
Special Education - State Personnel Development	84.323

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 3,210,950	\$	\$	\$ 3,210,950
		217,319			217,319
		<u>\$ 3,428,269</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,428,269</u>
		\$ 1,099,701	\$ 61,151	\$	\$ 1,160,852
		592,540			592,540
		1,710,217			1,710,217
		649,398			649,398
		276,801			276,801
		<u>\$ 42,575,787</u>	<u>\$ 72,593,843</u>	<u>\$ 0</u>	<u>\$ 115,169,630</u>
		\$ 819,435	\$ 367,141	\$	\$ 1,186,576
		1,588,644	13,196,934		14,785,578
			44,097		44,097
State of Tennessee	DE-EE-0007219	19,915			19,915
		<u>\$ 19,915</u>	<u>\$ 44,097</u>	<u>\$ 0</u>	<u>\$ 64,012</u>
		<u>\$ 2,427,994</u>	<u>\$ 13,608,172</u>	<u>\$ 0</u>	<u>\$ 16,036,166</u>
		\$ 2,051,158	\$ 2,279,583	\$	\$ 4,330,741
		<u>\$ 2,051,158</u>	<u>\$ 2,279,583</u>	<u>\$ 0</u>	<u>\$ 4,330,741</u>
		\$ 20,427,051	\$ 382,657,600	\$	\$ 403,084,651
		536,046	11,606,904		12,142,950
		<u>\$ 20,963,097</u>	<u>\$ 394,264,504</u>	<u>\$ 0</u>	<u>\$ 415,227,601</u>
		\$ 168,565	\$	\$	\$ 168,565
		1,846,813	9,703,005		11,549,818
		5,172,842	490,202,418		495,375,260
		565,523	7,540,504		8,106,027
		1,061,387			1,061,387
		119,637,041			119,637,041
		1,734,461,232			1,734,461,232
		<u>\$ 1,854,098,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,854,098,273</u>
		\$ (5,367,787)	\$	\$	\$ (5,367,787)
		623,210,556			623,210,556
		<u>\$ 617,842,769</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 617,842,769</u>
		\$ 3,601,082	\$ 34,784,202	\$ 0	\$ 38,385,284
		120,595,497	693,052		121,288,549
		27,832			27,832
		88,837			88,837
		1,127,361	43,683		1,171,044
		765,292	11,382,534		12,147,826
		152,068	276,787		428,855
		283,337			283,337
		463,766	1,613,137		2,076,903
		3,132			3,132
		778			778
		644,532	37,280,708		37,925,240
			1,325,972		1,325,972

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For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
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 Grants (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	
<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	
Maternal, Infant, and Early Childhood Home Visiting Cluster:	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870
Total Maternal, Infant, and Early Childhood Home Visiting Cluster	
TANF Cluster:	
Temporary Assistance for Needy Families (Note 12)	93.558
Total TANF Cluster	
CCDF Cluster:	
Child Care and Development Block Grant (Note 12)	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 Medical Assistance Program	93.777
Total Medicaid Cluster	93.778
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

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 5,685	\$ 295,816	\$	\$ 301,501
		690,230			690,230
		457,513	3,233,467		3,690,980
		6,735,557			6,735,557
		105,775	2,646,190		2,751,965
		480,125	10,939,265		11,419,390
		530,368	4,100,131		4,630,499
		2,447,829	88,661,851		91,109,680
		733,990			733,990
		9,647,923			9,647,923
		822,824	17,087,718		17,910,542
		11,142,806	3,181,110		14,323,916
		\$ 2,665,324,566	\$ 1,121,535,637	\$ 0	\$ 3,786,860,203
		\$ 18,962	\$ 156	\$ 0	\$ 19,118
		\$ 18,962	\$ 156	\$ 0	\$ 19,118
		\$ 15,076,939	\$ 0	\$ 0	\$ 15,076,939
		\$ 15,076,939	\$ 0	\$ 0	\$ 15,076,939
		\$ 468,599	\$ 11,792,162	\$	\$ 12,260,761
		895,288	18,962,282		19,857,570
			7,676,756		7,676,756
		\$ 1,363,887	\$ 38,431,200	\$ 0	\$ 39,795,087
		\$ 1,335,048	\$ 2,129,085	\$	\$ 3,464,133
		398,049	3,240,604		3,638,653
		\$ 1,733,097	\$ 5,369,689	\$ 0	\$ 7,102,786
		\$ 584,386,087	\$ 71,567,900	\$	\$ 655,953,987
		\$ 584,386,087	\$ 71,567,900	\$ 0	\$ 655,953,987
		\$ 88,039,818	\$ 9,642,684	\$	\$ 97,682,502
		63,755,634			63,755,634
		\$ 151,795,452	\$ 9,642,684	\$ 0	\$ 161,438,136
		\$ 3,749,111	\$	\$	\$ 3,749,111
		13,748,856			13,748,856
		12,061,824,997	78,872,473		12,140,697,470
		\$ 12,079,322,964	\$ 78,872,473	\$ 0	\$ 12,158,195,437
		\$	\$ 160,247	\$	\$ 160,247
			334,036		334,036
			613,663		613,663

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
Alzheimer's Disease Demonstration Grants to States	93.051
National Family Caregiver Support, Title III, Part E	93.052
Chronic Diseases: Research, Control, and Prevention	93.068
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
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
Grants to States for Loan Repayment Program	93.165
Disabilities Prevention	93.184
Family Planning Services	93.217
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
Occupational Safety and Health Program	93.262
Immunization Cooperative Agreements	93.268
Immunization Cooperative Agreements (Note 6)	93.268
Total 93.268	
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	93.283
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
Total 93.283	

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 26,876	\$ 38,356	\$	\$ 65,232
		199,420	4,512,528		4,711,948
		98,752			98,752
		9,420,549	9,492,559		18,913,108
		138,890			138,890
		<u>\$ 9,559,439</u>	<u>\$ 9,492,559</u>	<u>\$ 0</u>	<u>\$ 19,051,998</u>
		\$ 947,019	\$ 644,314	\$	\$ 1,591,333
		25,474	785,054		810,528
		213,701			213,701
		413,419			413,419
		3,226,085			3,226,085
		306,179	1,257,567		1,563,746
		623,084	793,399		1,416,483
		1,067,197	275,005		1,342,202
		117,233	516,818		634,051
University of Colorado Denver	FY17.398.041	55,247			55,247
Association of Public Health Laboratories, Inc.	56300-600-155-17-14	65,575			65,575
		<u>\$ 238,055</u>	<u>\$ 516,818</u>	<u>\$ 0</u>	<u>\$ 754,873</u>
		\$ 743,982	\$ 511,021	\$	\$ 1,255,003
		63,522	79,141		142,663
		10,825	208,410		219,235
		660,580	1,369,325		2,029,905
		109,445	1,378,965		1,488,410
		256,189	962,209		1,218,398
		515,600			515,600
		24,062	257,638		281,700
		1,289,763	5,873,799		7,163,562
		1,660,843	1,195,450		2,856,293
		67,076	345,503		412,579
		378,417	154,195		532,612
		4,577	200,367		204,944
		1,199,410	6,400,423		7,599,833
		153,359	98,971		252,330
			(4,013)		(4,013)
Michigan State University	RC105035-MDHHS	107,561	15,000		122,561
		2,866,978	4,157,832		7,024,810
		93,126,075			93,126,075
		<u>\$ 95,993,053</u>	<u>\$ 4,157,832</u>	<u>\$ 0</u>	<u>\$ 100,150,885</u>
		\$ 360,330	\$ 44,400	\$	\$ 404,730
		949			949
	20163267;	1,643,137	460,056		2,103,193
Council of State and Territorial Epidemiologists	20171613-01	65,673			65,673
National Behavioral Health Network for Tobacco & Cancer Control	DP13-1314 1U58DP004986	950			950
		4,397			4,397
		<u>\$ 1,714,157</u>	<u>\$ 460,056</u>	<u>\$ 0</u>	<u>\$ 2,174,213</u>

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2017
(Continued)

Federal Agency/Program or Cluster	CFDA * Number
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	
Trans-NIH Research Support	93.310
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314
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
Sickle Cell Treatment Demonstration Program	93.365
ACL Independent Living State Grants	93.369
NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424
NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424
Total 93.424	
Food Safety and Security Monitoring Project	93.448
ACL Assistive Technology	93.464
Pregnancy Assistance Fund Program	93.500
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
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
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/Replacement Designee 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
Health Care Innovation Awards (HCIA)	93.610
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626
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

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$	\$ 453,226	\$	\$ 453,226
		901,596	465,047		1,366,643
		1,172			1,172
		<u>\$ 902,768</u>	<u>\$ 465,047</u>	<u>\$ 0</u>	<u>\$ 1,367,815</u>
Michigan State University	20171476-00	\$ 17,316	\$	\$	\$ 17,316
		179,090			179,090
Association of Public Health Laboratories, Inc.	56400-200-943-17-03	151,690			151,690
		2,429,535	1,080,375		3,509,910
		29,473	1,438,889		1,468,362
		238,379	95,080		333,459
Sickle Cell Disease Association of America	20153529	12,972			12,972
		(2,665,393)	2,906,841		241,448
Association of State and Territorial Health Officials Council of State and Territorial Epidemiologists	63-10604; 56-10114	48,323	40,000		88,323
	20171439; 20171511	58,139			58,139
		<u>\$ 106,462</u>	<u>\$ 40,000</u>	<u>\$ 0</u>	<u>\$ 146,462</u>
		\$ 249,117	\$	\$	\$ 249,117
		(139,581)	655,513		515,932
		327,059	1,023,236		1,350,295
			131,738		131,738
		1,078,270			1,078,270
		1,024,660	275,939		1,300,599
		270,447	2,146,496		2,416,943
		8,517,864	701,850		9,219,714
		47,481,037	124,057,492		171,538,529
		51,736			51,736
		21,324,099	2,600,532		23,924,631
		91,007,176	53,063,533		144,070,709
		1,563,689	26,832,328		28,396,017
		115,413	(2,128)		113,285
		90,211	1,751,572		1,841,783
		647,996			647,996
		2,473,535			2,473,535
		288,829			288,829
		1,806,087	216,227		2,022,314
		195,687			195,687
Altarum Institute	SC-14-020	192,110			192,110
		1,734,840	14,478,722		16,213,562
			215,610		215,610
		338,745	1,288,856		1,627,601
		1,154,649	531,996		1,686,645
		515	281,551		282,066
		636,450			636,450
			32,086		32,086
		8,461,547			8,461,547

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(Continued)

Federal Agency/Program or Cluster	CFDA * Number
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
State Public Health Approaches for Ensuring Quitline 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
Opioid STR	93.788
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
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881
National Bioterrorism Hospital Preparedness Program	93.889
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898
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
Sexually Transmitted Diseases (STD) Prevention and 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.**
Case Investigation of Cervical Cancer Study	93.559529**
Michigan Art Linkage Project Contract	93.200-2015-87584**
Behavioral Health Services Information System Contract (Substance Abuse)	93.283-07-4803**
Behavioral Health Services Information System Contract (Mental Health - Treatment Episode Data Set)	93.283-07-4803**
Vital Statistics - CDC NCHS Contract	93.HHSD200201250823**
Genotyping TB Contract	93.HHSD200201357461**
National Death Index Contract	93.HHSD2002016M89277**
FDA Tobacco Retail Inspection Contract	93.HHSF223201400074C**
Laboratory Support of the BioWatch Program	93.HSHQDC-16-P-00150**

This schedule continued on next page.

Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
		\$ 135,898,222	\$	\$	\$ 135,898,222
		107,635,089			107,635,089
		123,372,937	2,047,743		125,420,680
		639,931	803,902		1,443,833
		(1,554,588)	4,529,813		2,975,225
		3,564,177	641,460		4,205,637
		325,777	664,000		989,777
		107,819	448,023		555,842
		649,543	614,030		1,263,573
		334,261	55,000		389,261
		2,084,163	3,144,989		5,229,152
		1,238,507	4,730,322		5,968,829
		253,911,274	5,077,579		258,988,853
		5,443	2,526,475		2,531,918
		7,377,426	225,327		7,602,753
		8,214,362			8,214,362
		538,979	779,953		1,318,932
		124,943	238,042		362,985
		687,435	95,161		782,596
		536,809			536,809
		80,705	521,384		602,089
		52,776	27,234		80,010
		41,671			41,671
		13,519			13,519
		2,554,489	4,863,435		7,417,924
		753,329	1,086,241		1,839,570
		29,803	52,247		82,050
		13,669,598	4,181,399		17,850,997
		1,497,874	1,481,628		2,979,502
		1,652,267	4,366,168		6,018,435
		889,126	1,269,710		2,158,836
		889,738	681,789		1,571,527
		190,809	22,537		213,346
		659,482	14,073,313		14,732,795
		2,410,895	58,429,483		60,840,378
		387,635	2,345,272		2,732,907
		1	226,695		226,696
		9,413,856	11,572,441		20,986,297
Northeastern University	820083-16	5,000			5,000
Battelle Memorial Institute	559529	39,816			39,816
		36,075			36,075
Eagle Technologies, Inc.	283-07-4803	11,653			11,653
Eagle Technologies, Inc.	283-07-4803	28,589	106,660		135,249
		687,168			687,168
		673,462			673,462
		66,555			66,555
		523,308	443,742		967,050
		61,911			61,911

STATE OF MICHIGAN
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended September 30, 2017
 (Continued)

Federal Agency/Program or Cluster	CFDA * Number
NASMHPD Transformation Transfer Initiative (TTI)	93.SC-1026-MI-01**
Technical Assistance Coalition (TAC) - Transformation Transfer Initiative (TTI)	93.SC-1060-MI-01**
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
Training and Technical Assistance	94.009
Volunteer Generation Fund	94.021
Operation AmeriCorps	94.025
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	
Social Security Administration - Death Records Contract	96.SS00-09-60016**
Social Security Administration - Death Records Contract	96.SS00-12-60052**
Social Security Administration - Birth Record Contract	96.SS00-14-61066**
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
State Fire Training Systems Grants	97.043
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
US Immigration & Customs Enforcement (ICE)	97.**

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 Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
National Association of State Mental Health Program Directors	SC-1026-MI-01	\$	\$ 25,355	\$	\$ 25,355
National Association of State Mental Health Program Directors	SC-1060-MI-01		70,464		70,464
		\$ 13,816,167,985	\$ 616,247,807	\$ 0	\$ 14,432,415,792
		\$ 397,874	\$ 251,815	\$	\$ 649,689
		267,005	7,060,002		7,327,007
		111,491			111,491
		4,810	180,349		185,159
		19,213	386,071		405,284
		\$ 800,393	\$ 7,878,237	\$ 0	\$ 8,678,630
		\$ 488,901	\$	\$	\$ 488,901
		\$ 488,901	\$ 0	\$ 0	\$ 488,901
		\$ 90,142,563	\$	\$	\$ 90,142,563
		\$ 90,142,563	\$ 0	\$ 0	\$ 90,142,563
		\$ (28,312)	\$	\$	\$ (28,312)
		181,160			181,160
		397,402			397,402
		\$ 90,692,813	\$ 0	\$ 0	\$ 90,692,813
		\$ 4,792,559	\$ 96,945	\$	\$ 96,945
		105,834	714,330		5,506,889
		3,712	70,397		105,834
		217,172	4,602,401		74,109
		98,260			4,819,573
		6,223,920	2,380,916		98,260
		12,193			8,604,836
		13,997			12,193
		930,888			13,997
		6,749	181,703		930,888
		2,710,834	9,801,484		188,452
		1,652,397			12,512,318
		2,059			1,652,397
		\$ 16,770,574	\$ 17,848,176	\$ 0	\$ 34,618,750
		\$ 19,277,026,685	\$ 2,751,528,152	\$ 4,812,647	\$ 22,033,367,484
		\$ 2,451,267,756	\$ 75,750,574	\$ 0	\$ 2,527,018,330
		\$ 21,728,294,441	\$ 2,827,278,726	\$ 4,812,647	\$ 24,560,385,814

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 2017. 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 2017 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, 2017. In addition, some of the programs noted below also include the Michigan Department of Health and Human Services and Michigan Department of Transportation (Other State Agencies) expenditures, which are reported as of September 30, 2017.

<u>CFDA</u>	<u>Program</u>	<u>MSHDA Expenditures as of June 30, 2017</u>	<u>Other State Agencies' Expenditures as of September 30, 2017</u>	<u>Total (as Reported on the SEFA)</u>
14.169	Housing Counseling Assistance Program	\$ 367,031	\$ 0	\$ 367,031
14.182	Section 8 - Contract Administration	\$ 231,836,947	\$ 0	\$ 231,836,947
14.182	Section 8 - New Construction/ Substantial Rehabilitation	\$ 110,280,187	\$ 0	\$ 110,280,187

<u>CFDA</u>	<u>Program</u>	<u>MSHDA Expenditures as of June 30, 2017</u>	<u>Other State Agencies' Expenditures as of September 30, 2017</u>	<u>Total (as Reported on the SEFA)</u>
14.231	Emergency Solutions Grant Program	\$ 4,342,348	\$ 0	\$ 4,342,348
14.239	Home Investment Partnerships Program	\$ 19,767,578	\$ 0	\$ 19,767,578
14.239	Home Investment Partnerships Program - Technical Assistance	\$ 8,337	\$ 0	\$ 8,337
14.256	ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	\$ 211,500	\$ 0	\$ 211,500
14.267	Continuum of Care Program	\$ 995,362	\$ 7,491,537	\$ 8,486,899
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	\$ 110,917	\$ 0	\$ 110,917
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	\$ 1,290,462	\$ 0	\$ 1,290,462
14.871	Section 8 Housing Choice Vouchers	\$ 190,067,888	\$ 0	\$ 190,067,888
14.879	Mainstream Vouchers	\$ 260,138	\$ 0	\$ 260,138
14.896	Family Self-Sufficiency Program	\$ 966,000	\$ 0	\$ 966,000
15.904	Historic Preservation Fund Grants-In-Aid	\$ 224,009	\$ 0	\$ 224,009
20.205	Highway Planning and Construction	\$ 28,389	\$ 1,049,274,254	\$ 1,049,302,643

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 \$45,372,525 for the Airport Improvement Program (CFDA 20.106) channeled to primary airports for fiscal year 2017 are not included in the SEFA. The Federal Aviation Administration (FAA) determined that the Michigan Department of Transportation (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 2017 were \$569,384.

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, 2017, 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 \$1,470,305,608. In addition, as of September 30, 2017, \$513,375,599 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 2017.

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 2017 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		\$1,734,461,232
Loan loss reinsured by USDOE		102,587,040
Account maintenance fees		1,108,471
Loan recoveries - Net of amounts returned to USDOE		3,246,136
Loans repurchased and rehabilitated		12,695,394
Total Federal Family Education Loans - Guaranty Agency		\$1,854,098,273

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 2017 was:

Federal Program Title	CFDA Number	Federal Expenditures
Federal Family Education Loans - Lender	84.032L	
Beginning of fiscal year balance - Loans from prior years		\$ 623,210,556
Interest subsidy payments		2,133,354
Special allowance payments		(7,501,141)
Total Federal Family Education Loans - Lender		\$ 617,842,769

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)	\$16,245,130
Stephanie Tubbs Jones Child Welfare Services Program (CFDA 93.645)	\$30,903,581
Social Services Block Grant (CFDA 93.667)	\$65,818,200

b. MDHHS moved \$77,279,419 of the TANF Cluster (CFDA 93.558) grant award to the Social Services Block Grant (CFDA 93.667) and \$7,056,999 of the TANF Cluster grant award to the CCDF Cluster (CFDA 93.575) 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 \$1,123,203 and Medicaid revenue totaling \$12,241 in fiscal year 2017. 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
Partnership Agreements	10.699	\$ 12,000
Interjurisdictional Fisheries Act of 1986	11.407	13,531
Sport Fish Restoration	15.605	50,051
Wildlife Restoration and Basic Hunter Education	15.611	1,672,080
State Wildlife Grants	15.634	391,386
Endangered Species Conservation Recovery Implementation Funds	15.657	19,000
Highway Research and Development Program	20.200	578,088
Highway Planning and Construction	20.205	6,829,537
Total R&D Expenditures		<u>\$ 9,565,673</u>

INDEPENDENT AUDITOR'S REPORT



OAG
Office of the Auditor General

Doug A. Ringler, CPA, CIA
Auditor General

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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, 2017. 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, 2017. 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
14.182 and 14.856	Section 8 Project-Based Cluster	100%	\$ 343,407,596
17.225	Unemployment Insurance, including ARRA	100%	\$ 974,618,322
93.575 and 93.596	CCDF Cluster	7%	\$ 162,063,997

Management's Responsibility

Management is responsible for compliance with 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State regarding the following:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Transportation	20.600 and 20.616	Highway Safety Cluster	Matching, Level of Effort, and Earmarking - Maintenance of Effort	2017-026
U.S. Department of Health and Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Matching, Level of Effort, and Earmarking - Maintenance of Effort	2017-065

Consequently, we were unable to determine whether the State complied with those requirements applicable to those programs.

In addition, 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	2017-003 2017-012 2017-013 2017-014
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; and Special Tests and Provisions - Income Eligibility and Verification System	2017-003 2017-011 2017-012 2017-013 2017-014 2017-034 2017-035 2017-036

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.575 and 93.596	CCDF Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements	2017-012 2017-013 2017-014 2017-040 2017-041 2017-070
U.S. Department of Health and Human Services	93.775, 93.777, and 93.778	Medicaid Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2017-003 2017-012 2017-013 2017-014 2017-044 2017-045 2017-046 2017-047 2017-048 2017-050 2017-051 2017-052 2017-053 2017-054 2017-055
U.S. Department of Health and Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles	2017-012 2017-013 2017-014

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

Qualified Opinion on Certain Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, except for the possible effects of the matters identified in the first table of the Basis for Qualified Opinion section and except for the noncompliance identified in the second table of 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 major federal programs identified in the Basis for Qualified Opinion section for the fiscal year ended September 30, 2017.

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, 2017.

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 2017-012, 2017-013, 2017-014, 2017-023, 2017-059, 2017-060, and 2017-062. 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 management views and corrective action plan. 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 have not been 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 2017-001, 2017-002, 2017-003, 2017-012, 2017-015, 2017-023, 2017-026, 2017-034, 2017-035, 2017-040, 2017-046, 2017-063, and 2017-065 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 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-013, 2017-014, 2017-015, 2017-016, 2017-017, 2017-018, 2017-019, 2017-020, 2017-021, 2017-022, 2017-027, 2017-028, 2017-029, 2017-030, 2017-031, 2017-032, 2017-033, 2017-036, 2017-037, 2017-038, 2017-039, 2017-041, 2017-042, 2017-043, 2017-044, 2017-045, 2017-047, 2017-048, 2017-049, 2017-050, 2017-051, 2017-052, 2017-053, 2017-054, 2017-055, 2017-056, 2017-057, 2017-058, 2017-059, 2017-060, 2017-061, 2017-062, 2017-064, and 2017-066 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is presented in the accompanying management views and corrective action plan. 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, 2017 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated January 5, 2018, 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,

Doug Ringler
Auditor General
June 21, 2018

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? Yes

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 and Type of Opinion Issued on Compliance:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion
10.551 and 10.561	SNAP Cluster	Qualified*
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	Unmodified
10.565, 10.568, and 10.569	Food Distribution Cluster	Unmodified
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified
16.575	Crime Victim Assistance	Unmodified
17.258, 17.259, and 17.278	WIOA Cluster	Unmodified
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	Unmodified
20.600 and 20.616	Highway Safety Cluster	Qualified
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified
84.048	Career and Technical Education - Basic Grants to States	Unmodified
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Unmodified
90.401	Help America Vote Act Requirements Payments	Unmodified
93.044, 93.045, and 93.053	Aging Cluster	Unmodified
93.558	TANF Cluster	Qualified
93.575 and 93.596	CCDF Cluster	Qualified
93.775, 93.777, and 93.778	Medicaid Cluster	Qualified
93.563	Child Support Enforcement	Unmodified
93.568	Low-Income Home Energy Assistance	Unmodified
93.658	Foster Care - Title IV-E	Unmodified
93.659	Adoption Assistance	Unmodified
93.667	Social Services Block Grant	Unmodified
93.767	Children's Health Insurance Program	Unmodified
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Qualified
96.001	Disability Insurance/SSI Cluster	Unmodified

*See glossary at end of report for definition.

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion
14.182 and 14.856	Section 8 Project-Based Cluster	Unmodified
17.225	Unemployment Insurance, including ARRA	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$36,840,579

Auditee qualified as a low-risk auditee*? No

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 213.

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* (071-0010-18), located at:

audgen.michigan.gov/wp-content/uploads/2018/03/r071001018.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 2017-001

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	172MI100S2514 10/01/2016 - 09/30/2017 172MI100S2519 10/01/2016 - 09/30/2017 172MI100S2520 10/01/2016 - 09/30/2017 172MI100S8026 10/01/2016 - 09/30/2017 172MI100S8036 10/01/2016 - 09/30/2017 172MI100S8069 10/01/2016 - 09/30/2017 172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
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	2016-001
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	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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 - 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	2016-001
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 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
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	2016-001
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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	2016-001
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 17 B1 MI LIEA 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709
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	2016-001
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	1705MI0301	10/01/2016 - 9/30/2018
	1705MI5021	10/01/2016 - 9/30/2018
	05-1605MI5021	10/01/2015 - 9/30/2017
Total Expenditures of Federal Awards	\$258,988,853	
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	2016-001	
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 Health and 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.

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

- 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*.
- 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.

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 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.

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

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.

We concluded that the issues noted in this finding are collectively a material weakness because of their impact on the Bridges application and data used to help determine eligibility and benefit level for several programs.

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

DTMB and MDHHS agree with the finding.

FINDING 2017-002

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: <i>CFDA</i> 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	172MI100S2514 10/01/2016 - 09/30/2017 172MI100S2519 10/01/2016 - 09/30/2017 172MI100S2520 10/01/2016 - 09/30/2017 172MI100S8026 10/01/2016 - 09/30/2017 172MI100S8036 10/01/2016 - 09/30/2017 172MI100S8069 10/01/2016 - 09/30/2017 172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
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	2016-002
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: <i>CFDA</i> 93.558
Federal Award Identification Number (FAIN) and Year	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended

Total Expenditures of Federal Awards	\$655,953,987
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 - 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	2016-002
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 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
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	2016-002
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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	2016-002
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 16 B1 MI LIEA 10/01/2015 - 09/30/2017 G 17 B1 MI LIEA 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709
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	2016-002
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	1705MI0301 10/01/2016 - 9/30/2018 1705MI5021 10/01/2016 - 9/30/2018 05-1605MI5021 10/01/2015 - 9/30/2017
Total Expenditures of Federal Awards	\$258,988,853
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	2016-002
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 17 sampled Bridges incompatible role exception requests. We also noted that MDHHS did not have a process to ensure that incompatible role exception requests were updated annually.
- b. MDHHS did not maintain documentation for 1 (3%) of 40 sampled local office security monitoring reports. Also, MDHHS did not document its review date for 12 (31%) of 39 sampled security monitoring reports and did not complete timely reviews for 6 (22%) of 27 security monitoring reports sampled.

We identified 6 users who were no longer State of Michigan employees according to payroll data; however, these users had active accounts in Bridges at the time of our review. We also identified a user with two active accounts in Bridges.

- 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 8 (19%) of 43 sampled Bridges application security agreements. Also, MDHHS did not ensure that 1 (3%) 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.
- f. MDHHS did not monitor non-local office Bridges user accounts for compliance with account management requirements every 120 days.
- g. MDHHS did not maintain documentation that it completed a review of 1 (10%) of 10 sampled high-risk transaction monitoring reports. Also, MDHHS did not document that it timely completed its reviews of 6 (67%) of 9 high-risk transaction monitoring reports.

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 to 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 and updated annually.

For parts b., f., and g., MDHHS informed us that internal control and monitoring activities were not sufficient to ensure timely completion and maintenance of security monitoring reports due to lack of resources.

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.

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

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

We consider these issues to be a material weakness because, 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 partially agree with the finding.

FINDING 2017-003

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	172MI100S2514 10/01/2016 - 09/30/2017 172MI100S2519 10/01/2016 - 09/30/2017 172MI100S2520 10/01/2016 - 09/30/2017 172MI100S8026 10/01/2016 - 09/30/2017 172MI100S8036 10/01/2016 - 09/30/2017 172MI100S8069 10/01/2016 - 09/30/2017 172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
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	2016-003
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	16 01 MI TANF 17 01 MI TANF	10/01/2015 - Until Expended 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987	
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	2016-003	
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	1705MI5MAP 1705MI5ADM	10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
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	2016-003	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

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 4 (9%) of 45 cases reviewed.
- c. For 2 (20%) of 10 IEVS interfaces, MDHHS did not take timely action on IEVS information in 4 (9%) of 45 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 all 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.
- f. MDHHS did not request and obtain the Social Security Administration (SSA) deceased records for all applicants.
- g. MDHHS did not obtain the National Directory of New Hires' records for SNAP applicants and recipients for 6 months of 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, SSA 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.

Title 7, section 2020(e)(24) of the *United States Code (USC)* requires the state agency to request wage data directly from the National Directory of New Hires to determine eligibility to receive SNAP benefits and the correct amount of those benefits at the time of certification.

MDHHS Bridges Administrative Manual Policy 800, Data Exchanges, requires information received from most computer matches to be resolved by the county/district office caseworker within 45 calendar days of receiving the electronic notification.

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 2017-001, 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 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 orders are being developed.

For part f., MDHHS informed us that it did not obtain access to the SSA's death records because of changes in the SSA's death records subscription process.

For part g., MDHHS informed us that there was a delay in remitting a paper warrant to the U.S. Department of Health and Human Services' (HHS's) Administration for Children and Families.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS may have provided SNAP, TANF, and Medicaid Cluster benefits to ineligible recipients. Consequently, 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 the finding.

FINDING 2017-004

ADP Security Program

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	SNAP Cluster: <i>CFDA</i> 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	172MI100S2514	10/01/2016 - 09/30/2017
	172MI100S2519	10/01/2016 - 09/30/2017
	172MI100S2520	10/01/2016 - 09/30/2017
	172MI100S8026	10/01/2016 - 09/30/2017
	172MI100S8036	10/01/2016 - 09/30/2017
	172MI100S8069	10/01/2016 - 09/30/2017

FAIN and Year <i>(Continued)</i>	172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
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	2016-004
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	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1705MI5MAP 10/1/2016 - 9/30/2017 1705MI5ADM 10/1/2016 - 9/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	2016-004
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 1704MICSES 10/01/2016 - 09/30/2017 1704MICEST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$171,538,529
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	2016-004
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	Foster Care - Title IV-E: <i>CFDA</i> 93.658
Federal Award Identification Number (FAIN) and Year	16 01 MI FOST 10/01/2016 - 09/30/2017 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
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	2016-004
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	Adoption Assistance: <i>CFDA</i> 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
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	2016-004
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 3 (27%) systems. Of the 8 systems that had a DRP, all 8 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 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 2017-005

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	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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	2016-005
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	16 01 MI FOST 10/01/2015 - 09/30/2016 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
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	2016-005
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 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
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	2016-005
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	17 01 MI SOSR 10/01/2016 - 09/30/2018 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680
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	2016-005
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 granted access in excess of the access authorized on the security agreement in 2 (5%) of 42 sampled MiSACWIS user security agreements.
 - (2) MDHHS did not ensure that all required individuals signed the security agreements before access was granted for 3 (7%) of 42 sampled MiSACWIS user security agreements.
- b. MDHHS did not properly authorize and monitor MiSACWIS users with incompatible roles.
- 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.
- e. MDHHS did not have a process to identify and monitor high-risk transactions.
- f. MDHHS did not review user access every 120 days.

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 to 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 of MiSACWIS access.

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

For part d., DTMB informed us that it was implementing relevant operating system configurations for these servers as part of its enterprise-wide UNIX CIS implementation project. The implementation has been ongoing and not all relevant operating system configurations were implemented into production as these configuration efforts are resource intensive.

For part e., MDHHS informed us that logs are maintained of all user transactions; however, it does not monitor the logs unless an issue or potential misuse is noted.

For part f., MDHHS informed us that it was in the process of establishing a quarterly monitoring process; however, this process was not in place during fiscal year 2017.

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 partially agree with the finding.

FINDING 2017-006

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	1705MI5MAP 10/1/2016 - 9/30/2017 1705MI5ADM 10/1/2016 - 9/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	2016-006
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	Children's Health Insurance Program: <i>CFDA</i> 93.767	
Federal Award Identification Number (FAIN) and Year	1705MI0301	10/01/2016 - 9/30/2018
	1705MI5021	10/01/2016 - 9/30/2018
	05-1605MI5021	10/01/2015 - 9/30/2017
Total Expenditures of Federal Awards	\$258,988,853	
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	2016-006	
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 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

DTMB and MDHHS agree with the finding.

FINDING 2017-007

MI-WIC IT General Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	172MI003W1003 10/01/2016 - 09/30/2017 172MI003W1006 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468
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 Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB did not fully establish effective general controls over the Michigan Women, Infants, and Children Information System (MI-WIC). Our review of selected general controls disclosed:

- a. DTMB did not fully establish and implement effective security management and access controls for the MI-WIC database. The MI-WIC 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.
- b. DTMB did not fully establish and implement effective security and access controls over the operating system for MI-WIC servers. Our review of one judgmentally selected server disclosed potentially vulnerable operating system configurations and inappropriate access to the server. 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.

*See glossary at end of report for definition.

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 to authorized personnel.

Cause

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

For part b., DTMB informed us that, because it focused its resources on an enterprise process of implementing Windows best practices for operating system configurations and access controls at an enterprise-wide level, it had inadvertently overlooked implementing some administrative settings on these devices.

Effect

Without effective general controls, individuals may obtain unauthorized or inappropriate access or make inappropriate changes to MI-WIC. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the security of MI-WIC and its data.

Known Questioned Costs

None.

Recommendation

We recommended that MDHHS and DTMB fully establish effective general controls over MI-WIC.

Management Views

MDHHS and DTMB agree with part a. and partially agree with part b. of the finding regarding operating system configuration settings.

FINDING 2017-008
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	14132MI060N1099 10/01/2013 - 09/30/2014 15142MI060N1099 10/01/2014 - 09/30/2015 15152MI060N1099 10/01/2014 - 09/30/2015 16162MI060N1099 10/01/2015 - 09/30/2016 172MI060N1099 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$467,168,653
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	2016-008
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, and 10.569
Federal Award Identification Number (FAIN) and Year	172MI053Y8005 10/01/2016 - 09/30/2017 172MI053Y8105 10/01/2016 - 09/30/2017 172MI124Q2204 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$40,914,013
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	Not Applicable
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	Special Education Cluster: CFDA 84.027 and 84.173
Federal Award Identification Number (FAIN) and Year	H173A130117 07/01/2014 - 09/30/2015 H027A140110 07/01/2014 - 09/30/2015 H173A150117 07/01/2015 - 09/30/2016 H027A150110 07/01/2015 - 09/30/2016 H027A160110 07/01/2016 - 09/30/2017 H173A160117 07/01/2017 - 09/30/2018 H173A170117 07/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$415,227,601
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; 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	Not Applicable
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	Career and Technical Education - Basic Grants to States: CFDA 84.048

Federal Award Identification Number (FAIN) and Year	V048A150022-15B 07/01/2015 - 09/30/2016 V048A160022-16B 07/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$38,385,284
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
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.
- b. MDE and DTMB did not fully implement an effective change management process. We sampled records for 25 MEGS+ changes, 21 FNS-FRS (Michigan Nutrition Data [MiND]) changes, and 7 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.	2 (8%)	1 (5%)	0 (0%)
MDE and/or DTMB did not obtain approvals at one or more stages of the change process.	2 (8%)	3 (14%)	0 (0%)
MDE and/or DTMB did not document testing results at one or more stages of process.	3 (12%)	4 (19%)	0 (0%)
MDE did not approve implementing the change to the production environment.	1 (4%)	6 (29%)	0 (0%)
MDE did not document post-implementation approvals.	8 (32%)	12 (57%)	2 (29%)

- 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+, CMS, and FNS-FRS servers. Our review of two of randomly sampled servers that contained MEGS+, CMS, and

FNS-FRS 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.

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 to 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.

For part b., MDE and DTMB have not fully completed remediation efforts through the Material Internal Control Weakness Remediation and Accountability Program (MICWRAP) project. DTMB is still reviewing and implementing new policies from the DTMB Change Management Center of Excellence.

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, because it focused its resources on an enterprise process of implementing Windows best practices for operating system configurations and access controls at an enterprise-wide level, it had inadvertently overlooked implementing some administrative settings on these devices.

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.

Recommendation

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

Management Views

MDE and DTMB partially agree with the finding.

FINDING 2017-009

MDE, IT Security Management and Access 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	14132MI060N1099 10/01/2013 - 09/30/2014 15142MI060N1099 10/01/2014 - 09/30/2015 15152MI060N1099 10/01/2014 - 09/30/2015 16162MI060N1099 10/01/2015 - 09/30/2016 172MI060N1099 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$467,168,653
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	Not Applicable
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, and 10.569
Federal Award Identification Number (FAIN) and Year	172MI053Y8005 10/01/2016 - 09/30/2017 172MI053Y8105 10/01/2016 - 09/30/2017 172MI124Q2204 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$40,914,013
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	Not Applicable
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	Special Education Cluster (IDEA): CFDA 84.027 and 84.173
Federal Award Identification Number (FAIN) and Year	H173A130117 07/01/2014 - 09/30/2015 H027A140110 07/01/2014 - 09/30/2015 H173A150117 07/01/2015 - 09/30/2016 H027A150110 07/01/2015 - 09/30/2016 H027A160110 07/01/2016 - 09/30/2017

FAIN and Year (Continued)	H173A160117 07/01/2017 - 09/30/2018 H173A170117 07/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$415,227,601
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; 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	Not Applicable
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	Career and Technical Education - Basic Grants to States: CFDA 84.048
Federal Award Identification Number (FAIN) and Year	V048A150022-15B 07/01/2015 - 09/30/2016 V048A160022-16B 07/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$38,385,284
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Condition

MDE and DTMB did not fully establish effective security management and access controls over MEGS+, FNS-FRS, CMS, and Grant Electronic Management System/Michigan Administrative Review System (GEMS/MARS). We noted:

- a. MDE did not consistently follow its established policies and procedures over the granting of access to its systems. We selected records for 28 MEGS+ users, 34 FNS-FRS (MiND) users, 13 CMS users, and 23 GEMS/MARS users. The table below documents the control weaknesses noted for each system:

Control Weakness	Number (and Percent) of Selected Items by System			
	MEGS+	FNS-FRS (MiND)	CMS	GEMS/MARS
MDE did not ensure that security access forms were properly approved prior to granting access.	3 (11%)	1 (3%)	0 (0%)	1 (4%)
MDE did not have security access forms for users.	1 (4%)	16 (47%)	3 (23%)	0 (0%)

b. MDE did not review user access rights in all four systems every 120 days.

Criteria

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.

MDE's process required a security access form to be signed by an authorized official prior to access being granted.

Cause

For part a., MDE informed us that security administrators did not always follow established processes for granting and approving access and did not properly maintain application security agreements for these systems.

For part b., MDE informed us that because of the nature of MEGS+, FNS-FRS, and CMS, a user may not have to log in more than once per year. As a result, MDE performed only annual reviews for a sample of user accounts for these three systems. For GEMS/MARS, MDE performed only an annual review for a sample of non-MDE users.

Effect

Without effective user access controls, individuals may obtain unauthorized or inappropriate access to MDE's systems.

Known Questioned Costs

None.

Recommendation

We recommend that MDE and DTMB fully establish effective security management and access controls over MEGS+, FNS-FRS, CMS, and GEMS/MARS.

Management Views

MDE and DTMB agree with the finding.

FINDING 2017-010
TED, MARS User Access Reviews

Federal Agency	U.S. Department of Labor
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	WIOA Cluster: <i>CFDA</i> 17.258, 17.259, and 17.278
Federal Award Identification Number (FAIN) and Year	AA-25360-14-55-A-26 07/1/2014 - 06/30/2017 AA-26786-15-55-A-26 07/1/2015 - 06/30/2018 AA-28323-16-55-A-26 07/1/2016 - 06/30/2019 AA-30846-17-55-A-26 07/1/2017 - 06/30/2020
Total Expenditures of Federal Awards	\$94,625,117
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring

Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Talent and Economic Development

Federal Agency	U.S. Department of Labor
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	WIOA National Dislocated Worker Grants / WIA National Emergency Grants: <i>CFDA 17.277</i>
Federal Award Identification Number (FAIN) and Year	EM-25883-14-60-A-26 04/01/2014 - 03/31/2017 EM-25864-14-60-A-26 07/01/2014 - 12/31/2016 EM-27357-15-60-A-26 07/01/2015 - 06/30/2018 EM-28175-16-60-A-26 03/01/2016 - 03/31/2018 DW-29764-16-60-A-26 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$16,473,311
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Talent and Economic Development

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: <i>CFDA 93.558</i>
Federal Award Identification Number (FAIN) and Year	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Subrecipient Monitoring
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 Talent and Economic Development

Condition

The Department of Talent and Economic Development (TED) did not perform periodic reviews of Management of Awards to Recipients System (MARS) user access rights.

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 provide 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 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.

DTMB Technical Standard 1340.00.020.01 requires agencies to review user accounts for compliance with account management requirements every 120 days.

Cause

TED informed us that user access reviews of TED employees were generally done at the end of the calendar year, but documentation of the reviews was not maintained. TED also noted that subrecipient user access reviews were the responsibility of the authorized official at the subrecipient.

Effect

Without effective user access controls, individuals may obtain unauthorized or inappropriate access to MARS.

Known Questioned Costs

None.

Recommendation

We recommend that TED perform periodic reviews of MARS user access rights.

Management Views

TED agrees with the finding.

FINDING 2017-011

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	172MI100S2514 10/01/2016 - 09/30/2017 172MI100S2519 10/01/2016 - 09/30/2017 172MI100S2520 10/01/2016 - 09/30/2017 172MI100S8026 10/01/2016 - 09/30/2017 172MI100S8036 10/01/2016 - 09/30/2017 172MI100S8069 10/01/2016 - 09/30/2017 172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
State Agency	Michigan Department of Health and Human Services
Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable

Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA 10.557</i>	
Federal Award Identification Number (FAIN) and Year	172MI003W1003	10/01/2016 - 09/30/2017
	172MI003W1006	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468	
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 Justice	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Crime Victim Assistance: <i>CFDA 16.575</i>	
Federal Award Identification Number (FAIN) and Year	2017-VA-GX-0063	10/01/2016 - 09/30/2020
	2016-VA-GX-0021	10/01/2015 - 09/30/2019
	2015-VA-GX-0044	10/01/2014 - 09/30/2018
	2014-VA-GX-0046	10/01/2013 - 09/30/2017
Total Expenditures of Federal Awards	\$30,367,379	
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 Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: <i>CFDA 84.126</i>	
Federal Award Identification Number (FAIN) and Year	H126A160090	10/01/2015 - 09/30/2016
	H126A170090	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-009	
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: <i>CFDA 93.044, 93.045, and 93.053</i>	
Federal Award Identification Number (FAIN) and Year	17AAMINSIP	10/01/2016 - 09/30/2017
	17AAMIT3SS	10/01/2016 - 09/30/2017
	17AAMIT3CM	10/01/2016 - 09/30/2017
	17AAMIT3HD	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$39,795,087	
Total ARRA Expenditures	\$0	

Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
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	16 01 MI TANF 10/01/15 - Until Expended 17 01 MI TANF 10/01/16 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$22,001 16 01 MI TANF \$2,264 17 01 MI TANF \$19,737
Repeat Finding	2016-009
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 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
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	1705MI5MAP 10/01/2016 - 09/30/2017 1705MI5ADM 10/01/2016 - 09/30/2017 1705MIINCT 10/01/2016 - 09/30/2017 1705MIIMPL 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

Repeat Finding	2016-009
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
	1704MICSES	10/01/2016 - 09/30/2017
	1704MICEST	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$171,538,529	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-009	
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 16 B1 MI LIEA	10/01/2015 - 09/30/2017
	G 17 B1 MI LIEA	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-009	
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	16 01 MI FOST	10/01/2015 - 09/30/2016
	17 01 MI FOST	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-009	
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	16 01 MI ADPT	10/01/2015 - 09/30/2016
	17 01 MI ADPT	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089	

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
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	17 01 MI SOSR 10/01/2016 - 09/30/2018 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
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	1705MI0301 10/01/2016 - 09/30/2018 1705MI5021 10/01/2016 - 09/30/2018 05-1605MI5021 10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$258,988,853
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
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	TIO10026-16 10/01/2015 - 09/30/2017 TIO10026-17 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$60,840,378
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-009
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	1604MIDI00	10/01/2015 - 09/30/2020
	1704MIDI00	10/01/2016 - 09/30/2021
Total Expenditures of Federal Awards	\$90,142,563	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-009	
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 18 cost pools, we noted:

- a. For 2 (11%) of the 18 cost pools, MDHHS did not include the description and cost allocation methods for the expenditures associated with the cost pools in its amended PACAP.
- b. For 1 (6%) of the 18 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 2 *CFR* 200.306 requires that costs used for matching be allowable costs to the federal award.

Cause

For parts a. and b., MDHHS did not compare the non-payroll expenditures coded in the Michigan Administrative Information Network* (MAIN) to the PACAP narrative each quarter to ensure that the cost pool code existed in both places.

For the cost pool that was not reflected in the PACAP for part b., the cost pool coding used to process cost allocation had an allocation methodology associated with it that was identical to the cost pool coding indicated in the PACAP narrative, even though the code was not the same.

*See glossary at end of report for definition.

Effect

By not including the 2 cost pools, MDHHS did not fully describe in its amended PACAP the procedures used to identify, measure, and allocate all costs to each of its programs to permit the director of DCA to make an informed judgment on the correctness and fairness of the amendments. Therefore, 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

\$22,001 - TANF Cluster federal share.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2017-012

MDHHS, PACAP - Inappropriate PACAP Allocation

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	SNAP Cluster: <i>CFDA</i> 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	172MI100S2514	10/01/2016 - 09/30/2017
	172MI100S2519	10/01/2016 - 09/30/2017
	172MI100S2520	10/01/2016 - 09/30/2017
	172MI100S8026	10/01/2016 - 09/30/2017
	172MI100S8036	10/01/2016 - 09/30/2017
	172MI100S8069	10/01/2016 - 09/30/2017
	172MI122Q3903	10/01/2016 - 09/30/2017
	172MI122Q7503	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026	
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	2016-010	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA</i> 10.557	
Federal Award Identification Number (FAIN) and Year	172MI003W1003	10/01/2016 - 09/30/2017
	172MI003W1006	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468	
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 Justice
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Crime Victim Assistance: CFDA 16.575
Federal Award Identification Number (FAIN) and Year	2014-VA-GX-0046 10/01/2013 - 09/30/2017 2015-VA-GX-0044 10/01/2014 - 09/30/2018 2016-VA-GX-0021 10/01/2015 - 09/30/2019 2017-VA-GX-0063 10/01/2016 - 09/30/2020
Total Expenditures of Federal Awards	\$30,367,379
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 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	H126A160090 10/01/2015 - 09/30/2016 H126A170090 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549
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	2016-010
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	17AAMINSIP 10/01/2016 - 09/30/2017 17AAMIT3SS 10/01/2016 - 09/30/2017 17AAMIT3CM 10/01/2016 - 09/30/2017 17AAMIT3HD 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$39,795,087
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 Agencies	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	16 01 MI TANF	10/01/15 - Until Expended
	17 01 MI TANF	10/01/16 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987	
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	2016-010	
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 15 03 MI CCDF	10/01/2014 - 09/30/2015
	G 16 03 MI CCDF	10/01/2015 - 09/30/2016
	G 17 03 MI CCDF	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136	
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	2016-010	
State Agency	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	1705MI5MAP	10/01/2016 - 09/30/2017
	1705MI5ADM	10/01/2016 - 09/30/2017
	1705MIINCT	10/01/2016 - 09/30/2017
	1705MIIMPL	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
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	2016-010	
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 1704MICSES 1704MICEST	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$171,538,529	
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	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	\$144,070,709	
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	2016-010	
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	16 01 MI FOST 17 01 MI FOST	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222	
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	2016-010	
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	16 01 MI ADPT 17 01 MI ADPT	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089	
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	2016-010
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: <i>CFDA</i> 93.667	
Federal Award Identification Number (FAIN) and Year	17 01 MI SOSR	10/01/2016 - 09/30/2018
	17 01 MI TANF	10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680	
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	2016-010	
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: <i>CFDA</i> 93.767	
Federal Award Identification Number (FAIN) and Year	05-1605MI5021	10/01/2015 - 09/30/2017
	1705MI0301	10/01/2016 - 09/30/2018
	1705MI5021	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$258,988,853	
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: <i>CFDA</i> 93.959	
Federal Award Identification Number (FAIN) and Year	TIO10026-16	10/01/2015 - 09/30/2017
	TIO10026-17	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$60,840,378	
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: <i>CFDA</i> 96.001	
Federal Award Identification Number (FAIN) and Year	1604MIDI00	10/01/2015 - 09/30/2020
	1704MIDI00	10/01/2016 - 09/30/2021
Total Expenditures of Federal Awards	\$90,142,563	

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	2016-010
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it and its contractor used the appropriate PACAP data and account codes to allocate expenditures to its federal programs. For 18 cost pools sampled, we noted:

- a. 18 (100%) cost pools for which MDHHS used incorrect data to calculate the PACAP percentages.
- b. 16 (89%) cost pools for which MDHHS did not ensure that its contractor calculated the correct PACAP percentage used to allocate expenditures to various federal programs.
- c. 8 (44%) cost pools for which MDHHS did not ensure that the cost allocation system used the correct account codes.
- d. 7 (39%) cost pools for which MDHHS did not ensure that its contractor used complete data to calculate the PACAP percentages.
- e. 6 (33%) cost pools for which MDHHS did not maintain adequate documentation to support the allocation methods used to allocate all expenditures related to the cost pool.
- f. 1 (6%) cost pool for which MDHHS recorded the same expenditures multiple times.

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 have 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

We consider this to be a material weakness because MDHHS 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 it and its contractor use the appropriate PACAP data and account codes to allocate expenditures to its federal programs.

Management Views

MDHHS partially agrees with the finding.

FINDING 2017-013

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	172MI100S2514 10/01/2016 - 09/30/2017 172MI100S2519 10/01/2016 - 09/30/2017 172MI100S2520 10/01/2016 - 09/30/2017 172MI100S8026 10/01/2016 - 09/30/2017 172MI100S8036 10/01/2016 - 09/30/2017 172MI100S8069 10/01/2016 - 09/30/2017 172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
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	2016-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	172MI003W1003 10/01/2016 - 09/30/2017 172MI003W1006 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468
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 Justice
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Crime Victim Assistance: CFDA 16.575

Federal Award Identification Number (FAIN) and Year	2014-VA-GX-0046 2015-VA-GX-0044 2016-VA-GX-0021 2017-VA-GX-0063	10/01/2013 - 09/30/2017 10/01/2014 - 09/30/2018 10/01/2015 - 09/30/2019 10/01/2016 - 09/30/2020
Total Expenditures of Federal Awards	\$30,367,379	
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 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	H126A160090 H126A170090	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549	
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	2016-011	
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	Aging Cluster: CFDA 93.044, 93.045, and 93.053	
Federal Award Identification Number (FAIN) and Year	17AAMINSIP 17AAMIT3SS 17AAMIT3CM 17AAMIT3HD	10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$39,795,087	
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	2016-011	
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	16 01 MI TANF 17 01 MI TANF	10/01/15 - Until Expended 10/01/16 - Until Expended

Total Expenditures of Federal Awards	\$655,953,987
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	2016-011
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: <i>CFDA</i> 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
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	2016-011
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1705MI5MAP 10/01/2016 - 09/30/2017 1705MI5ADM 10/01/2016 - 09/30/2017 1705MIINCT 10/01/2016 - 09/30/2017 1705MIIMPL 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	2016-011
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	Child Support Enforcement: <i>CFDA</i> 93.563
Federal Award Identification Number (FAIN) and Year	1604MICSES 10/01/2015 - 09/30/2016 1704MICSES 10/01/2016 - 09/30/2017 1704MICEST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$171,538,529

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	2016-011
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: <i>CFDA</i> 93.568
Federal Award Identification Number (FAIN) and Year	G 16 B1 MI LIEA 10/01/2015 - 09/30/2017 G 17 B1 MI LIEA 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709
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	2016-011
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: <i>CFDA</i> 93.658
Federal Award Identification Number (FAIN) and Year	16 01 MI FOST 10/01/2015 - 09/30/2016 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
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	2016-011
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: <i>CFDA</i> 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
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	2016-011
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	17 01 MI SOSR	10/01/2016 - 09/30/2018
	17 01 MI TANF	10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680	
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	2016-011	
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	Children's Health Insurance Program: CFDA 93.767	
Federal Award Identification Number (FAIN) and Year	05-1605MI5021	10/01/2015 - 09/30/2017
	1705MI0301	10/01/2016 - 09/30/2018
	1705MI5021	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$258,988,853	
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	2016-011	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human	
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	TIO10026-16	10/01/2015 - 09/30/2017
	TIO10026-17	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$60,840,378	
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	2016-011	
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: <i>CFDA 96.001</i>	
Federal Award Identification Number (FAIN) and Year	1604MIDI00	10/01/2015 - 09/30/2020
	1704MIDI00	10/01/2016 - 09/30/2021
Total Expenditures of Federal Awards	\$90,142,563	
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	2016-011	
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 cost allocation expenditures were appropriately reclassified. We reviewed a sample of 25 employees and noted that expenditures for 3 (12%) employees were reclassified to an inappropriate cost pool.

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 2017-014

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	172MI100S2514 10/01/2016 - 09/30/2017 172MI100S2519 10/01/2016 - 09/30/2017 172MI100S2520 10/01/2016 - 09/30/2017 172MI100S8026 10/01/2016 - 09/30/2017 172MI100S8036 10/01/2016 - 09/30/2017 172MI100S8069 10/01/2016 - 09/30/2017 172MI122Q3903 10/01/2016 - 09/30/2017 172MI122Q7503 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026
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	2016-012
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	172MI003W1003 10/01/2016 - 09/30/2017 172MI003W1006 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468
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 Justice
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Crime Victim Assistance: <i>CFDA</i> 16.575
Federal Award Identification Number (FAIN) and Year	2014-VA-GX-0046 10/01/2013 - 09/30/2017 2015-VA-GX-0044 10/01/2014 - 09/30/2018 2016-VA-GX-0021 10/01/2015 - 09/30/2019 2017-VA-GX-0063 10/01/2016 - 09/30/2020
Total Expenditures of Federal Awards	\$30,367,379
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 Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: <i>CFDA</i> 84.126
Federal Award Identification Number (FAIN) and Year	H126A160090 10/01/2015 - 09/30/2016 H126A170090 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549
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	2016-012
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	Aging Cluster: <i>CFDA</i> 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	17AAMINSIP 10/01/2016 - 09/30/2017 17AAMIT3SS 10/01/2016 - 09/30/2017 17AAMIT3CM 10/01/2016 - 09/30/2017 17AAMIT3HD 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$39,795,087
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	2016-012
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	TANF Cluster: <i>CFDA</i> 93.558

Federal Award Identification Number (FAIN) and Year	16 01 MI TANF 17 01 MI TANF	10/01/15 - Until Expended 10/01/16 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987	
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	2016-012	
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 15 03 MI CCDF G 16 03 MI CCDF G 17 03 MI CCDF	10/01/2014 - 09/30/2015 10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136	
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	2016-012	
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	1705MI5MAP 1705MI5ADM 1705MIINCT 1705MIIMPL	10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
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	2016-012	
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 1704MICSES 1704MICEST	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017

Total Expenditures of Federal Awards	\$171,538,529
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	2016-012
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	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 17 B1 MI LIEA 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709
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	2016-012
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human
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	16 01 MI FOST 10/01/2015 - 09/30/2016 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
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	2016-012
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	16 01 MI ADPT 10/01/2015 - 09/30/2016 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
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	2016-012
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: <i>CFDA</i> 93.667
Federal Award Identification Number (FAIN) and Year	17 01 MI SOSR 10/01/2016 - 09/30/2018 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680
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	2016-012
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: <i>CFDA</i> 93.767
Federal Award Identification Number (FAIN) and Year	05-1605MI5021 10/01/2015 - 09/30/2017 1705MI0301 10/01/2016 - 09/30/2018 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$258,988,853
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	2016-012
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	Block Grants for Prevention and Treatment of Substance Abuse: <i>CFDA</i> 93.959
Federal Award Identification Number (FAIN) and Year	TIO10026-16 10/01/2015 - 09/30/2017 TIO10026-17 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$60,840,378
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	2016-012
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: <i>CFDA</i> 96.001
Federal Award Identification Number (FAIN) and Year	1604MIDI00 10/01/2015 - 09/30/2020 1704MIDI00 10/01/2016 - 09/30/2021
Total Expenditures of Federal Awards	\$90,142,563
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	2016-012
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 for 1 (6%) of the 18 sampled cost pools.

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 did not have a detailed monitoring process in place to ensure that the contractor used the appropriate allocation documentation.

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.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2017-015

MDHHS, PACAP - System and Organization Controls

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	SNAP Cluster: <i>CFDA</i> 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	172MI100S2514	10/01/2016 - 09/30/2017
	172MI100S2519	10/01/2016 - 09/30/2017
	172MI100S2520	10/01/2016 - 09/30/2017
	172MI100S8026	10/01/2016 - 09/30/2017
	172MI100S8036	10/01/2016 - 09/30/2017

FAIN and Year (Continued)	172MI100S8069	10/01/2016 - 09/30/2017
	172MI122Q3903	10/01/2016 - 09/30/2017
	172MI122Q7503	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-013	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557	
Federal Award Identification Number (FAIN) and Year	172MI003W1003	10/01/2016 - 09/30/2017
	172MI003W1006	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468	
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 Justice	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Crime Victim Assistance: CFDA 16.575	
Federal Award Identification Number (FAIN) and Year	2014-VA-GX-0046	10/01/2013 - 09/30/2017
	2015-VA-GX-0044	10/01/2014 - 09/30/2018
	2016-VA-GX-0021	10/01/2015 - 09/30/2019
	2017-VA-GX-0063	10/01/2016 - 09/30/2020
Total Expenditures of Federal Awards	\$30,367,379	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
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	H126A160090	10/01/2015 - 09/30/2016
	H126A170090	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549	

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2016-013
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: <i>CFDA</i> 93.044, 93.045, and 93.053	
Federal Award Identification Number (FAIN) and Year	17AAMINSIP	10/01/2016 - 09/30/2017
	17AAMIT3SS	10/01/2016 - 09/30/2017
	17AAMIT3CM	10/01/2016 - 09/30/2017
	17AAMIT3HD	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$39,795,087	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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	TANF Cluster: <i>CFDA</i> 93.558	
Federal Award Identification Number (FAIN) and Year	16 01 MI TANF	10/01/15 - Until Expended
	17 01 MI TANF	10/01/16 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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: <i>CFDA</i> 93.575 and 93.596	
Federal Award Identification Number (FAIN) and Year	G 15 03 MI CCDF	10/01/2014 - 09/30/2015
	G 16 03 MI CCDF	10/01/2015 - 09/30/2016
	G 17 03 MI CCDF	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	

Repeat Finding	2016-013
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	1705MI5MAP	10/01/2016 - 09/30/2017
	1705MI5ADM	10/01/2016 - 09/30/2017
	1705MIINCT	10/01/2016 - 09/30/2017
	1705MIIMPL	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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
	1704MICSES	10/01/2016 - 09/30/2017
	1704MICEST	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$171,538,529	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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 16 B1 MI LIEA	10/01/2015 - 09/30/2017
	G 17 B1 MI LIEA	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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: <i>CFDA</i> 93.658
Federal Award Identification Number (FAIN) and Year	16 01 MI FOST 10/01/2015 - 09/30/2016 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2016-013
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: <i>CFDA</i> 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2016-013
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: <i>CFDA</i> 93.667
Federal Award Identification Number (FAIN) and Year	17 01 MI SOSR 10/01/2016 - 09/30/2018 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Material Weakness
Known Questioned Costs	\$0
Repeat Finding	2016-013
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: <i>CFDA</i> 93.767
Federal Award Identification Number (FAIN) and Year	05-1605MI5021 10/01/2015 - 09/30/2017 1705MI0301 10/01/2016 - 09/30/2018 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$258,988,853

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs	\$0
Repeat Finding	2016-013
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	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959	
Federal Award Identification Number (FAIN) and Year	TIO10026-16	10/01/2015 - 09/30/2017
	TIO10026-17	10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$60,840,378	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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	1604MIDI00	10/01/2015 - 09/30/2020
	1704MIDI00	10/01/2016 - 09/30/2021
Total Expenditures of Federal Awards	\$90,142,563	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Material Weakness	
Known Questioned Costs	\$0	
Repeat Finding	2016-013	
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.

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 System and 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.

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.

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 partially agrees.

FINDING 2017-016

MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Eligibility Interface Errors

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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	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	Children's Health Insurance Program: CFDA 93.767

*See glossary at end of report for definition.

Federal Award Identification Number (FAIN) and Year	1705MI0301 1705MI5021 05-1605MI5021	10/01/2016 - 9/30/2018 10/01/2016 - 9/30/2018 10/01/2015 - 9/30/2017
Total Expenditures of Federal Awards	\$258,988,853	
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	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Background

MDHHS uses Bridges for determining eligibility and benefits amounts for medical assistance, among other assistance programs. Eligibility and benefit records from Bridges are then interfaced into CHAMPS, MDHHS's system used to process medical claims and payments.

Condition

MDHHS did not maintain documentation to support that eligibility records with identified errors and excluded from eligibility interface processing for 2 of 5 sampled daily interface runs were investigated, corrected, and resubmitted for processing as appropriate.

Criteria

Federal regulations 2 *CFR* 200.303 and 45 *CFR* 75.303 require the auditee to establish and maintain effective internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and terms and conditions of federal awards.

Cause

MDHHS did not maintain consistent documentation to support that it addressed eligibility interface errors prior to April 2017.

Effect

MDHHS could not ensure that eligibility and benefit level information from Bridges was accurately reflected in CHAMPS for the Children's Health Insurance Program and the Medicaid Cluster and, as a result, could not ensure that medical payments were made based on up-to-date and accurate eligibility information. MDHHS's weakness in maintaining sufficient internal control over federal program compliance could result in noncompliance that will not be detected or corrected in a timely manner.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS maintain documentation to support that eligibility records with identified errors and excluded from eligibility interface processing are investigated, corrected, and resubmitted for processing as appropriate.

Management Views

MDHHS agrees with the finding.

FINDING 2017-017**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	1705MI5MAP	10/01/2016 - 09/30/2017
	1705MI5ADM	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
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	2016-015	
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	1705MI0301	10/01/2016 - 09/30/2018
	1705MI5021	10/01/2016 - 09/30/2018
	05-1605MI5021	10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$258,988,853	
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	2016-015	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not obtain all required disclosures or ensure that disclosures were timely updated in CHAMPS for the Prepaid Inpatient Health Plan (PIHP) entities, Medicaid Health Plan (MHP) entities, MI Choice Waiver Program (MI Choice) entities, the Dental Health Plan entity, or the Pharmacy Benefits Manager (PBM) during the audit period. In addition, MDHHS did not monitor its MI Choice entities' network of providers to ensure that the providers entered into provider agreements and made required disclosures or monitor its Dental Health Plan entity's network of providers to ensure that the providers were licensed, 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, Dental Health Plan entities, and PBMs. 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, because of delayed disclosure responses from various entities, lack of staff needed to input the information into CHAMPS, and internal miscommunication, MDHHS was unable to obtain and update all required disclosures. In addition, because of an in-progress contract bid, MDHHS did not ensure that its current Dental Health Plan entity's network of providers was properly licensed, and 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 and timely update CHAMPS for all required disclosures from PIHP entities, MHP entities, MI Choice entities, the Dental Health Plan entity, and its PBM.

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 are licensed, enter into provider agreements, and make all required disclosures.

Management Views

MDHHS agrees with the finding.

FINDING 2017-018

MDHHS, 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: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1705MI5ADM 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-048
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: <i>CFDA</i> 93.767	
Federal Award Identification Number (FAIN) and Year	1705MI0301	10/01/2016 - 09/30/2018
	1705MI5021	10/01/2016 - 09/30/2018
	05-1605MI5021	10/01/2015 - 09/30/2017
Total Expenditures of Federal Awards	\$258,988,853	
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	Michigan Department of Health and Human Services	

Condition

MDHHS did not report overdrafts 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 and the Children's Health Insurance Program. 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 an error occurred in its quarterly revenue reconciliation which resulted in an understatement of revenue and a subsequent overdraft of federal funds. In addition, MDHHS informed us that internal control was not sufficient to ensure that all noncompliant draws were reported to the Michigan Department of Treasury.

Effect

The Medicaid Cluster funds were overdrawn by \$16 million for 177 days, resulting in \$58,571 in interest due to the federal government. The CHIP funds were overdrawn by \$13 million for 128 days, resulting in \$34,845 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 report noncompliant draws to the Michigan Department of Treasury.

Management Views

MDHHS agrees with the finding.

FINDING 2017-019

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

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	SNAP Cluster: <i>CFDA</i> 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	172MI100S2514	10/01/2016 - 09/30/2017
	172MI100S2519	10/01/2016 - 09/30/2017
	172MI100S2520	10/01/2016 - 09/30/2017
	172MI100S8026	10/01/2016 - 09/30/2017
	172MI100S8036	10/01/2016 - 09/30/2017
	172MI100S8069	10/01/2016 - 09/30/2017
	172MI122Q3903	10/01/2016 - 09/30/2017
	172MI122Q7503	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$2,170,136,026	
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 Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA</i> 10.557	
Federal Award Identification Number (FAIN) and Year	172MI003W1003	10/01/2016 - 09/30/2017
	172MI003W1006	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$157,455,468	
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 Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: <i>CFDA</i> 84.126	
Federal Award Identification Number (FAIN) and Year	H126A160090	10/01/2015 - 09/30/2016
	H126A170090	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549	
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	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1705MI5MAP 10/1/2016 - 9/30/2017 1705MI5ADM 10/1/2016 - 9/30/2017 1705MIINCT 10/1/2016 - 9/30/2017 1705MIIMPL 10/1/2016 - 9/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-017
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 1704MICSES 10/01/2016 - 09/30/2017 1704MICEST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$171,538,529
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	2016-017
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 17 B1 MI LIEA 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709
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	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	16 01 MI FOST 10/01/2015 - 09/30/2016 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
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	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	16 01 MI ADPT 10/01/2015 - 09/30/2016 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
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	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	17 01 MI SOSR 10/01/2016 - 09/30/2018 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$125,420,680
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	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	1604MIDI00 10/01/2015 - 09/30/2020 1704MIDI00 10/01/2016 - 09/30/2021
Total Expenditures of Federal Awards	\$90,142,563
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 4 of 10 sampled contracts of federal awards executed during fiscal year 2017.

Criteria

Federal regulation 2 *CFR* 200.326 states that the nonfederal 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 nonfederal entity, all contracts made by the nonfederal 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, nonfederal entities may continue to comply with the procurement standards in previous U.S. Office of Management and Budget* (OMB) guidance for two additional fiscal years after this part goes into effect. If the nonfederal entity chooses to use the previous procurement standards for an additional two fiscal years before adopting the procurement standards in this part, the nonfederal entity must document this decision in its internal procurement policies.

*See glossary at end of report for definition.

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

Cause

DTMB, in conjunction with the Michigan Department of Attorney General, developed a contract addendum containing the required provisions to be used with new contracts of federal awards after June 30, 2017. Three of the contracts without the provisions were executed prior to June 30, 2017. For the remaining exception, DTMB informed us that it had inadvertently overlooked that the addendum was not included for this contract.

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 2017-020

TED, Procurement and Suspension and Debarment - Lack of Documentation

Federal Agency	U.S. Department of Labor	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	WIOA Cluster: <i>CFDA</i> 17.258, 17.259, and 17.278	
Federal Award Identification Number (FAIN) and Year	AA-25360-14-55-A-26	07/01/2014 - 06/30/2017
	AA-26786-15-55-A-26	07/01/2015 - 06/30/2018
	AA-28323-16-55-A-26	07/01/2016 - 06/30/2019
	AA-30846-17-55-A-26	07/01/2017 - 06/30/2020
Total Expenditures of Federal Awards	\$94,625,117	
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 Talent and Economic Development	

Federal Agency	U.S. Department of Labor	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	WIOA National Dislocated Worker Grants / WIA National Emergency Grants: <i>CFDA</i> 17.277	
Federal Award Identification Number (FAIN) and Year	EM-25883-14-60-A-26	04/01/2014 - 03/31/2017
	EM-25864-14-60-A-26	07/01/2014 - 12/31/2016

FAIN and Year <i>(Continued)</i>	EM-27357-15-60-A-26 EM-28175-16-60-A-26 DW-29764-16-60-A-26	07/01/2015 - 06/30/2018 03/01/2016 - 03/31/2018 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$16,473,311	
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 Talent and Economic Development	

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	16 01 MI TANF 17 01 MI TANF	10/01/2015 - Until Expended 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987	
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 Talent and Economic Development	

Condition

TED did not obtain documentation to support that it verified whether 8 of 8 sampled Michigan Works! Agencies (MWAs) had been suspended or debarred.

Criteria

Federal regulation 2 *CFR* 180.300 requires that when TED enters into a covered transaction with another entity at the next lower tier, TED must verify that the person with whom it intends to do business is not excluded or disqualified. This verification may be accomplished by checking the System for Award Management (SAM), or collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

TED's verification process is to obtain certifications from the MWAs each calendar year.

Cause

TED informed us that it uses annual guidance provided by the U.S. Department of Labor to update the annual assurances and certifications document it sends to the MWAs. Because of an ongoing agency reorganization at the time the federal guidance was issued, TED did not request and obtain the suspension and debarment certifications from the MWAs for calendar year 2017.

Effect

Failure to obtain certifications from the MWAs may increase the risk that TED provides grant funds to an MWA that is suspended or debarred. The federal grantor agencies could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

Recommendation

We recommend that TED obtain documentation to support that it verified MWAs were not suspended or debarred.

Management Views

TED agrees with the finding and will correct the issue.

FINDING 2017-021

MDE, Subrecipient Monitoring - Subaward Information

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	14132MI060N1099 10/01/2013 - 09/30/2014 15142MI060N1099 10/01/2014 - 09/30/2015 15152MI060N1099 10/01/2014 - 09/30/2015 16162MI060N1099 10/01/2015 - 09/30/2016 172MI060N1099 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$467,168,653
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 Education

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, and 10.569
Federal Award Identification Number (FAIN) and Year	172MI053Y8005 10/01/2016 - 09/30/2017 172MI053Y8105 10/01/2016 - 09/30/2017 172MI124Q2204 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$40,914,013
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 Education

Condition

MDE did not report to its subrecipients all subaward information as required by the Uniform Guidance. Our review disclosed:

- a. For fiscal year 2017 grants, MDE did not report the FAIN and the federal award date on subawards of the Child Nutrition Cluster and the Food Distribution Cluster.
- b. For fiscal year 2017 grants, MDE did not report the correct CFDA number on the Commodity Supplemental Food Program (CSFP) subawards of the Food Distribution Cluster.

Criteria

Federal regulation 2 CFR 200.331(a)(1) requires that all pass-through entities* ensure that every subaward includes the FAIN, federal award date, and CFDA number.

Cause

For part a., MDE informed us that omitting the FAIN and the federal award date in the subawards was an oversight. MDE initiated a data fix to add the missing award information to the subrecipient electronic subawards; however, the project was time consuming and delayed because of other departmental priorities.

For part b., MDE informed us that it used a standard e-mail to notify Food Distribution Cluster subrecipients of the CFDA number. MDE did not change the CFDA number from The Emergency Food Assistance Program (TEFAP) to CSFP when e-mails were sent to the CSFP subrecipients.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDE report to its subrecipients all subaward information as required by the Uniform Guidance.

Management Views

MDE agrees with the finding.

FINDING 2017-022

Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569, Subrecipient Monitoring - On-Site Reviews of Local Agencies

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, and 10.569

*See glossary at end of report for definition.

Federal Award Identification Number (FAIN) and Year	172MI053Y8005 172MI053Y8105 172MI124Q2204	10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$40,914,013	
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 Education	

Condition

MDE did not complete 2 (10%) of 21 required on-site reviews for the CSFP local agencies.

Criteria

Federal regulation 7 *CFR* 247.34 requires MDE to perform an on-site review of all local agencies, and of all storage facilities utilized by local agencies, at least once every two years.

Cause

MDE informed us that it did not conduct CSFP on-site reviews in a timely manner because it did not properly schedule the local agencies to be reviewed once every two years.

Effect

MDE limited its assurance that local agencies were in compliance with federal statutes and regulations. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE complete on-site reviews once every two years for all CSFP local agencies.

Management Views

MDE agrees with the finding.

FINDING 2017-023

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, *CFDA* 10.557, Procurement and Suspension and Debarment – Procurement Procedures

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and <i>CFDA</i> Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA</i> 10.557	
Federal Award Identification Number (FAIN) and Year	172MI003W1003 172MI003W1006	10/01/16 - 09/30/17 10/01/16 - 09/30/17
Total Expenditures of Federal Awards	\$157,455,468	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Procurement and Suspension and Debarment	

Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$1,082,867
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not procure services in accordance with State policies and procedures. Our review of 2 procurements for the WIC Program noted that MDHHS:

- Procured services for amounts in excess of its delegated authority without DTMB approval for 1 of 2 procurements.
- Did not use a competitive bidding process for 1 of 2 procurements.
- Did not receive preapproval from the Michigan Civil Service Commission for services provided by an independent contractor for 1 of 2 procurements.

Criteria

Federal regulation 2 *CFR* 200.317 states that when procuring property and services under a federal award, a state must follow the same policies and procedures it uses for procurements from its nonfederal funds.

State agencies can request special delegated authority on a project basis, which DTMB authorizes in writing. The Michigan Procurement Policy Manual (Chapter 5) requires approval from the DTMB Procurement director to use a procurement method other than competitive bidding to establish fair and reasonable pricing. In addition, this Manual states that the disbursement of funds to pay for services performed by an independent contractor must have the prior approval of the Michigan Civil Service Commission.

Cause

The agreement amount of the contract, which provided administrative and technical support, was \$1,540,777. MDHHS informed us that it considered the procurement to be a grant agreement because the services were necessary to administer a grant program and, therefore, not subject to DTMB procurement requirements.

Effect

We consider this to be a material weakness and material noncompliance because of the high error rate and the contract value was material to the procurement population. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

\$1,082,867 - payments made for this contract during fiscal year 2017.

Recommendation

We recommend that MDHHS procure services in accordance with State policies and procedures.

Management Views

MDHHS partially agrees with the finding.

FINDING 2017-024

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	<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-15-2-1021B 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-16-2-1002 10/01/2016 - 09/30/2017</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-16-2-1007 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1010 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1010 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1011 06/01/2016 - 09/30/2016</p> <p>W912JB-16-2-1011 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1021A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1021A 10/01/2016 - 09/30/2017</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-16-2-1021S 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1022A 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022A 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1022B 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1022S 10/01/2015 - 09/30/2016</p> <p>W912JB-16-2-1022S 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1023A 10/01/2015 - 09/30/2016</p>

FAIN and Year <i>(Continued)</i>	W912JB-16-2-1023A	10/01/2016 - 09/30/2017
	W912JB-16-2-1023B	10/01/2015 - 09/30/2016
	W912JB-16-2-1023S	10/01/2015 - 09/30/2016
	W912JB-16-2-1023S	10/01/2016 - 09/30/2017
	W912JB-16-2-1024A	10/01/2015 - 09/30/2016
	W912JB-16-2-1024A	10/01/2016 - 09/30/2017
	W912JB-16-2-1030A	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2015 - 09/30/2016
	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1005	10/01/2016 - 09/30/2017
	W912JB-17-2-1014	10/01/2016 - 09/30/2017
	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
	W912JB-17-2-3074	10/01/2016 - 09/30/2017
	W912JB-17-2-3076	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$71,563,640	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Period of Performance	
Type of Finding	Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$9,516,294	
	W912JB-16-2-1021A	\$1,643,480
	W912JB-16-2-1021B	\$ 824,315
	W912JB-16-2-1021S	\$ 962,920
	W912JB-16-2-1022A	\$ 86,539
	W912JB-16-2-1023A	\$1,291,538
	W912JB-16-2-1023B	\$ 516,462
	W912JB-16-2-1023S	\$ 906,841
	W912JB-16-2-1024	\$2,946,242
	W912JB-17-2-3076	\$ 337,957
Repeat Finding	2016-020	
State Agency	Department of Military and Veterans Affairs	

Condition

The Department of Military and Veterans Affairs (DMVA) did not ensure that it had executed initial cooperative agreement modifications before it submitted requests for reimbursement of program expenditures totaling \$9,516,294 to the United States Property and Fiscal Office (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 2017 were either not executed or not executed until November 10, 2016 or later. DMVA informed us that it operated in a good faith relationship with the USPFO until the cooperative agreement modifications were executed. For the two agreements not executed during fiscal year 2017 (W912JB-16-2-1021B and W912JB-16-2-1023B), DMVA informed us that one base did not submit necessary financial information to the USPFO to generate the cooperative agreement modifications.

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

\$9,516,294 - federal reimbursements requested and received 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 2017-025

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	<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-15-2-1021B 10/01/2014 - 09/30/2015</p>

FAIN and Year <i>(Continued)</i>	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-16-2-1002	10/01/2016 - 09/30/2017	
	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-16-2-1007	10/01/2016 - 09/30/2017	
	W912JB-16-2-1010	10/01/2015 - 09/30/2016	
	W912JB-16-2-1010	10/01/2016 - 09/30/2017	
	W912JB-16-2-1011	06/01/2016 - 09/30/2016	
	W912JB-16-2-1011	10/01/2016 - 09/30/2017	
	W912JB-16-2-1021A	10/01/2015 - 09/30/2016	
	W912JB-16-2-1021A	10/01/2016 - 09/30/2017	
	W912JB-16-2-1021B	10/01/2015 - 09/30/2016	
	W912JB-16-2-1021S	10/01/2015 - 09/30/2016	
	W912JB-16-2-1021S	10/01/2016 - 09/30/2017	
	W912JB-16-2-1022A	10/01/2015 - 09/30/2016	
	W912JB-16-2-1022A	10/01/2016 - 09/30/2017	
	W912JB-16-2-1022B	10/01/2016 - 09/30/2017	
	W912JB-16-2-1022S	10/01/2015 - 09/30/2016	
	W912JB-16-2-1022S	10/01/2016 - 09/30/2017	
	W912JB-16-2-1023A	10/01/2015 - 09/30/2016	
	W912JB-16-2-1023A	10/01/2016 - 09/30/2017	
	W912JB-16-2-1023B	10/01/2015 - 09/30/2016	
	W912JB-16-2-1023S	10/01/2015 - 09/30/2016	
	W912JB-16-2-1023S	10/01/2016 - 09/30/2017	
	W912JB-16-2-1024A	10/01/2015 - 09/30/2016	
	W912JB-16-2-1024A	10/01/2016 - 09/30/2017	
	W912JB-16-2-1030A	10/01/2016 - 09/30/2017	
	W912JB-16-2-1040	10/01/2015 - 09/30/2016	
	W912JB-16-2-1040	10/01/2016 - 09/30/2017	
	W912JB-17-2-1001	10/01/2016 - 09/30/2017	
	W912JB-17-2-1003	10/01/2016 - 09/30/2017	
	W912JB-17-2-1004	10/01/2016 - 09/30/2017	
	W912JB-17-2-1005	10/01/2016 - 09/30/2017	
	W912JB-17-2-1014	10/01/2016 - 09/30/2017	
		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
		W912JB-17-2-3074	10/01/2016 - 09/30/2017
		W912JB-17-2-3076	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$71,563,640		
Total ARRA Expenditures	\$0		
Compliance Requirement(s)	Period of Performance		
Type of Finding	Noncompliance		
Known Questioned Costs by FAIN	W912JB-16-2-1001	\$118,542	

Repeat Finding	2016-021
State Agency	Department of Military and Veterans Affairs

Condition

DMVA requested reimbursement for \$118,542 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 relied on an encumbrance report from DTMB to compile the list of outstanding obligations. Due to a timing issue, the list did not include the purchase order for this project. DMVA also sent the list of outstanding obligations to the Construction and Facilities Management Office (CFMO) for its review prior to completing the extension request. Neither DMVA nor the CFMO identified that the purchase order was excluded.

Effect

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

Known Questioned Costs

\$118,542 - expenditures incurred but not disclosed as an obligation.

Recommendation

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

Management Views

DMVA agrees with the finding.

FINDING 2017-026

Highway Safety Cluster, CFDA 20.600 and 20.616, Matching, Level of Effort, and Earmarking - Lack of Maintenance of Effort Documentation

Federal Agency	U.S. Department of Transportation	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Highway Safety Cluster: CFDA 20.600 and 20.616	
Federal Award Identification Number (FAIN) and Year	18X920405cMI13	10/01/2013 - 09/30/2016
	18X920405cMI14	10/01/2014 - 09/30/2017
	18X920405cMI15	10/01/2015 - 09/30/2018
	18X9204020MI16	10/01/2016 - 09/30/2019
	18X920405bMI16	10/01/2016 - 09/30/2019
	18X920405dMI16	10/01/2016 - 09/30/2019
	18X920405fMI16	10/01/2016 - 09/30/2019

FAIN and Year <i>(Continued)</i>	18X9204020MI17	10/01/2017 - 09/30/2020
	18X920405bMI17	10/01/2017 - 09/30/2020
	18X920405dMI17	10/01/2017 - 09/30/2020
	18X920405fMI17	10/01/2017 - 09/30/2020
	18X920405hMI17	10/01/2017 - 09/30/2020
Total Expenditures of Federal Awards	\$17,337,172	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Scope Limitation for Compliance With Level of Effort - Maintenance of Effort	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of State Police	

Condition

The Michigan Department of State Police (MSP) did not have sufficient controls in place to document its compliance with the maintenance of effort (MOE) requirements for occupant protection, State traffic safety information system improvements, and impaired driving countermeasures.

In April 2018, MSP revised its fiscal year 2017 MOE calculations to comply with the FAST Act, which required that the base years be fiscal years 2014 and 2015.

We reviewed the MOE calculations and available supporting documentation and noted that the calculations did not include expenditure information previously submitted to the grantor agency for the base year and amounts used in the calculations did not match the support. Also, MSP reported as expenditures budgeted and revenue amounts for some categories of costs based on information received from other State agencies.

For example:

- MSP's fiscal year 2015 expenditures previously reported in its 2015 MOE calculation included payroll costs of \$2,905,200 for the programs of Drug Recognition Expert, Standardized Field Sobriety Testing, and Advanced Roadside Impaired Driving Enforcement; however, MSP did not include these expenditures in its fiscal year 2017 MOE calculation as fiscal year 2015 base year expenditures.
- For the impaired driving countermeasures MOE calculation, MSP reported an average cost per participant of \$5,000 for fiscal years 2014, 2015, and 2017. MSP's support for the cost was a budgeted cost per participant of \$4,500. Using information provided by another State agency, MSP reported license fee revenue used to fund alcoholism programs instead of actual expenditures incurred by the programs.
- For the occupant protection MOE calculation, MSP used a point-in-time number of seatbelt citations to derive a personnel cost for seatbelt enforcement. The number of seatbelt citations used in the calculation were less than the most recent summary reports for fiscal years 2014 and 2015.

Criteria

Federal law 23 USC 405(a)(9)(A) requires the State to maintain aggregate expenditures for occupant protection, state traffic safety information system improvements, and impaired driving countermeasures at or above the average level of such expenditures in the two fiscal years prior

to enactment of the FAST Act on December 4, 2015. The two fiscal years prior to enactment of the FAST Act were fiscal years 2014 and 2015.

Cause

MSP initially submitted its fiscal year 2017 MOE calculation to the federal grantor agency in February 2018 using base years that were applicable prior to implementation of the FAST Act. MSP informed us that the federal grantor agency requested MSP to revise its MOE calculation in April 2018 to use the appropriate base years for the FAST Act. MSP informed us that its process to revise the base year did not compare expenditure information already submitted to the federal agency for fiscal years 2014 and 2015. MSP also had not designed its process to identify State expenditures, incurred by MSP or by other State agencies, to ensure that it obtained and retained adequate documentation to support amounts used in its calculation.

In addition, MSP informed us that it had identified issues with its seatbelt citation data which caused variances between the most recent report for each fiscal year and previous point-in-time reports included in its MOE calculation.

Effect

MSP was unable to demonstrate compliance with the MOE requirements. We consider this to be a material weakness and a scope limitation. The federal grantor agency could issue sanctions or disallowances related to noncompliance. In addition, without effective controls, MSP cannot ensure that required levels of State expenditures will be met.

Known Questioned Costs

As a result of the scope limitation, questioned costs were undeterminable.

Recommendation

We recommend that MSP implement controls to ensure that it maintains documentation to demonstrate its compliance with the MOE requirements.

Management Views

MSP agrees with the finding.

FINDING 2017-027

Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Matching, Level of Effort, and Earmarking - Lack of Local Educational Agency (LEA) Budget Documentation

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173
Federal Award Identification Number (FAIN) and Year	H173A130117 07/01/2014 - 09/30/2015 H027A140110 07/01/2014 - 09/30/2015 H173A150117 07/01/2015 - 09/30/2016 H027A150110 07/01/2015 - 09/30/2016 H027A160110 07/01/2016 - 09/30/2017 H173A160117 07/01/2017 - 09/30/2018 H173A170117 07/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$415,227,601
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not obtain required subrecipient MOE budget documentation prior to awarding grants to each of its 56 subrecipients.

Criteria

Federal regulation 34 *CFR* 300.203(a)(1) states that for purposes of establishing the LEA's eligibility for an award for a fiscal year, the state educational agency must determine that the LEA budgets, for the education of children with disabilities, at least the same amount, from at least one of the following sources, as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available: local funds only, the combination of state and local funds, local funds only on a per capita basis, or the combination of state and local funds on a per capita basis.

Cause

MDE informed us that the program it developed to obtain the MOE budget documentation from its subrecipients was not available for the fiscal year 2017 application period.

Effect

MDE limited its assurance that subrecipients' planned spending of State and/or local funds would meet MOE requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE obtain required subrecipient MOE budget documentation prior to awarding grants.

Management Views

MDE agrees with the finding.

FINDING 2017-028

Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Risk Assessments

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173	
Federal Award Identification Number (FAIN) and Year	H173A130117	07/01/2014 - 09/30/2015
	H027A140110	07/01/2014 - 09/30/2015
	H173A150117	07/01/2015 - 09/30/2016
	H027A150110	07/01/2015 - 09/30/2016
	H027A160110	07/01/2016 - 09/30/2017
	H173A160117	07/01/2017 - 09/30/2018
	H173A170117	07/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$415,227,601	
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 Education

Condition

MDE did not evaluate 44 (73%) of 60 Special Education Cluster subrecipients' risk of noncompliance with program requirements to determine the type of monitoring appropriate for these subrecipients.

Criteria

Federal regulation 2 *CFR* 200.331(b) requires MDE 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.

Also, federal regulation 2 *CFR* 200.331(d) requires MDE to monitor the subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and terms and conditions of the subaward.

Cause

MDE believed an annual risk assessment was not required; it used a rotation cycle to monitor the Special Education Cluster subrecipients and its process was to evaluate only the subrecipients in the rotation for fiscal year 2017.

Effect

Insufficient monitoring of high-risk subrecipients could increase subrecipients' and MDE'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 MDE evaluate each subrecipient's risk of noncompliance with program requirements to determine the type of monitoring appropriate for each subrecipient.

Management Views

MDE agrees with the finding.

FINDING 2017-029

Career and Technical Education - Basic Grants to States, CFDA 84.048, Eligibility - Allocation of Funds to Secondary Eligible Recipients

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Career and Technical Education - Basic Grants to States: <i>CFDA</i> 84.048	
Federal Award Identification Number (FAIN) and Year	V048A150022-15B	07/01/2015 - 09/30/2016
	V048A160022-16B	07/01/2016 - 09/30/2017

Total Expenditures of Federal Awards	\$38,385,284
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not include 287 (34%) of the 847 LEAs and public school academies (PSAs) in its allocation of Career and Technical Education - Basic Grants to States (CTE) funds to secondary eligible recipients.

Criteria

Federal law 20 USC 2351(a) requires MDE to distribute its CTE funds to LEAs within the State based on population (30%) and poverty levels (70%).

Cause

MDE only included LEAs and PSAs in its CTE allocation formula that it had classified as participating agencies. MDE classified each LEA and PSA as a participating agency if it operated a CTE program or sent students to a CTE program.

Effect

The LEAs and PSAs may not have received the appropriate allocation of CTE funds. As a result, the federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE include all LEAs and PSAs in its allocation of CTE funds to secondary eligible recipients.

Management Views

MDE agrees with the finding.

FINDING 2017-030

Career and Technical Education - Basic Grants to States, CFDA 84.048, Subrecipient Monitoring and Special Tests and Provisions - Post-Secondary Subrecipient Program Improvement Plans

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Career and Technical Education - Basic Grants to States: CFDA 84.048	
Federal Award Identification Number (FAIN) and Year	V048A150022-15B	07/01/2015 - 09/30/2016
	V048A160022-16B	07/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$38,385,284	
Total ARRA Expenditures	\$0	

Compliance Requirement(s)	Subrecipient Monitoring and Special Tests and Provisions - Developing and Implementing Improvement Plans
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Department of Talent and Economic Development

Condition

TED did not require the 6 CTE post-secondary subrecipients that failed to meet the local adjusted level of performance of the core indicators to develop and implement program improvement plans.

Criteria

Federal law 20 USC 2343(b)(2) states if TED determines that an eligible recipient failed to meet at least 90 percent of an agreed upon local adjusted level of performance for any of the core indicators of performance, the eligible recipient shall develop and implement a program improvement plan during the program year succeeding the program year for which the eligible recipient failed to meet any of the local adjusted levels of performance for any of the core indicators of performance.

Cause

TED had identified that 6 of its 32 post-secondary subrecipients failed to meet the level of performance for at least one core indicator; however, it did not request these subrecipients to submit required program improvement plans in fiscal year 2017.

Effect

TED minimized its assurance that subrecipients implemented program improvements addressing the failed core indicators. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that TED require the post-secondary subrecipients that fail to meet the local adjusted level of performance of the core indicators develop and implement program improvement plans.

Management Views

TED agrees with the finding.

FINDING 2017-031

Career and Technical Education - Basic Grants to States, CFDA 84.048, Reporting and Subrecipient Monitoring - Lack of Post-Secondary Data Validation

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Career and Technical Education - Basic Grants to States: CFDA 84.048

Federal Award Identification Number (FAIN) and Year	V048A150022-15B 07/01/2015 - 09/30/2016 V048A160022-16B 07/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$38,385,284
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Reporting and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Department of Talent and Economic Development

Condition

TED did not complete on-site reviews to validate the accuracy and reliability of each subrecipient's student data reported in its Consolidated Annual Report.

Criteria

Federal law 20 USC 2342(c)(13) requires the state plan for CTE to include information that describes how the eligible agency will report data relating to students participating in CTE and how it will ensure that the data reported from LEAs and eligible institutions are complete, accurate, and reliable. Michigan's CTE State Plan states that on-site reviews include a review of student records to ensure that submitted data is both valid and reliable.

Cause

TED informed us that it did not conduct on-site reviews of its subrecipients during fiscal year 2017 because of an agency reorganization and dedicating resources to a system conversion.

Effect

TED may have reported inaccurate information in its Consolidated Annual Report. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that TED complete on-site reviews to validate the accuracy and reliability of subrecipients' student data reported in the Consolidated Annual Report.

Management Views

TED agrees with the finding.

FINDING 2017-032

Career and Technical Education - Basic Grants to States, CFDA 84.048, Subrecipient Monitoring - Risk Assessments of Post-Secondary Subrecipients

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Career and Technical Education - Basic Grants to States: CFDA 84.048
Federal Award Identification Number (FAIN) and Year	V048A150022-15B 07/01/2015 - 9/30/2016 V048A160022-16B 07/01/2016 - 9/30/2017

Total Expenditures of Federal Awards	\$38,385,284
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 Agencies	Michigan Department of Education and Department of Talent and Economic Development

Condition

TED did not evaluate its subrecipients' risk of noncompliance with CTE program requirements to determine the type of monitoring appropriate for each subrecipient.

Criteria

Federal regulation 2 *CFR* 200.331(b) requires TED 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.

Also, federal regulation 2 *CFR* 200.331(d) requires TED to monitor the subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and terms and conditions of the subaward.

Cause

TED informed us that it did not complete risk assessments during fiscal year 2017 because it used a rotation schedule to conduct on-site visits for each subrecipient once every 4 years.

Effect

Insufficient monitoring of high-risk subrecipients could increase subrecipients' and TED'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 TED evaluate each subrecipient's risk of noncompliance with CTE program requirements to determine the type of monitoring appropriate for each subrecipient.

Management Views

TED agrees with the finding.

FINDING 2017-033

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Special Tests and Provisions - Completion of IPEs

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: <i>CFDA</i> 84.126

Federal Award Identification Number (FAIN) and Year	H126A160090 H126A170090	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$121,288,549	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Special Tests and Provisions - Completion of IPEs	
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 complete the Individualized Plan for Employment (IPE) in a timely manner for 2 (8%) of 26 cases reviewed. On average, the IPEs were completed 30 days after the 90-day requirement or the agreed upon extension date.

Criteria

Federal law 29 USC 722(b)(3)(F) requires that the IPE be developed as soon as possible, but not later than 90 days after the date of the determination of eligibility, unless the designated state unit and the eligible individual agree to an extension of that deadline to a specific date by which the IPE shall be completed.

MDHHS policy states that in the event that more than 90 days is required to complete the IPE an extension date shall be agreed to by both the counselor and the eligible individual and shall be a date that reflects the time needed to complete the activities without imposing an unnecessary delay in the provision of services.

Cause

MDHHS informed us that several factors could impact the timeliness of IPEs, such as caseload size, counselor oversight, communication issues with the client, and lengthy wait time for receipt of reports and assessments.

Effect

MDHHS was not in compliance with federal requirements for the timely completion of IPEs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS implement controls to ensure that IPEs are completed in a timely manner.

Management Views

MDHHS agrees with the finding.

FINDING 2017-034

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	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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 Noncompliance
Known Questioned Costs by FAIN	17 01 MI TANF - \$51
Repeat Finding	2016-026
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 6 (32%) of 19 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 record within Bridges.

The CI match identifies income sources requested through IEVS or MDHHS data warehouse, 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 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

We consider this to be a material weakness because MDHHS may have made payments to ineligible recipients and because the error rate in our sample was very high. As a result, 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.

- \$67 - federal share of payments made to recipients, of which \$16 is questioned in Finding 2017-035.
- \$19 - State share of costs that MDHHS inappropriately used as State MOE, of which \$4 is questioned in Finding 2017-035.

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 2017-035

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	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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	Total Questioned Costs: \$302 16 01 MI TANF - \$146 17 01 MI TANF - \$156
Repeat Finding	2016-027
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient case record documentation to support client eligibility for 10 (53%) of 19 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), 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 10 families were in need of TANF Cluster assistance.

In addition, we noted that MDHHS counted all 10 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 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

We consider this to be a material weakness and material noncompliance because MDHHS may have made payments to ineligible recipients and because the error rate in our sample was very high. As a result, 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.

- \$302 - federal share.
- \$85 - 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 2017-036

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

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	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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: \$1,066 16 01 MI TANF \$524 17 01 MI TANF \$542
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not conduct an annual eligibility redetermination to ensure that the adoptive family met eligibility requirements for 2 (15%) of 13 sampled TANF Cluster-funded adoption subsidy case records.

Criteria

Federal regulation 45 *CFR* 206.10(a)(9) requires MDHHS to redetermine eligibility at a minimum of every 12 months or when a change in the recipient's circumstances occurs.

Also, 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, and be in accordance with the relative benefits received by the program.

Cause

MDHHS informed us that a business rule in MiSACWIS was in place that tied the generation of the annual report to the payment begin date. MiSACWIS would wait one year from the adoption agreement before sending the annual report to the client one month before the child's birthday. This results in a gap in eligibility redetermination between the end of the first year of eligibility and the next annual report at the child's birthday.

Effect

MDHHS may have made adoption subsidy payments to a family that did not qualify for TANF Cluster-funded adoption subsidy. 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.

- \$1,066 - TANF Cluster-funded adoption subsidy payments.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2017-037

TANF Cluster, CFDA 93.558, Reporting - Accuracy of Financial and Special Reports

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	17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Reporting
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 submit accurate financial and special reports to HHS's Administration for Children and Families (ACF). Our review of 2 financial reports and the annual special report disclosed:

- a. In the fourth quarter TANF Financial Report (ACF-196R), MDHHS understated federal expenditures and overstated State MOE by \$13,040,927 for the program management, assessment/service provision line item.
- b. In the Annual Report on State Maintenance of Effort Programs (ACF-204), MDHHS overstated State MOE expenditures by \$13,040,927 for the State Adoption Medical and Subsidy MOE program.

Criteria

Federal regulation 45 *CFR* 265.3 requires states to file an ACF-196R on a quarterly basis. This report is to include expenditure data on the state's use of federal TANF funds, state TANF expenditures, and state expenditures of MOE funds in separate state programs.

Also, federal regulation 45 *CFR* 265.9 requires states to file an annual report containing information on the states' MOE programs for that year. This report is to include information such as the name of each program and a description of the major activities provided to eligible families under each program; each program's statement of purpose; each program's total annual state expenditures and total annual state expenditures claimed as MOE; and each program's average monthly total number of families served for which the state claims MOE expenditures as of the end of the fiscal year.

Cause

MDHHS informed us that during fiscal year-end closing procedures, the Revenue and Federal Reporting Division and the Bureau of Budget utilized two different methodologies, causing an incorrect move in authorizations/expenditures for MOE reporting.

Effect

MDHHS may have diminished ACF's ability to ensure appropriate oversight and monitoring of TANF Cluster funds. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS improve its internal control and submit accurate financial and special reports to ACF.

Management Views

MDHHS agrees with the finding.

FINDING 2017-038

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	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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	2016-029
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 in 6 (10%) of the 60 case records we tested. 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:

- In 5 (83%) of the 6 cases, the automated interface identified that the 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.
- In 1 (17%) of the 6 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, 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. In addition, 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 not sanction TANF Cluster families who timely cooperate with establishing paternity and child support orders.

Management Views

MDHHS agrees with the finding.

FINDING 2017-039

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: <i>CFDA</i> 93.558
Federal Award Identification Number (FAIN) and Year	16 01 MI TANF 10/01/2015 - Until Expended 17 01 MI TANF 10/01/2016 - Until Expended
Total Expenditures of Federal Awards	\$655,953,987
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	2016-030
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately determine and sanction 4 (7%) of 60 sampled TANF Cluster recipients who were not cooperating in employment-related activities and were not subject to good cause exceptions established by MDHHS.

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 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 informed us that it cannot sanction these recipients because the recipients did not receive a notification letter due to system errors.

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 determine and sanction TANF Cluster recipients who do not cooperate in employment-related activities and are not subject to good cause exceptions.

Management Views

MDHHS agrees with the finding.

FINDING 2017-040

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: <i>CFDA</i> 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
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
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	G 17 03 MI CCDF - \$899
Repeat Finding	2016-031
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, provider eligibility, client need for the number of hours authorized, and/or the proper authorization of providers to render services. During our review of 60 sampled CCDF Cluster child care payments, which included payments to 53 licensed providers and 7 unlicensed providers, we noted:

- a. MDHHS did not maintain case record documentation to support client and/or child eligibility for 3 (5%) of the 60 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 17% of the total CCDF Cluster child care payments MDE made during fiscal year 2017 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 12 (63%) of 19 TANF - FIP payments sampled for fiscal year 2017. 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 1 (2%) of 60 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 1 (2%) of 60 sampled CCDF Cluster child care payments.
- e. MDHHS did not maintain the provider's application for 1 (14%) of 7 unlicensed child care providers. As a result, MDE and MDHHS could not ensure that the unlicensed providers were eligible with regard to required background checks of the provider's adult household members. Without the provider's application, MDE and MDHHS could not determine that all household members of this unlicensed child care provider received the background checks that MDE required according to the CCDF State Plan.

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(i)(5) requires that MDE identify additional eligibility requirements in its CCDF State Plan. MDE's CCDF State Plan for 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. 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* 98.43 requires that a background check be completed on the unlicensed provider and any individual residing in a family child care home age 18 and older. Also, CCDF program policy requires provider enrollment prior to payment, which includes an application, age verification, and background checks for all unlicensed providers and adult household members.

Federal regulation 45 *CFR* 98.55 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 or the provider's file 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

We consider this to be a material weakness and material noncompliance because payments may have been made that do not qualify for the CCDF Cluster and the error rates were very high for some of our samples. 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.

- \$899 - federal share.
- \$481 - 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, provider 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 2017-041

CCDF Cluster, CFDA 93.575 and 93.596, Cash Management - Inappropriate Administrative Draws

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 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	\$2,975,782
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE overdrew \$2,975,782 in CCDF Cluster federal funds during fiscal year 2017 for administrative expenditures previously drawn. In addition, MDE did not report these noncompliant draws to the Michigan Department of Treasury for inclusion in the State's calculation of interest due to the federal government.

Criteria

The Cash Management Improvement Act agreement requires MDE to request funds weekly for administrative costs such that they are requested on Wednesday for receipt on Thursday. The amount of funds requested shall be based on the amount of expenditures recorded for administrative costs since the last request for funds.

MDE uses a management report to calculate the CCDF Cluster draw amount. The report calculates the draw amount by comparing the total CCDF Cluster administrative expenditures with the federal funds drawn to date.

Cause

MDE deposited a portion of the CCDF Cluster federal revenue draw in a General Fund/general purpose funding source instead of the federal funding source in error. As a result, administrative federal costs appeared underdrawn in the management report used to calculate the CCDF Cluster federal draws.

Also, MDE was not aware of the overdrafts of federal funds until February 2018 and, therefore, did not report the noncompliant draws to the Michigan Department of Treasury when required.

Effect

The federal funds were consistently overdrawn throughout fiscal year 2017 and we estimate \$9,490 in interest due to the federal government. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

\$2,975,782 - overdrawn amount of CCDF Cluster funds.

Recommendation

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

Management Views

MDE agrees with the finding.

FINDING 2017-042

CCDF Cluster, CFDA 93.575 and 93.596, Period of Performance and Reporting - Understatement of Expenditures

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 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Period of Performance and Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not accurately report to ACF the CCDF Cluster expenditures and obligations at the end of its matching and discretionary grants' period of performance.

Our review of three judgmentally selected quarterly Child Care and Development Fund Financial Reports (ACF-696) identified the following overstated unobligated balances and understated expenditures or unliquidated obligations for the following grants:

Award Number	Period of Performance	Quarterly Report Ended	Understated Federal Share of Expenditures or Unliquidated Obligations	Overstated Unobligated Balance
2015G996005 (Discretionary)	10/01/2014 - 09/30/2016	9/30/2016	(\$32,787,988)	\$32,787,988
2016G999005 (Matching)	10/01/2015 - 09/30/2016	9/30/2016	(\$12,444,212)	\$12,444,212
2016G996005 (Discretionary)	10/01/2015 - 09/30/2017	9/30/2017	(\$32,157,068)	\$32,157,068

Criteria

Federal regulation 45 *CFR* 98.65(g) requires MDE to submit quarterly financial reports until funds are expended as specified by the ACF. The ACF-696 instructs MDE to report unliquidated obligations of grant funds separately from unobligated grant funds.

Federal regulation 45 *CFR* 98.60(d)(1) and (2) state that discretionary funds shall be obligated by the end of the fiscal year succeeding the year the funds were awarded and matching funds shall be obligated in the fiscal year the funds are granted. Also, federal regulation 45 *CFR* 98.60(d)(5) states that obligations may include subgrants or contracts that require the payment of funds to a third party (e.g., subgrantee or contractor). However, the following are not considered third party subgrantees or contractors: a local office of the lead agency, another entity at the same level of government as the lead agency, or a local office of another entity at the same level of government as the lead agency.

Cause

MDE informed us that because the ACF-696 reports for the quarter ending September 30 were due before the State had finalized its year-end closing of the accounting records, it did not obtain expenditure and unliquidated obligation information from other State agencies and component units before submitting the reports. MDE's practice was to include the year-end closing activity on the next quarterly report, instead of submitting a revised report for the quarter ending September 30.

Effect

By underreporting expenditures and unliquidated obligations at the end of the period of performance, the federal grantor agency could recapture MDE's CCDF matching and discretionary grant funds. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE accurately report to ACF the CCDF Cluster expenditures and obligations at the end of its matching and discretionary grants' obligation periods.

Management Views

MDE agrees with the finding.

FINDING 2017-043

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 15 03 MI CCDF 10/01/2014 - 09/30/2015 G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$161,438,136
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Special Tests and Provisions - Fraud Detection and Repayment
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-033
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 2017, MDHHS was responsible for working with MDE to recoup funds from any provider or client that had an outstanding financial obligation. MDE, as the lead agency, was responsible for establishing a recoupment policy and approving MDHHS's collection efforts. 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

MDHHS's Bridges does not routinely send automated notices to providers and clients who had been convicted of fraud and were late in remitting required payments. In addition, MDE did not request that MDHHS develop an interim manual process until such time that this can be automated in Bridges.

MDE did not regularly instruct MDHHS to submit delinquent provider and client claims to the Michigan Department of Treasury for additional collection efforts.

Criteria

Federal regulation 45 *CFR* 98.60(i) 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

The risk that fraudulent child care payments may not be recovered increases when all appropriate repayment efforts are not pursued. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE, in conjunction with MDHHS, develop and implement sufficient processes to help ensure that they pursue repayment efforts for child care fraud convictions.

Management Views

MDE and MDHHS agree with the finding.

FINDING 2017-044

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	1705MI5MAP 10/1/2016 - 9/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$1,245,460
Repeat Finding	2016-034
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.

Our query of 13,912 beneficiaries receiving transitional Medicaid benefits for more than 12 months disclosed that 2,788 (20%) continued to receive benefits after the transitional eligibility period and the 45-day staff processing period had ended.

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 (although the provision expired in 1998, this is still permitted according to the *USC*). MDHHS developed policies and procedures related to the "transitional Medicaid coverage" eligibility group that provides coverage for up to 12 months. In addition, MDHHS's policies and procedures provide staff 45 days to process beneficiary applications for medical assistance benefits.

Cause

MDHHS indicated that there was a breakdown of internal processes that caused the delay in timely termination of some beneficiaries within the transitional medical assistance Medicaid eligibility group.

Effect

MDHHS paid Medicaid providers \$1,911,681 during fiscal year 2017 on behalf of 2,788 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

- \$1,245,460 - federal share of payments made to providers on behalf of beneficiaries.
- \$666,221 - 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 receiving transitional Medicaid coverage.

Management Views

MDHHS partially agrees with the finding.

FINDING 2017-045

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 - Payments After Date of Death

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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$18,371
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not timely update CHAMPS for paper death records received for all 26 sampled beneficiaries. MDHHS continued to issue capitated payments for more than six months after the date of death for 9 of the beneficiaries reviewed.

Criteria

Federal regulation 42 CFR 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries.

Cause

MDHHS informed us that because of an anomaly when processing paper death records as well as Bridges and CHAMPS interface issues, the date of death was not always properly updated, resulting in beneficiaries appearing eligible and payments being processed based on that eligibility.

Effect

MDHHS issued Medicaid payments on behalf of deceased beneficiaries. 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.

- \$18,371 - federal share of Medicaid payments made to providers on behalf of deceased individuals, with an additional \$27 being questioned in Finding 2017-047.
- \$4,399 - State share of costs that MDHHS inappropriately used as matching, with an additional \$14 being questioned in Finding 2017-047.

Recommendation

We recommend that MDHHS timely update CHAMPS for paper death records received.

Management Views

MDHHS agrees with the finding.

FINDING 2017-046

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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$7,758
Repeat Finding	2016-035, parts a. and b.
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 9 (15%) of 60 Medicaid cases. Our review disclosed:

- MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 6 (10%) of 60 cases reviewed.
- MDHHS did not maintain case file documentation to support beneficiary eligibility for 3 (5%) of 60 cases reviewed.

Criteria

Federal regulation 42 *CFR* 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries. Federal regulation 2 *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.

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.

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. We consider this to be a material weakness and material noncompliance because of the 15% error rate, given the over \$12 billion in federal funds spent in the Medicaid Cluster. 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.

- \$7,758 - federal share of payments made to providers on behalf of beneficiaries for the sampled eligibility month.
- \$4,131 - 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 2017-047

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 PIHP 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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$3,636
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that beneficiary eligibility was updated in CHAMPS. As a result, MDHHS issued PIHP capitated payments for 33 (80%) of 41 selected beneficiary payments with no corresponding Medicaid coverage.

Criteria

Federal regulation 42 *CFR* 435.1002(b) indicates that federal funding is available only for services provided to eligible beneficiaries.

Cause

MDHHS informed us that because of system and interface issues in both Bridges and CHAMPS, eligibility information was not always properly updated, resulting in beneficiaries appearing eligible in CHAMPS and payments being processed based on that eligibility.

Effect

MDHHS made payments on behalf of ineligible beneficiaries. 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.

- \$3,636 - federal share of capitated payments made to providers on behalf of ineligible beneficiaries.
- \$1,945 - State share of capitated payments made to providers on behalf of ineligible beneficiaries.

Recommendation

We recommend that MDHHS ensure that beneficiary eligibility is updated in CHAMPS.

Management Views

MDHHS agrees with the finding.

FINDING 2017-048

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	1705MI5MAP	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	

Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP- \$3,178
Repeat Finding	2016-037
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 13 (87%) of 15 sampled clients who were hospitalized. The overpayments for the 13 hospitalized clients totaled \$2,040.
- b. MDHHS overpaid for 5 (33%) of 15 sampled clients who were in a nursing facility. The overpayments for the 5 clients totaled \$2,837.

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.

In addition, MDHHS informed us that the monthly nursing facility report used as part of the post-payment review process had not been run since January 2017, which made it difficult for workers to follow up and make corrections/recoupments when the client failed to report the change in level of care.

Effect

MDHHS paid a total of \$4,878 for ineligible services from October 1, 2016 through September 30, 2017 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.

- \$3,178 - federal share of amounts paid for HHP services for clients from October 1, 2016 through September 30, 2017 who were either hospitalized or in a nursing facility during that same time period.
- \$1,700 - 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 2017-049

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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	2016-039
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that adult services workers (ASWs) timely completed 3 (20%) of 15 required six-month reviews with their assigned providers. ASWs completed the untimely six-month reviews between 5 and 27 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 system report limitations made it difficult for ASWs and managers to monitor timely completion of required contacts. In addition, MDHHS informed us that a training issue has been identified regarding expectations for worker/provider contact.

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 2017-050

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	1705MI5MAP 10/1/2016 - 9/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$14,998
Repeat Finding	2016-041, part a.
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in the 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 15 HHAs' documentation of services provided to beneficiaries and our analysis of all fee-for-service home health claims paid during fiscal year 2017 disclosed that beneficiaries' plans of care did not include all required elements for all 15 beneficiaries reviewed. Some of the missing elements included specific circumstances, conditions, or situations that require services

to be provided in the home and not in a physician's office or outpatient clinic; date of physician's last contact; and date of most recent hospitalization.

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

MDHHS informed us that its home health chapter of the Medicaid Provider Manual did not provide clear guidance related to home health service plan of care requirements.

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.

- \$14,998 - federal share of payments made during fiscal year 2017 on behalf of sampled beneficiaries without approval and documentation to support services received.
- \$6,369 - 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 2017-051

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: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1705MI5MAP 10/1/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$38
Repeat Finding	2016-042
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 6 (40%) of 15 of 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 to ensure proper medication access for emergency services only beneficiaries, it was not able to fully implement planned corrective actions, including point-of-sale coding to deny and require prior authorization for medications in select drug classes until October 2017, after the audit period.

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.

- \$38 - federal share of payments made to pharmacy providers on behalf of the beneficiaries for the sampled dates of service.
- \$20 - 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 2017-052

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	1705MI5MAP	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	

Total ARRA Expenditures	\$34,872,786
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	1705MI15MAP - \$172,228
Repeat Finding	2016-044
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/r39107131313.pdf>, MDHHS did not ensure proper payment of practitioner fee-for-service claims. We conducted follow-up procedures during the fiscal year 2017 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 2017 single audit, we determined that MDHHS made improper fee-for-service practitioner payments of \$263,136 from October 1, 2016 through September 30, 2017. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$172,228 - federal share of improper payments made to providers from October 1, 2016 through September 30, 2017.
- \$90,908 - 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 2017-053

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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP - \$36,396
Repeat Finding	2016-046
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 2017 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 2017 single audit, we determined that MDHHS made improper DMEPOS payments of \$55,694 for dates of service from October 1, 2016 through September 30, 2017. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$36,396 - federal share of improper payments made to providers for dates of service from October 1, 2016 through September 30, 2017.
- \$19,297 - 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 2017-054

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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
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	1705MI5MAP- \$21,604
Repeat Finding	2016-047
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 \$8.50 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 2017 policy requirements for 3 (27%) of 11 agencies that were on MDHHS's list of approved agencies. We estimate that MDHHS paid these agencies \$44,172 at the agency rate during fiscal year 2017, an amount that exceeded the individual pay rates by \$16,954.
- b. 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 7 (47%) of 15 providers \$72,620 at the agency rate during fiscal year 2017, an amount that exceeded the individual rates by \$16,161.

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 or more 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, limited staff resources, and a lack of understanding from ASWs on how to use the approved agency list.

Effect

MDHHS overpaid agencies \$33,115 during fiscal year 2017. 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.

- \$21,604 - federal share of the payments made to providers that exceeded the individual rates.
- \$11,511 - 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 2017-055

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - HHP 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	1705MI5MAP 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437
Total ARRA Expenditures	\$34,872,786
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	1705MI5MAP - \$394

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

Condition

MDHHS did not ensure that payments to HHP providers in excess of the authorized amount received prior approval for 5 (19%) of 26 sampled overpayments.

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 140 requires that payments to providers be authorized for a specific period of time and that payment amounts be based on tasks determined by a comprehensive assessment.

Cause

MDHHS informed us that ASWs did not always verify the approved time and task amount before paying the invoice, resulting in an overpayment. In addition, MDHHS informed us that a training issue has been identified regarding current policies and procedures.

Effect

MDHHS overpaid HHP providers \$605 during fiscal year 2017. 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.

- \$394 - federal share of sampled HHP provider overpayments during fiscal year 2017.
- \$211 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that HHP providers are not paid over the authorized amount without prior approval.

Management Views

MDHHS agrees with the finding.

FINDING 2017-056

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA) - 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: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Federal Award Identification Number (FAIN) and Year	1705MI5ADM	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	

Total ARRA Expenditures	\$34,872,786
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	Michigan Department of Health and Human Services

Condition

MDHHS did not include all applicable required provisions in 2 of 2 sampled purchase orders executed during fiscal year 2017 for the Medicaid Cluster.

Criteria

Federal regulation 45 *CFR* 75.335 states that the nonfederal entity's contracts must contain the applicable provisions described in Appendix II of Part 75. Appendix II states that in addition to other provisions required by the federal agency or nonfederal entity, all contracts made by the nonfederal entity must contain provisions covering the provisions in Appendix II as applicable.

Cause

MDHHS informed us that it used standard DTMB templates for purchase orders. These templates did not include all required provisions.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS include all applicable required provisions in contracts and purchase orders for the Medicaid Cluster.

Management Views

MDHHS agrees with the finding.

FINDING 2017-057

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Medicaid Services Verification Reports

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Medicaid Cluster: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Federal Award Identification Number (FAIN) and Year	1705MI5MAP	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
Compliance Requirement(s)	Special Tests and Provisions - Utilization Control and Program Integrity	

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 obtain and review a Medicaid Services Verification (MSV) report for 1 of 4 sampled PIHPs, verifying that the PIHP completed an MSV review.

Criteria

Federal regulation 42 *CFR* 456.23 requires MDHHS to have post-payment review procedures that identify exceptions in order to correct potential misutilization practices of beneficiaries and providers. In addition, MDHHS's contract with PIHPs requires PIHPs to submit an annual report, due December 31, covering the claims/encounters verification process for the prior fiscal year.

Cause

MDHHS informed us that it did not obtain the MSV report from the PIHP because it did not properly monitor the PIHP and communicate the MSV reporting requirements to the PIHP.

Effect

MDHHS cannot ensure that mental health services provided to Medicaid beneficiaries by PIHP providers were approved, provided by qualified providers, and provided to eligible beneficiaries. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS obtain and review all required MSV reports for PIHPs.

Management Views

MDHHS agrees with the finding.

FINDING 2017-058

Medicaid Cluster, *CFDA* 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Undeliverable Explanation of Benefit Letters

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and <i>CFDA</i> Number	Medicaid Cluster: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)	
Federal Award Identification Number (FAIN) and Year	1705MI5MAP	10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$12,158,195,437	
Total ARRA Expenditures	\$34,872,786	
Compliance Requirement(s)	Special Tests and Provisions - Utilization Control and Program Integrity	
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 retain, track, and analyze undeliverable explanation of benefit (EOB) letters from October 1, 2016 through September 30, 2017.

Criteria

Federal regulation 42 *CFR* 455.20 requires MDHHS to have a method for verifying with beneficiaries whether they received services billed by providers.

Cause

MDHHS informed us that it no longer retains, tracks, and analyzes undeliverable EOB letters because of their large volume; however, because MDHHS shreds undeliverable EOB letters upon receipt, it was unable to quantify how many EOB letters came back as undeliverable. In addition, MDHHS informed us that beneficiaries are responsible for reporting address changes to their caseworkers.

Effect

There is an increased risk of improper billing by providers for falsified or nonexistent persons because MDHHS did not retain, track, or analyze undeliverable EOB letters. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS retain, track, and analyze undeliverable EOB letters.

Management Views

MDHHS agrees with the finding.

FINDING 2017-059

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 <i>CFDA</i> Number	Low-Income Home Energy Assistance: <i>CFDA</i> 93.568
Federal Award Identification Number (FAIN) and Year	G 16 B1 MI LIEA 10/01/2015 - 09/30/2017 G 17 B1 MI LIEA 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$144,070,709
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	G 16 B1 MI LIEA - \$154
Repeat Finding	2016-049
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client eligibility, shut-off notices, income and asset verification, and payment history reviews and did not document results in accordance with policy for 3 (13%) of 24 sampled LIHEAP-funded State Emergency Relief (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. Also, MDHHS policy 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. In addition, MDHHS policy requires all SER applicants to submit payment receipts and/or monthly statements from the provider to verify that all required energy service payments are made for the required six-month period.

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 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.

- \$154 - LIHEAP-funded SER energy payments.

Recommendation

We recommend that MDHHS maintain sufficient documentation to support client eligibility for LIHEAP-funded SER energy payments.

Management Views

MDHHS agrees with the finding.

FINDING 2017-060

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 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	16 01 MI FOST 17 01 MI FOST	10/01/2015 - 09/30/2016 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222	
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	17 01 MI FOST - \$43	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure that child abuse and neglect registry checks on prospective tribal foster parents and other adults living in the prospective foster parents' home were completed prior to issuing foster care payments for 1 sampled maintenance payment to a tribally licensed provider.

We randomly selected and reviewed 37 foster care maintenance payments. MDHHS made maintenance payments to tribally licensed providers in 1 of the 37 payments. Our review disclosed that the child abuse and neglect registry checks on prospective tribal foster parents and other adults living in the prospective foster parents' home were not completed prior to issuing the tribal foster care license and associated maintenance payment.

Criteria

Federal law 47 *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 foster parent and on any other adult living in the home of such a prospective parent before the prospective foster parent may be finally approved for placement of a child. Also, MDHHS's Title IV-E agreement with the tribe states that MDHHS shall be provided sufficient information regarding a child in tribal custody so that it can assess compliance with the federal requirements necessary for federal financial participation.

In addition, federal regulation 45 *CFR* 1356.60(a) allows states and tribes with an agreement with a state Title IV-E agency to claim federal financial participation for allowable expenditures in the approved Title IV-E State Plan, including expenditures related to foster care maintenance payments.

Cause

MDHHS informed us that it historically has placed heavy reliance on honoring tribal sovereignty and did not require that documentation be submitted to support child abuse and neglect registry checks to verify for timeliness.

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.

- \$43 - federal share.
- \$9 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that child abuse and neglect registry checks on prospective tribal foster parents and other adults living in the prospective foster parents' home are completed prior to issuing foster care maintenance payments.

Management Views

MDHHS agrees with the finding.

FINDING 2017-061

Foster Care - Title IV-E, CFDA 93.658, Reporting - Foster Care Demonstration Projects Report

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	16 01 MI FOST 10/01/2015 - 09/30/2016 17 01 MI FOST 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$135,898,222
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Reporting
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 the accuracy of the cost neutrality calculations reported on its fiscal year 2017 quarterly federal financial demonstration projects reports.

Criteria

Federal regulation 2 *CFR* 200.302(b)(2) requires grantees to submit accurate and complete financial data in accordance with a grant program's reporting requirements.

Cause

MDHHS informed us that it misinterpreted the instructions for completion of the report.

Effect

MDHHS may have diminished the federal grantor agency's ability to ensure appropriate oversight and monitoring of Foster Care - Title IV-E demonstration project funds. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS improve its internal control and submit accurate financial demonstration projects reports.

Management Views

MDHHS agrees with the finding.

FINDING 2017-062

Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Payments Exceed Foster Care Maintenance

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 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
Total ARRA Expenditures	\$0
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	17 01 MI ADPT - \$12
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that adoption assistance payments did not exceed the foster care maintenance payment rate for 1 (3%) of 39 sampled adoption assistance payments.

Criteria

Federal law 42 *USC* 673(a)(3) states that adoption assistance payments may not exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home. Also, MDHHS policy requires that adoption subsidy rates not exceed the maximum foster care rate that child is receiving or would receive if placed in a licensed foster family home.

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 informed us that it had not properly followed its policy and procedures.

Effect

MDHHS may have made adoption assistance payments in excess of the amount allowed. 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 assistance payments made during fiscal year 2017 that exceeded the allowable rate.

- \$12 - federal share.
- \$6 - State share of costs that MDHHS inappropriately used as matching expenditures for the adoption assistance funds.

Recommendation

We recommend that MDHHS ensure that adoption assistance payments do not exceed the foster care maintenance payment rate.

Management Views

MDHHS agrees with the finding.

FINDING 2017-063

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 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Reporting
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2016-054
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.

MDHHS utilizes a query to determine applicable only status and non-applicable status cases to calculate the required savings for applicable only status cases. Our review of 60 cases included on the report disclosed:

- a. Twenty-three (77%) of the 30 cases determined by MDHHS to be applicable only status were actually non-applicable status. MDHHS inappropriately reported savings associated with these 23 cases.
- b. One (3%) of the 30 cases determined by MDHHS to be non-applicable status was actually applicable only status. MDHHS did not report the savings associated with this 1 case.

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. We consider this to be a material weakness because the error rate was very high. 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 2017-064

Adoption Assistance, CFDA 93.659, Reporting - Accuracy of Financial Reports

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 17 01 MI ADPT 10/01/2016 - 09/30/2017
Total Expenditures of Federal Awards	\$107,635,089
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Reporting
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 overstated the Adoption Assistance Program's current quarter claims and the federal share of current quarter claims by \$11.6 million and \$7.5 million, respectively, on its fiscal year 2017 fourth-quarter federal financial report.

Criteria

Federal regulation 2 CFR 200.302(b)(2) requires grantees to submit accurate financial data in accordance with a grant program's reporting requirements.

Cause

In fiscal year 2017, MDHHS prepaid fiscal year 2018 adoption subsidy payments to adoptive parents. Prior to submitting the fiscal year 2017 fourth-quarter financial report, MDHHS processed a correcting entry removing the fiscal year 2018 expenditures from fiscal year 2017 and recording them in fiscal year 2018. Although MDHHS recorded the correcting entry prior to submitting the fiscal year 2017 fourth-quarter report, it did not include the correcting entry in the financial report.

Effect

MDHHS may have diminished the federal grantor agency's ability to ensure appropriate oversight and monitoring of Adoption Assistance funds. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS improve its internal control and submit accurate Adoption Assistance Program financial reports.

Management Views

MDHHS agrees with the finding.

FINDING 2017-065

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Matching, Level of Effort, and Earmarking - Maintenance of Effort - State Expenditures

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	TIO10026-16	10/01/2015 - 9/30/2017
	TIO10026-17	10/01/2016 - 9/30/2018
Total Expenditures of Federal Awards	\$60,840,378	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Scope Limitation for Compliance With Level of Effort - Maintenance of Effort	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS was unable to provide sufficient documentation to demonstrate that it complied with the maintenance of effort (MOE) requirement for State expenditures. In addition, MDHHS did not have adequate controls in place to ensure that it would meet the MOE requirement for State expenditures.

From January 2018 through March 2018, MDHHS provided us with four different calculations documenting its State MOE expenditures for fiscal year 2016. Two of the four versions demonstrated that MDHHS met the MOE requirement and two demonstrated that it did not; however, none of the four versions were submitted to the federal awarding agency.

Criteria

Federal law 42 USC 300x-30(a) requires the state to maintain expenditures at a level that is not less than the average level of such expenditures maintained by the state for the 2-year period preceding the fiscal year for which the state is applying for the grant. Estimated MOE expenditures are reported by MDHHS to the federal awarding agency 3 months after the fiscal

year has ended, and final MOE expenditures are reported 9 months after the fiscal year has ended. Therefore, final fiscal year 2016 State MOE expenditures should have been calculated and reported in June 2017.

Cause

MDHHS informed us that it updated its MOE calculation methodology as a result of a federal review conducted in March 2017 and was still finalizing this methodology in early 2018. In addition, MDHHS informed us that it calculated multiple versions of its MOE as a result of federal revision requests and was unable to submit updated fiscal year 2016 MOE amounts because the online system to report these amounts did not allow their submission.

Effect

MDHHS was unable to demonstrate compliance with the MOE requirement for state expenditures, which is a material weakness. Also, we consider this to be a scope limitation. Failure to meet the requirement could result in sanctions or disallowances related to noncompliance. In addition, without effective controls, MDHHS cannot ensure that required levels of State expenditures will be met.

Known Questioned Costs

As a result of the scope limitation, questioned costs were undeterminable.

Recommendations

We recommend that MDHHS develop and maintain documentation to demonstrate compliance with the MOE requirement for State expenditures.

We also recommend MDHHS implement controls to ensure compliance with the MOE requirement for State expenditures.

Management Views

MDHHS partially agrees with the finding.

FINDING 2017-066

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	TIO10026-16	10/01/2015 - 9/30/2017
	TIO10026-17	10/01/2016 - 9/30/2018
Total Expenditures of Federal Awards	\$60,840,378	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2016-056	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not evaluate 1 (7%) of 14 subrecipients' risk of noncompliance with program requirements.

In addition, for 4 of 4 sampled subrecipients that were evaluated, MDHHS did not consider the subrecipient risk assessments when determining appropriate monitoring activities for each subrecipient.

Criteria

Federal regulation 2 *CFR* 200.331(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 did not evaluate risk of noncompliance for one subrecipient because of staff oversight.

MDHHS informed us that it did not complete risk assessments until the end of fiscal year 2017 and, as a result, was unable to develop monitoring plans based on the risk assessments until fiscal year 2018.

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.

Recommendations

We recommend that MDHHS evaluate each subrecipient's risk of noncompliance with program requirements.

We also recommend that MDHHS consider its subrecipient risk assessments when determining appropriate monitoring activities for each subrecipient.

Management Views

MDHHS agrees with the finding.

Findings Identified by Other Auditors

FINDING 2017-067

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, 2017, Finding 2017-001.

FINDING 2017-068

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, 2017, Finding 2017-002.

FINDING 2017-069

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, 2017, Finding 2017-003.

FINDING 2017-070

CCDF Cluster, CFDA 93.575 and 93.596

See Early Childhood Investment Corporation, Supplementary Information to Financial Statements (Federal Awards), September 30, 2017, Finding 2017-001.

AUDITEE SECTION



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN J. WALSH
DIRECTOR

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2017

Prior Audit Findings Related to Financial Statements

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2016
Finding Title: Improvements needed to prevent issuance and provide timelier resolution of duplicative tax refunds.

Finding: The Department of Treasury (Treasury) should improve internal control to prevent the issuance of duplicative tax refunds. Also, Treasury should act timelier to resolve duplicative tax refund issues.

Current Status: Treasury corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2013
Finding Title: Continued improvements needed to processes for establishing and monitoring tax receivables and payables.

Finding: Treasury and the Office of Financial Management (OFM), within the State Budget Office, should continue to enhance internal control to prevent, or detect and correct, misstatements and ensure the reasonableness and accuracy of the tax accruals.

Current Status: Treasury and OFM partially corrected the deficiencies noted in the finding. The departments corrected part a. of the finding.

Reason(s) For Recurrence: For part b., Treasury fixed the report logic referred to in the prior finding but has not yet addressed the overall control risk associated with changes to the tax accrual estimation methodologies. For part c, the underlying report for comparing year-end business accruals to subsequent payments from SAP did not exist making the comparison not feasible.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 3, parts a. and b.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: Finding 3
Initial Year Written: Fiscal Year 2016
Finding Title: Improvements needed to OFM's capital asset reporting process.

Finding: OFM did not ensure that sufficient procedures existed for the transition and oversight of staff responsible for capital asset reporting.

Current Status: OFM corrected the deficiencies noted in the finding in September 2017.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: Finding 4
Initial Year Written: Fiscal Year 2012
Finding Title: Improvements needed to MDOT's financial accounting practices.

Finding: The Michigan Department of Transportation (MDOT), in conjunction with OFM, did not have sufficient internal control in place to evaluate the dates of service when processing payments and liquidating prior year accounts payable estimates. Consequently, expenditures may have been recorded in the wrong fiscal year.

Current Status: MDOT, in conjunction with OFM, did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: The service dates are not readily available to central office contractor payment staff and efficient access would require system changes.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 5.

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, and earmarking.

Current Status: MDE corrected the deficiencies noted in the finding in August 2017.

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 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). The Michigan Department of Health and Human Services (MDHHS) and DTMB partially corrected the deficiencies noted for ASCAP.

Reason(s) For Recurrence: Due to the upcoming decommissioning of ASCAP, MDHHS and DTMB decided to limit the use of resources to mitigating critical items only.

Corrective Action: MDHHS has implemented some corrective actions to mitigate the deficiencies identified for ASCAP in parts b. and c. of the finding, however, MDHHS and DTMB acknowledge that full compliance has not yet been achieved. On June 2, 2018, the ASCAP system was decommissioned so no further corrective actions are planned for that application.

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, parts a. and b., respectively.

Reason(s) For Recurrence: For part c., MDHHS did not implement its planned corrective action because of changes in its plan to migrate into the Community Health Automated Medicaid Processing System

(CHAMPS) application.

Corrective Action: For part c., MDHHS will determine what additional protocols need to be implemented to support access pending a determination of movement of the Children's Special Health Care Services system into CHAMPS.

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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2014 through September 30, 2015
Finding Number: 2015-005
Initial Year Written: Fiscal Year 2015
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 the deficiencies related to CHAMPS in part a. and corrected part b. of the finding. The departments did not correct the deficiencies related to the Michigan Women, Infants, and Children Information System (MI-WIC) in part a. of the finding.

Reason(s) For Recurrence: For part a., MDHHS and DTMB have focused their available MI-WIC resources on federal and State mandates, maintaining operational needs, and addressing the information technology (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: See corrective action for Finding 2017-007.

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: The Department of Natural Resources (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 for 2017 did not include the review of the operating effectiveness of general controls. DNR continues to work with the vendor in an effort to secure the appropriate report. DNR is also in the process of rebidding this contract which will include the requirements of a SOC 1 Type 2 report.

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, 2019.

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 partially corrected the deficiencies noted in the finding. Additional controls were implemented that allow for the tracing of activity of shared accounts back to an individual.

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.

The Enterprise Team had a kick-off meeting in April 2017 with the Center of Excellence team to discuss a plan of action for a monitoring process. Michigan Cyber Security is now responsible for review of logs in accordance with their process.

To monitor the account with shared access, DTMB Technical Services implemented Centrify to the databases. This allows for all actions on the account to be tracked back to the database administrator that performed any tasks.

Beginning with fiscal year 2018, the MFOS and PAB systems were replaced by the Statewide Integrated Governmental Management Applications system (SIGMA). The MFOS and PAB systems are in a read only status until MDOT retires them.

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 is 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: 2015-069
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 corrected the deficiencies noted in the finding. See Michigan State Housing Development Authority, Financial Report with Supplemental Information, June 30, 2017, Summary Schedule of Prior Audit Findings, Finding 2016-001

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-001
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 IT resources to the Bridges Modernization Project rather than correcting deficiencies in the current version of Bridges.

Corrective Action: See corrective action for Finding 2017-001.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-002
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 2017-002.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-003
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 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 IT resources to the Bridges Modernization Project rather than correcting deficiencies in the current version of Bridges.

Corrective Action: See corrective action for Finding 2017-003.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-004
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 2017-004.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-005

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 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 2017-005.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-006
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: DTMB and MDHHS 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 2017-006.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-007
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 2016.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-008
Initial Year Written: Fiscal Year 2013
Finding Title: MDE, IT General Controls

Finding: MDE and DTMB did not fully establish effective general controls over the Michigan Electronic Grants System Plus, Food Nutrition System - Fiscal Reporting System, and Cash Management System.

Current Status: MDE and DTMB partially corrected the deficiencies noted in the finding. MDE updated the audit log retention period from 45 to 90 days.

Reason(s) For Recurrence: Specific issues related this to finding are being addressed at the enterprise level. The State of Michigan's Material Internal Control Weaknesses Remediation and Accountability Program is having departments address findings that occur across all IT projects. The state has adopted higher level standards for IT projects, and recurring findings are due to the increased standards.

Corrective Action: See corrective action for Finding 2017-008.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-009
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Completeness and Accuracy of the PACAP

Finding: MDHHS did not ensure that it had a complete and 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: For part a. and b., MDHHS did not compare the non-payroll expenditures coded in the Michigan Administrative Information Network to the PACAP narrative each quarter to ensure the cost pool code existed in both places.

For the cost pool that was not reflected in the PACAP for part b., the cost pool coding used to process cost allocation had an allocation methodology associated with it that was identical to the cost pool coding indicated in the PACAP narrative, even though the code was not the same.

Corrective Action: See corrective action for Finding 2017-011.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-010
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.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS 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.

Corrective Action: See corrective action for Finding 2017-012.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-011
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, PACAP – Inappropriate Expenditures Charged to the PACAP

Finding: MDHHS did not ensure that only allowable expenditures 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 organization changes within MDHHS.

Corrective Action: See corrective action for Finding 2017-013.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-012
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Finding: 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.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS did not have a detailed monitoring process in place to ensure that the contractor used the appropriate allocation documentation.

Corrective Action: See corrective action for Finding 2017-014.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-013
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.

Corrective Action: See corrective action for Finding 2017-015.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-014
Initial Year Written: Fiscal Year 2015
Finding Title: 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

Finding: MDHHS incorrectly allocated the maintenance portion of foster care payments to the Social Services Block Grant Program for 1 (5%) of the 20 payments reviewed.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-015
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 or ensure that disclosures were updated in CHAMPS for the Prepaid Inpatient Health Plan 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.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Due to delayed disclosure responses from various entities, lack of staff needed to input the information into CHAMPS, and internal miscommunication, MDHHS was unable to obtain and update all required disclosures. Additionally, due to an in-progress contract bid, MDHHS did not ensure that its current Dental Health Plan entity's network of providers were properly licensed, and no process was in place for ensuring that the Dental Health Plan entity

obtained appropriate disclosures for its network of providers.

Corrective Action See corrective action for Finding 2017-017.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-016
Initial Year Written: Fiscal Year 2016
Finding Title: DTMB, Procurement and Suspension and Debarment - Lack of Contract File Documentation

Finding: DTMB did not complete contract checklists or maintain documentation of manager approvals during the procurement process.

Current Status: DTMB corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-017
Initial Year Written: Fiscal Year 2016
Finding Title: DTMB, Procurement and Suspension and Debarment - Lack of Required Contract Provisions

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

Current Status: DTMB did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: DTMB, in conjunction with the Attorney General's Office, developed a contract addendum containing the required provisions to be used with new contracts of federal awards. This addendum was not implemented until June 30, 2017.

Corrective Action: See corrective action for Finding 2017-019.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-018
Initial Year Written: Fiscal Year 2016
Finding Title: 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

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

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: DMVA supervisors did not follow established procedures to approve expenditures.

Corrective Action: DMVA sent an internal communication to various staff that included reminders and the requirement that vehicle mileage logs are to be reviewed and signed by the driver's supervisor. DMVA no longer uses paper timesheets. In addition, DMVA human resources will follow up with the supervisor before auditing and certifying unapproved timesheets.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-019
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Cash Management - Timeliness of Cash Draws

Finding: 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 agreement.

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources and the implementation of SIGMA, including the reports to be used to request reimbursement, delayed implementation of corrective actions.

Corrective Action: DMVA sent a communication to staff reminding them that the Request for Advance or Reimbursement (SF-270) is to be completed within 60 days after the close of the month end and sent to the Federal Program Manager for approval. This requirement will be applicable unless otherwise stated in the updated Standard Operating Procedure.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-020
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Ineligible Requests for Reimbursement

Finding: 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 United States Property and Fiscal Office (USPFO).

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: DMVA sent a memo in August 2017 to the USPFO requesting that modifications be issued prior to the start of fiscal year 2018. However, due to the timing of this memo, fiscal year 2017 requests for reimbursement were already submitted to the

USPFO before the agreements could be executed.

Corrective Action: See corrective action for Finding 2017-024.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-021
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Disclosure of Obligations

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

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: DMVA used an encumbrance report from DTMB to compile a list of outstanding obligations. Due to a timing issue, the list did not include a purchase order for one the projects.

Corrective Action: See corrective action for Finding 2017-025.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-022
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Procurement Procedures

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

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Due to staff oversight, the Request for Purchase and/or Service (DMVA 6-1) was not completed.

Corrective Action: DMVA sent an internal communication to various staff stating that all DMVA 6-1 forms are to be signed by all required parties before being filed as complete.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-023
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Lack of Required Provisions

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

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: DMVA used DTMB's standard templates for contracts and purchase orders. The standard templates were not updated to include all applicable required provisions until after the contracts were already issued.

Corrective Action: The DMVA purchasing manager sent an internal communication to staff informing them that all purchases involving Federal funds must have the DTMB Federal Provisions Addendum attached to the final documentation. In addition, DMVA later included the addendum in these contracts.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-024

Initial Year Written: Fiscal Year 2016

Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Lack of Documentation

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

Current Status: DMVA did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Due to staff oversight, the System for Award Management (SAM) reviews for the contracts were not properly documented.

Corrective Action: The DMVA purchasing manager sent an internal communication to staff informing them that suspension and debarment must be checked when the DMVA 6-1 has been awarded. In addition, DMVA checked SAM for the awarded contracts and verified that none of the contractors were suspended or debarred.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-025

Initial Year Written: Fiscal Year 2016

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

Finding: MDOT did not submit accurate and complete financial reports to the Federal Railroad Administration and the Federal Transit Administration.

Current Status: MDOT corrected the deficiencies noted in the finding in November 2016.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-026
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.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Controls were not sufficient to ensure that required verification documentation was appropriately maintained in the client's case record.

Corrective Action: See corrective action for Finding 2017-034.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-027
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 11 (48%) of 23 sampled TANF Cluster assistance case records.

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 maintenance of effort (MOE) requirement.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Controls were not sufficient to ensure that required verification documentation was maintained in the client's case record.

Corrective Action: See corrective action for Finding 2017-035.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-028

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 \$98,071,204 from the new spending test used to meet the State's MOE requirement in fiscal year 2016.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-029
Initial Year Written: Fiscal Year 2016
Finding Title: TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Child Support Non-Cooperation

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

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS is still performing a technical review to ensure Bridges is correctly sanctioning individuals. Also, a training issue was identified regarding clients who cooperated within the negative action period but were still penalized.

Corrective Action: See corrective action for Finding 2017-038.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-030
Initial Year Written: Fiscal Year 2016
Finding Title: TANF Cluster, CFDA 93.558, Matching, Level of Effort, and Earmarking and Special Tests and Provisions - Penalty for Refusal to Work

Finding: 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.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: MDHHS implemented corrective action that corrected the issue going forward and did not include retroactive sanctions. MDHHS cannot retroactively sanction a recipient due to the previous system issue because the recipients were not notified that there was a noncooperation concern.

Corrective Action: See corrective action for Finding 2017-039.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-031
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 and reduce errors. However, changes remain, and four counties still remain on a corrective action plan.

Corrective Action: See corrective action for Finding 2017-040.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-032
Initial Year Written: Fiscal Year 2016
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Licensing Inspector Training Documentation

Finding: MDE and the Department of Licensing and Regulatory Affairs (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.

Current Status: MDE and LARA corrected the deficiencies noted in the finding in March 2017.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-033
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 intentional program violations. In addition, MDE and MDHHS did not

regularly submit delinquent provider and client claims to 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. MDE did not request MDHHS to submit delinquent provider and client claims to Treasury for additional collection efforts.

Corrective Action: See corrective action for Finding 2017-043.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-034

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: There was a breakdown of internal processes that caused the delay in timely termination of some beneficiaries within the Transitional Medicaid Assistance eligibility group.

Corrective Action: See corrective action for Finding 2017-044.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-035

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 (22%) of 65 Medicaid cases.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of the finding.

Reason(s) For Recurrence: Other system priorities have delayed implementation of corrective actions.

Corrective Action: See corrective action for Finding 2017-046.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-036
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: Limited staff resources have delayed implementation of corrective actions.

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 reviews any beneficiary that is not being removed from the "under age 21" eligibility group and determines if other corrections are necessary.

Corrective action is ongoing.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-037
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 did not correct the deficiencies noted in 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). In addition, the monthly nursing facility report used as part of

the post-payment review process had not been run since January 2017 which made it difficult for workers to follow-up and make corrections/recoupments when the client failed to report the change in LOC.

Corrective Action: See corrective action for Finding 2017-048.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-038
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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-039
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 Providers

Finding: MDHHS did not ensure that adult services workers (ASWs) timely completed 3 (20%) of 15 required six-month reviews with their assigned providers.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: System report limitations precluded ASWs and managers to monitor timely completion of required contacts. In addition, a training issue has been identified regarding expectations for worker/provider contact.

Corrective Action: See corrective action for Finding 2017-049.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-040
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 Logs

Finding: 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.

Current Status: MDHHS corrected the deficiencies noted in the finding as of October 2016.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-041

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 maintained appropriate documentation (Finding #1).

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected parts b. and c. of the finding.

Reason(s) For Recurrence: 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 2017-050.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-042

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: Limited staff resources delayed implementation of corrective actions.

Corrective Action: See corrective action for Finding 2017-051.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-043
Initial Year Written: Fiscal Year 2016
Finding Title: 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

Finding: MDHHS did not ensure that the correct capitation rates were paid to MHPs for Healthy Michigan Plan beneficiaries.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-044
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 partially corrected 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. MDHHS decided to wait until CHAMPS is the system of record for managed care to remediate this issue.

Corrective Action: See corrective action for Finding 2017-052.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-045
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 long-term care providers were terminated for beneficiaries no longer eligible to receive services.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-046

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 did not correct the deficiencies noted in the finding.

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 2017-053.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-047
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 partially corrected the deficiencies noted in the finding. MDHHS corrected part b. of the finding.

Reason(s) For Recurrence: System limitations and limited staff resources delayed implementation of corrective actions.

Corrective Action: See corrective action for Finding 2017-054.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-048
Initial Year Written: Fiscal Year 2016
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Cash Management - Overdrawn Funds

Finding: 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 Treasury.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Internal controls were not sufficient to

ensure that all noncompliant draws were reported to Treasury.

Corrective Action: See corrective action for Finding 2017-018.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-049
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 a. of the finding.

Reason(s) For Recurrence: Limited staff resources delayed implementation of all corrective actions.

Corrective Action: See corrective action for Finding 2017-059.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-050
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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-051
Initial Year Written: Fiscal Year 2016
Finding Title: 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

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

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-052
Initial Year Written: Fiscal Year 2016
Finding Title: 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

Finding: 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.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-053
Initial Year Written: Fiscal Year 2016
Finding Title: 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

Finding: 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.

Current Status: MDHHS corrected the deficiencies noted in the finding.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-054
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 the U.S. Department of Health and Human Services on the Annual Adoption Savings Calculation and Accounting Report.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

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 2017-063.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-055
Initial Year Written: Fiscal Year 2015
Finding Title: 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

Finding: 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.

Current Status: MDHHS partially corrected the deficiencies noted in the finding.

Reason(s) For Recurrence: Limited staff resources has delayed implementation of all corrective actions.

Corrective Action: MDHHS reviewed the query methodology used for determining the eligible population and subsequent associated claim data and modified as necessary to further enhance resulting CHIP eligible paid claim data. In addition, MDHHS has prioritized the current Bridges work request to fix eligibility classifications within Bridges and estimates implementation by September 2018. MDHHS anticipates corrective action by September 30, 2018.

Audit Period: October 1, 2015 through September 30, 2016
Finding Number: 2016-056
Initial Year Written: Fiscal Year 2016
Finding Title: Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Subrecipient Monitoring - Risk Assessments

Finding: 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.

Current Status: MDHHS did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: Due to staff oversight, MDHHS did not evaluate risk of noncompliance for one subrecipient. Risk assessments were not completed until the end of fiscal year 2017. As a result, MDHHS was unable to develop monitoring plans based on the risk assessments until fiscal year 2018.

Corrective Action: See corrective action for Finding 2017-066.

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-057
Initial Year Written: Fiscal Year 2016
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, 2016, Finding 2016-01

Current Status: The Unemployment Insurance Agency corrected the deficiencies noted in the finding. See Talent Investment Agency, Unemployment Insurance Agency – Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2017, Summary Schedule of Prior Audit Findings, Finding 2016-001

Audit Period: October 1, 2015 through September 30, 2016

Finding Number: 2016-058
Initial Year Written: Fiscal Year 2016
Finding Title: CCDF Cluster, *CFDA* 93.575 and 93.596

Finding: See Early Childhood Investment Corporation, Supplementary Information to Financial Statements (Federal Awards), September 30, 2016, Finding 2016-001

Current Status: The Early Childhood Investment Corporation corrected the deficiencies noted in the finding. See Early Childhood Investment Corporation, Supplementary Information to Financial Statements (Federal Awards), September 30, 2017, Summary Schedule of Prior Audit Findings, Finding 2016-001



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN J. WALSH
DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 1

MDHHS financial accounting practices.

Management Views:

The Michigan Department of Health and Human Services (MDHHS) and the Office of Financial Management (OFM) agree that there are areas where internal control should be improved.

Planned Corrective Action:

For part a., MDHHS has had discussions with the Office of the Auditor General (OAG) about the use of the Corrective Action Tracking System (CATS) and will continue to discuss the use of CATS during the audit process to help ensure that everyone is using the system as intended and that it is meeting staff needs. In addition, MDHHS management has reiterated to staff the importance of internal controls and the commitment to maintain and build upon an environment where all staff are comfortable raising issues if they have concerns.

For part b., MDHHS management has sent communication to staff reiterating the need to continue to attach necessary supporting documentation for all transactions. The Statewide Integrated Governmental Management Applications (SIGMA) system was implemented on October 1, 2017, with the functionality to attach supporting documentation electronically, which MDHHS is utilizing. MDHHS has reiterated to staff the importance of attaching appropriate documentation to support transactions.

For part c., MDHHS continues to improve documentation of numerous processes and procedures and is in the process of building SharePoint sites for the storage of these processes and procedures.

For part d., MDHHS will continue to review and approve transactions in SIGMA based on established approval paths, which must be adhered to. The reviewer will perform a review of the transaction and then based on professional judgement will determine whether additional review of underlying query level detail is necessary.

Anticipated Completion Date:

- a. Corrective action is complete and ongoing
- b. Corrective action is complete and ongoing.
- c. Corrective action is ongoing.
- d. Corrective action is complete and ongoing.

Responsible Individual(s):
Steven Bendele, MDHHS

Finding 2
Transaction processing and documentation retention procedures.

Management Views:
MDHHS and OFM agree that there are areas where internal control should be improved.

Planned Corrective Action:
MDHHS is consolidating work related to all estimated accounts receivables and accounts payables into one area to help provide consistency in methodologies, calculations, and reviews.

Anticipated Completion Date:
While the consolidation of this work has begun, MDHHS does not expect all of this work to be consolidated until fiscal year 2019.

Responsible Individual(s):
Steven Bendele, MDHHS

Finding 3
Establishment and monitoring of tax receivables and payables.

Management Views:
The Michigan Department of Treasury (Treasury) and OFM agree with the finding.

Planned Corrective Action:
For part a., during the fiscal year 2017 closing process, Treasury reexamined its original corporate income tax (CIT) estimation methodology based on auditor suggestions and made adjustments to the CIT estimate. The new methodology will be used in the future. In addition, in the future, Treasury's Office of Accounting will review and approve changes or additions to tax accrual methodologies and updated methodologies will be submitted to OFM and the OAG during the summer for their review.

For part b. related to business taxes, Treasury submitted a request for an information technology (IT) report to be created in SAP that will provide the information necessary to compare subsequent business tax refund activity from SAP to the balances booked during the year-end accrual process. The report is in the design phase and is expected to be tested and validated by July 31, 2018.

For individual income tax (IIT) backlogs, a database download was obtained during the 2017 closing process that contains the underlying data that was used to calculate the IIT backlog payable accrual. This underlying data from the accrual is needed to compare to actual refund payments made for a comprehensive comparison to be completed.

For part c., Treasury will implement additional year-end validation procedures and checks to ensure the completion assertion is met to help reduce the possibility of excluding any

CIT returns from future tax accrual calculations. Treasury will also implement additional validation procedures and checks to ensure any material changes in sales, use, and withholding tax return amounts prior to the State of Michigan Comprehensive Annual Financial Report (SOMCAFR) opinion date, but subsequent to booking of tax accruals, are accounted for and adjusted, as appropriate.

For part d., Treasury is implementing further validation procedures for collections for returns exceeding certain threshold collection amounts for IIT. Current underlying data for October and November IIT collections does not provide the information needed to determine if the collections were new-year or old-year and a manual sampling methodology will be necessary. Due to the large volume of returns and that the process will need to be manual, it will not currently be possible to review every return for proper fiscal year classification. However, a sampling methodology for returns exceeding a certain threshold collection amount will greatly enhance the accuracy of this tax accrual.

Anticipated Completion Date:

- a. August 30, 2018
- b. October 31, 2018
- c. December 2018 in conjunction with year-end closing and the SOMCAFR opinion date
- d. December 2018 after November accruals are booked

Responsible Individual(s):

Timothy Johnson, Treasury

Finding 4

Maintenance of accurate and complete offset fund balances.

Management Views:

Treasury and OFM agree with the finding.

Planned Corrective Action:

Treasury has submitted a request for an IT report to be created in the Garnishment and Levy system that will provide the information necessary to reconcile to the balances in the Offset Fund in SIGMA. A quote is being developed by the Department of Technology, Management, and Budget (DTMB) for the cost and hours of the report creation and the quote is expected to be received in July 2018. The results of the quote will be prioritized with all Treasury IT needs to determine if the cost of the report aligns with budgetary constraints and limitations.

Anticipated Completion Date:

September 30, 2018

Responsible Individual(s):

Timothy Johnson, Treasury

Finding 5
MDOT 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 staff and efficient access would require changes in its current payment system.

Planned Corrective Action:

The department is piloting a new payment system; however, full implementation of the system will not occur for several years. During this pilot the department will determine if service date information is readily available to central office staff. The department may revisit its methodology if the service date functionality is available in the new system. In addition, during calendar year 2018, MDOT plans to reach out to at least five other states to determine how they track dates of service when processing contractor payments. Until other options that are not cost prohibitive are identified, the department has concluded manual review of service dates while making payments in the new fiscal year is too labor intensive and could delay payment to contractors. In the meantime, MDOT will continue to use a First-In-First-Out approach for assigning payments to previously established accounts payable.

Anticipated Completion Date:

MDOT anticipates making inquiries to other states by December 31, 2018.

Responsible Individual(s):

Myron Frierson, MDOT

Finding 6
DTMB financial accounting practices.

Management Views:

DTMB and OFM agree with the finding.

Planned Corrective Action:

For part a., DTMB has updated procedures to ensure that maintenance agreements are properly recorded as prepaid expenses.

For part b., DTMB has updated its year-end procedures by including a step for staff to reach out to program areas to obtain and verify data needed to properly record accounting entries.

Anticipated Completion Date:

Completed

Responsible Individual(s):

- a. Timothy Martin, DTMB
- b. Jacqueline Huhn, DTMB

Findings Related to Federal Awards

Finding 2017-001

Bridges Interface and Change Controls

Management Views:

DTMB and MDHHS 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 the Bridges Integrated Automated Eligibility Determination System (Bridges) interfaces consistently account for header and trailer records, represented control totals of information processed, and 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., the MDHHS Compliance Office, in collaboration with the Bureau of Information Management, has developed improved data sharing processes as well as defining roles. An inventory of outstanding sharing agreements will be developed, and a priority established to get all agreements in place as necessary.

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., DTMB will be migrating to new application lifecycle management tools (ALM) to replace ClearCase and ClearQuest. During that project, DTMB will create local policies and procedures governing user roles, user management (review), and properly restricting privileged access to ensure effective controls over the new ALM tools.

For part f., DTMB remediated this by removing the ability for the batch team members to access or modify source code files in any of the source code streams eliminating incompatible roles.

Anticipated Completion Date:

- a. and b. July 31, 2020, subject to MDHHS Projects Prioritization
- c. June 30, 2019 for inventory of outstanding agreements and remediation
- d. July 31, 2018
- e. October 31, 2018
- f. Completed

Responsible Individual(s):

Business Relationship Management, DTMB
Compliance Office, MDHHS
Change Management Center of Excellence, DTMB

Finding 2017-002
Bridges Security Management and Access Controls

Management Views:

MDHHS and DTMB partially agree with the finding.

MDHHS agrees with parts a through d., f., and g. DTMB agrees with part c. and partially agrees with part e. as DTMB has implemented measures that strengthen the security posture of the Bridges system servers through additional security configurations and access control mechanisms.

Planned Corrective Action:

For part a., MDHHS will provide audit reminders to local office security coordinators (LOSCs) regularly of the need to document incompatible roles on the appropriate form and retain it for audit purposes. In addition, MDHHS will update policies to only allow approval of a maximum 12-month access period for all incompatible roles.

For part b., MDHHS will continue to remind LOSCs of policies and procedures and will create a policy manual for reference purposes to ensure that these policies and procedures are more readily available. The policy manual will contain updated procedures that emphasize signing, dating, and storing reviews for audit purposes. The policy will also require review within 30 days of the transaction. Finally, MDHHS will work to improve departure processing by timelier review of departure information provided by human resources.

For part c., remediation for most of the exceptions has taken place. MDHHS will continue to work with DTMB to identify and implement the correct database-specific configurations as required by State of Michigan standards.

For part d., MDHHS will continue to communicate proper documentation and approval procedures to the LOSCs. Additionally, MDHHS will encourage the use of electronic signatures and storage of documentation for ease of retrieval.

For part e., DTMB will continue monitoring the compliance reports and strengthening operating system security configurations and access control measures based on best practices.

For part f., MDHHS will develop non-local office Bridges user monitoring processes that take into account the resources available to categorize and prioritize monitoring groups which will reduce risk.

For part g., MDHHS will provide audit reminders to LOSCs on the need to monitor high-risk transactions. Additionally, central office security staff will improve processes and implement better internal monitoring of high-risk transactions.

Anticipated Completion Date:

- a. September 2018
- b. December 2018
- c. July 2018
- d. March 2019

- e. September 2018
- f. June 2019
- g. June 2019

Responsible Individual(s):

- a., b., d., f., and g. James Bowen, MDHHS
- c. Sanjay Srivastava, DTMB and James Bowen, MDHHS
- e. David Tremblay, DTMB and Brad Settles, DTMB

Finding 2017-003
Income Eligibility and Verification System

Management Views:

MDHHS and DTMB agree with the finding.

Planned Corrective Action:

For part a., MDHHS and DTMB will fully establish effective processing controls over Bridges interfaces to ensure that the data exchanged between Bridges and the Income Eligibility and Verification System (IEVS) data sources are processed accurately, completely, and timely.

For parts b., c., and d. related to the Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Medicaid Clusters, MDHHS Field Operations Administration (FOA) will continue to provide training and policy support to ensure that the local office specialists appropriately utilize the IEVS interface information in determining recipient's eligibility. In addition, MDHHS is in the process of implementing the Integrated Service Delivery portal and Universal Case Load tool within the Bridges System.

For part e., MDHHS is working on a data sharing agreement between the Division for Vital Records and Health Statistics and the Children's Services Agency (CSA).

For part f., MDHHS is currently in the process finalizing the subscription renewal for access to the Social Security Administration Death Record files. MDHHS will develop a process going forward to help ensure that the subscription does not lapse in the future.

For part g. related to SNAP, MDHHS will work with the Bureau of Finance and Accounting to establish a timely process for the National Directory of New Hire warrant payment for the interface.

Anticipated Completion Date:

- a. July 31, 2020, subject to MDHHS Projects Prioritization
- b., c., and d. ongoing
- e. October 1, 2018
- f. October 2018
- g. October 2018

Responsible Individual(s):

- a. Sanjay Srivastava, DTMB

- b., c., and d. Terrence Beurer, MDHHS and Amy Hundley, MDHHS
- e. Dawn Ritter, MDHHS
- f. James Bowen, MDHHS and Crystal Kline, MDHHS
- g. Dawn Sweeney, MDHHS

Finding 2017-004
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 Michigan Security Accreditation Process project, MDHHS will work with DTMB to prepare a plan for remediation for each system listed in this finding.

Anticipated Completion Date:

The departments anticipate remediation plan preparation will complete by December 31, 2018. Implementation dates for specific corrective actions will be determined at a later date.

Responsible Individual(s):

Compliance Office, MDHHS
Agency Services supporting MDHHS, DTMB
Cyber Security, DTMB

Finding 2017-005
MiSACWIS Security Management and Access Controls

Management Views:

MDHHS and DTMB partially agree with the finding.

MDHHS agrees with parts a., e., and f., and partially agrees with part b. of the finding. Related to part b., MDHHS acknowledges that there are always opportunities for improvement in monitoring. MDHHS believes that incompatible roles are properly reviewed and authorized prior to establishment, but acknowledge the conflicting information provided during the audit process. During fiscal year 2016, MDHHS made system changes for conflicting user roles and updated applicable policy. This process clearly defines what roles are incompatible and the specific steps that must be completed to request an incompatible role. These requests are handled differently than regular access requests including additional layers of approval, including MDHHS Application Security. These roles are provided on a time limited basis and are not open ended.

DTMB agrees with part c. and partially agrees with part d. of the finding. Related to part d., DTMB utilizes defense-in-depth practices which provide additional security and ultimately reduce the attack surface. The end results are an overall reduced risk and a

secure infrastructure. In addition, DTMB considers the users whose access was cited in the memo appropriate, based upon the users' job responsibility.

Planned Corrective Action:

For part a., the MDHHS Compliance Office has established quarterly security meetings/training with LOSCs. These meetings will be used to communicate proper procedures for granting access including incompatible roles. In addition, during each scheduled meeting, MDHHS is planning to discuss audit findings/reminders and will ensure updated procedures are discussed and made available to all security staff. Finally, 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 b., MDHHS will establish a method to more completely monitor these users with the incompatible roles.

For part c., DTMB will assess the database configuration settings and remediate accordingly as part of secure database configuration for the Michigan Statewide Automated Child Welfare Information System (MiSACWIS) database.

For part d., DTMB will assess the operating system configuration settings and remediate accordingly.

For part e., MDHHS, along with DTMB, will identify and document the high-risk transactions within the MiSACWIS application and develop the procedures for properly monitoring those transactions. A plan for implementing and maintaining those procedures will then be completed.

For part f., MDHHS will establish and implement a process in which user access is monitored every 120 days.

Anticipated Completion Date:

- a. December 2018
- b. December 2018
- c. July 30, 2018. After the 12G upgrade, DTMB will make the change to revoke the privilege.
- d. September 30, 2018
- e. March 2019
- f. March 2019

Responsible Individual(s):

- a., b., and f. Kim Chapin, MDHHS and James Bowen, MDHHS
- c. Agency Services supporting MDHHS, DTMB
- d. David Tremblay, DTMB and Brad Settles, DTMB
- e. Kim Chapin, MDHHS and Agency Services supporting MiSACWIS, DTMB

Finding 2017-006
CHAMPS Security and Access Controls

Management Views:

DTMB and MDHHS agree with the finding.

Planned Corrective Action:

DTMB implemented 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 implemented an automated configuration management tool that will assist in rapidly deploying, maintaining, and auditing operating system and access controls. The automated configuration management tool also assists in preventing changes from the required minimal service configurations and deviations from the approved initial operating system configuration settings.

Anticipated Completion Date:

Completed December 2017

Responsible Individual(s):

David Gabler, DTMB
Karen Scott, MDHHS

Finding 2017-007
Mi-WIC IT General Controls

Management Views:

MDHHS and DTMB agree with part a. and partially agree with part b. of the finding regarding operating system configuration settings. For part b., DTMB has employed defense-in-depth activities which provide additional layers of security, further protecting the server operating systems and access control.

Planned Corrective Action:

For part a., DTMB continues to update Database Security Standards 1340.00.060.02 and 1340.00.060.02.01 each year. DTMB continues to improve its communication of these standards to ensure vendors and State databases follow updated standards and procedures.

DTMB is also in the process of implementing security compliance check reports against all Oracle databases within the State. When fully implemented, the compliance reports will assist DTMB to ensure that both State of Michigan managed, and vendor managed databases are compliant with Database Security Standards 1340.00.060.02 and 1340.00.060.02.01.

DTMB will ensure that all access control policies are implemented and followed on vendor supported databases. DTMB will implement a 60-day user review to ensure all accounts are valid and following proper access controls.

For part b., DTMB will perform remediation action to realign the operating systems configuration settings to meet DTMB standards.

Anticipated Completion Date:
September 30, 2018

Responsible Individual(s):

- a. Kimberly Koppsch-Woods, DTMB
- b. Kimberly Koppsch-Woods, DTMB and Infrastructure and Operations Division, Technical Services, DTMB

Finding 2017-008

MDE IT General Controls

Management Views:

The Michigan Department of Education (MDE) and DTMB partially agree with the finding. DTMB agrees with parts a. and c. and partially agrees with part d. MDE and DTMB agree with part b. of the finding.

For part d., DTMB discussed the testing results with the OAG during fieldwork meetings. Details related to the partial agreement are not included here due to confidentiality.

Planned Corrective Action:

For part a., DTMB is aware and is in the process of (October 6, 2017 start date) implementing an Enterprise Log Management (ELM) framework. Until the ELM framework is in place, DTMB has changed the audit logging process to use Structured Query Language (SQL) Server Trace. The file created by this process cannot be edited by a database administrator (DBA) with or without administrative rights. As an added security measure, the server team does not allow the DBAs access to the location of the audit logs created by SQL Server Trace when administrative rights have been granted.

For part b., DTMB Agency Services and MDE have reviewed the new policies from the DTMB Change Management Center of Excellence and began implementing these policies in May 2018. MDE has agreed to work in collaboration with DTMB to make the necessary changes to adhere to the policies.

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. Three of the nine Center for Internet Security (CIS) benchmarks cannot be implemented and exceptions will be submitted by June 29, 2018 to the DTMB Technical Review Board in order to get approval to keep the current operational necessities and requirements. The other six CIS benchmarks have been implemented.

For part d., DTMB will perform remediation action to realign the operating system configuration settings to meet DTMB standards. Additionally, DTMB has employed defense-in-depth activities which provide additional layers of security, further protecting the server operating systems.

Anticipated Completion Date:

- a. DTMB anticipates completion by January 11, 2019. The ELM framework project is scheduled to be completed on October 31, 2018 and the estimated implementation timeframe per agency is eight weeks.
- b. December 31, 2018
- c. June 29, 2018
- d. December 31, 2018

Responsible Individual(s):

- a. Glenn Gorton, DTMB and Jose Semidei, DTMB
- b. Louis Burgess, MDE and Maria Thomas, DTMB
- c. Glenn Gorton, DTMB and Thomas Bell, DTMB
- d. David Tremblay, DTMB and Tina Persons, DTMB

Finding 2017-009

MDE IT Security Management and Access Controls

Management Views:

MDE and DTMB agree with the finding.

Planned Corrective Action:

For part a., corrective action will occur in two phases. MDE will update the Security Access Management policy that pertains to the Cash Management System, Food Nutrition System - Fiscal Reporting System, Michigan Electronic Grants System Plus, Grant Electronic Monitoring System/Michigan Administrator Review System, and the State Aid Management System. Once the policy is updated, MDE will update existing procedures for each of the sub-systems to ensure that they are in accordance with any updates to MDE's Security Access Management policy.

For part b., DTMB is updating the Technical Standard on Access Control (Standard 1340.00.020.01) that this finding is based on. Once DTMB updates the Technical Standard, MDE will update its related procedures.

Anticipated Completion Date:

- a. MDE will update its Security Access Management policy by September 30, 2018 and sub-system procedures by December 31, 2018.
- b. Once DTMB updates the Technical Standard, MDE will update its related procedures within six months of the new standard's effective date of the new standard.

Responsible Individual(s):

Louis Burgess, MDE

Finding 2017-010

Talent and Economic Development - MARS User Access Reviews

Management Views:

The Department of Talent and Economic Development (TED) agrees with the finding. TED has historically tracked and maintained a list of user accounts authorized to access the Management of Awards to Recipients System (MARS) which was updated as changes occurred. Adding a periodic review will strengthen our internal controls.

Planned Corrective Action:

TED will conduct reviews of all MARS user access accounts every 120 days. These reviews will be documented and will include details of deficiencies noted and any follow-up actions taken.

Anticipated Completion Date:

TED completed the first MARS user access review on May 2, 2018 and will complete subsequent reviews within 120 days thereafter. The anticipated date of full compliance is September 30, 2018.

Responsible Individual(s):

Marilyn Carey, TED
Allen Williams, TED

Finding 2017-011

MDHHS, PACAP - Completeness and Accuracy of the PACAP

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS acknowledges that the cost pool code used in the Michigan Administrative Information Network, the State's accounting system used during the audit period, did not precisely match the Public Assistance Cost Allocation Plan (PACAP) narrative for three sampled cost pools. For one of the three sampled cost pools, the appropriate cost allocation methodology was used even though the cost pool code used in the State's accounting system did not exactly match the cost pool code in the PACAP narrative. MDHHS has created a report that compares the Task Order and Sub Unit combinations across the SIGMA cost allocation plan configuration, Labor Distribution Profiles, expenditures in SIGMA, and the PACAP narrative to see if the necessary combinations exist in all places. The report will be run twice in the quarterly cycle, once when the PACAP narrative is finalized and submitted, and then again at the end of the quarter, before SIGMA cost allocation runs.

Anticipated Completion Date:

September 30, 2018

Responsible Individual(s):

Suzanne Kyes, MDHHS

Finding 2017-012
MDHHS, PACAP - Inappropriate PACAP Allocation

Management Views:

MDHHS partially agrees with the finding.

For part a., there were two issues: 1) the omission of a subset of employee head counts in the quarter four allocation; and 2) entering rounded statistics for the Random Moment Time Study (RMTS) for one quarter. MDHHS agrees with the omission of a subset of head counts in quarter four. In addition, MDHHS agrees that RMTS statistics for quarters one through three were rounded to two decimal places and quarter four RMTS statistics were rounded to no decimals in error. However, the impact across all programs is minimal and was not material to reported expenditures. These issues only affected one quarter of data, not 100% of the audit period for the sampled cost pools.

For parts b. through d., MDHHS agrees. However, due to time constraints and limited resources MDHHS chose to focus their efforts on the most critical outstanding questions first and therefore were not able to address all outstanding auditor questions and to confirm agreement with detailed errors.

For part e., MDHHS does not agree that adequate documentation was not maintained to support the allocation methods used to allocate expenditures. In the fourth quarter of fiscal year 2017, MDHHS staff who had previously been time tracking using Excel-based personnel activity reporting switched to time tracking in the Data Collection and Distribution System (DCDS) in preparation for the transition to SIGMA's Time, Expense, Leave and Labor module. The documentation for the allocation methods was contained in the DCDS system similar to the methodology utilized by the former Department of Community Health and the data was also contained in the cost allocation plan (CAP) as to which staff tracked time to the former Department of Human Services agency number and their applicable AC1 codes. However, MDHHS acknowledges as noted in parts b. through d., that due to time constraints not all outstanding questions were addressed with the auditors.

For part f., MDHHS agrees.

Planned Corrective Action:

While MDHHS is no longer using the contractor or its AlloCAP system to process cost allocation, MDHHS recognizes that a comprehensive CAP processing quality control review is an important step to prevent and detect errors prior to finalizing CAP reports for federal reporting, accounting adjustments, federal drawdowns, budgeting, or financial decision-making purposes. MDHHS will develop quality control procedures that include a review of source financial and statistical data that will be completed prior to running the CAP as a measure to ensure all source data is accurate and complete.

Anticipated Completion Date:

October 1, 2018

Responsible Individual(s):

Suzanne Kyes, MDHHS

Steven Bendele, MDHHS
Susan Kangas, MDHHS

Finding 2017-013

MDHHS, PACAP - Inappropriate Expenditures Charged to the PACAP

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Effective October 1, 2017, MDHHS is processing cost allocation within the State's new accounting system, SIGMA, which does not require reconciliation with an external cost allocation system or routine reclassification of cost allocation expenditures.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Susan Kangas, MDHHS
Steven Bendele, MDHHS

Finding 2017-014

MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

While MDHHS is no longer using the contractor or its AlloCAP system to process cost allocation, MDHHS recognizes that a comprehensive CAP processing quality control review is an important step to prevent and detect errors prior to finalizing CAP reports for federal reporting, accounting adjustments, federal drawdowns, budgeting, or financial decision-making purposes. MDHHS will develop quality control procedures that include a review of source financial and statistical data that will be completed prior to running the CAP as a measure to ensure all source data is accurate and complete.

Anticipated Completion Date:

October 1, 2018

Responsible Individual(s):

Suzanne Kyes, MDHHS
Steven Bendele, MDHHS
Susan Kangas, MDHHS

Finding 2017-015
MDHHS, PACAP - System and Organization Controls

Management Views:

MDHHS partially agrees. Although MDHHS agrees that monitoring is an important tool to assist in ensuring operating effectiveness, MDHHS is no longer using AlloCAP effective October 1, 2017.

Planned Corrective Action:

Subsequent to the fiscal year 2016 audit, MDHHS contractually required the vendor to have a Service Organization Controls (SOC) 2 report completed for fiscal year 2017. MDHHS received the SOC report in March 2018. Because it is no longer using AlloCAP, MDHHS made the decision to utilize its limited resources elsewhere.

Anticipated Completion Date:

Not applicable

Responsible Individual(s):

Susan Kangas, MDHHS

Finding 2017-016
MDHHS, Eligibility Interface Errors

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will track any resolution activities for errors identified on the Member Level Error Report in Excel. This document will be retained as appropriate per the State's document retention requirements.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Dan Ridge, MDHHS

Finding 2017-017
MDHHS, Provider Eligibility

Management Views:

MDHHS agrees with the finding

Planned Corrective Action:

MDHHS developed a standard disclosures form to collect all provider enrollment information. These forms are sent out each time a contract is updated for the Prepaid Inpatient Health Plan (PIHP) entities, Medicaid Health Plan entities, MI Choice Waiver Program (MI Choice) entities, Dental Health Plan entity, and the Pharmacy Benefits

Manager. At this time, MDHHS is continuing to input the Dental health plans into the Community Health Automated Medicaid Processing System (CHAMPS). MDHHS is working to ensure that its current Dental Health Plan entity's network of providers are licensed and have made appropriate disclosures. MDHHS is incorporating MI Choice network providers into the CHAMPS enrollment process as part of the enrollment of all atypical providers.

Anticipated Completion Date:
Dental Health Plans: November 1, 2018
MI Choice: January 1, 2019

Responsible Individual(s):
Ashiya M. Brown, MDHHS

Finding 2017-018
MDHHS, Overdrawn Funds

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
MDHHS will evaluate and update the current procedure to ensure proper internal controls are in place. MDHHS will also establish instructions for federal draw forms and add a required sign off indicating management review of Cash Management Improvement Act (CMIA) compliance.

Anticipated Completion Date:
June 30, 2018

Responsible Individual(s):
Jessica Tindall, MDHHS

Finding 2017-019
DTMB, Lack of Required Contract Provisions

Management Views:
DTMB agrees with the finding.

Planned Corrective Action:
DTMB, in conjunction with the Attorney General's Office, developed a contract addendum containing the required provisions to be used with new contracts of federal awards after June 30, 2017. DTMB Central Procurement management will be coaching and instructing buyers to attach the required federal provisions on contracts that have a federal funding source. DTMB Central Procurement will attach the federal amendments to the Standard Contract Terms to ensure the provisions are included in the contract, if required.

Anticipated Completion Date:
June 30, 2018

Responsible Individual(s):
Chenoa Reyes, DTMB

Finding 2017-020

Talent and Economic Development, Procurement and Suspension and Debarment - Lack of Documentation

Management Views:

TED agrees with the finding and will correct the issue. While federal regulations do not specifically require an annual verification of exclusion or disqualification, it has been the practice within the TED Talent Investment Agency (TIA) to do so each year. That verification was not done for calendar year 2017, however that issue will be corrected through the issuance of policy covering suspension and debarment for 2017 and 2018.

Planned Corrective Action:

TIA will revise and issue new policy related to the Michigan Works System Plan Instructions for calendar years 2017 and 2018. This policy provides periodic documentation and execution of employment, education, and training programs as well as providing the instruments for the transmission of assurances, certifications, and stipulations for programs funded by TIA. This policy will require the Michigan Works Agency (MWA) official to sign forms certifying that neither the MWA, nor its principals, are debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in a covered transaction by any federal department or agency. TIA will include forms and language covering suspension and debarment for both 2017 and 2018.

Anticipated Completion Date:

The Michigan Works System Plan draft policy was issued on April 20, 2018. After a review and comment period, the new policy was issued on May 17, 2018. The MWAs have 30 days to sign and submit the suspension and debarment certifications. The anticipated date of full compliance is July 1, 2018.

Responsible Individual(s):
Joseph Billig, TED/TIA
Brian Marcotte, TED/TIA

Finding 2017-021

MDE, Subaward Information

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

The MDE Food Distribution Unit household agencies will have access to required Grant Award Notification information beginning in fiscal year 2018 as part of the data fix that has added the missing information to the electronic subaward in the Michigan Nutrition Data System.

Anticipated Completion Date:
September 30, 2018

Responsible Individual(s):
Louis Burgess, MDE

Finding 2017-022
Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569, On-Site Reviews of Local Agencies

Management Views:
MDE agrees with the finding.

Planned Corrective Action:
The MDE Food Distribution Unit has added both agencies to the review schedule. Both agencies received Commodity Supplemental Food Program reviews in fiscal year 2018. Moving forward, these agencies will receive scheduled reviews every two years as required.

Anticipated Completion Date:
Completed

Responsible Individual(s):
Thomas Priest, MDE
Liana Bennett, MDE

Finding 2017-023
WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Procurement Procedures

Management Views:
MDHHS partially agrees with the finding. MDHHS acknowledges that these services may not have been procured in accordance with State policies. However, the services themselves were appropriate and allowable under federal regulations.

Planned Corrective Action:
The MDHHS program office will work with the procurement office to determine the appropriate alternative for these services going forward.

Anticipated Completion Date:
September 30, 2018

Responsible Individual(s):
Christine Sanches, MDHHS
Brittney LaRue, MDHHS

Finding 2017-024
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401,
Ineligible Requests for Reimbursement

Management Views:

The Department of Military and Veteran Affairs (DMVA) agrees with the finding.

Prior to the start of fiscal year 2018, DMVA sent a memo to the United States Property and Fiscal Office (USPFO) citing National Guard Regulations (NGR) 5-1 and the requirement of having modifications prior to requesting reimbursement. The majority of modifications were created prior to the start of fiscal year 2018, although not all.

DMVA agrees that modifications should be created prior to submitting requests for reimbursement. This will require cooperation from the USPFO and the federal program managers, as the federal program managers need to provide the funding information to the USPFO Grants Officer Representative (GOR).

Planned Corrective Action:

In addition to sending a memo to the USPFO prior to the start of the fiscal year, DMVA sent an email to the federal program managers on April 25, 2018. The email stated that program managers should submit Annual Funding Program modification requests at the beginning of the fiscal year and as additional funding is distributed and provided guidance from the NGR. DMVA will follow up with both the GOR and the federal program managers prior to the start of the fiscal year.

Anticipated Completion Date:

October 1, 2018 for the start of fiscal year 2019.

Responsible Individual(s):

Christine Apostol, DMVA

Finding 2017-025
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:

In fiscal year 2018, the Construction and Facilities Management Office (CFMO) will be obtaining separate funding documents for each project. This will allow easier identification of outstanding project obligations. In addition, CFMO has implemented a stronger Request for Purchase and/or Service (DMVA 6-1) process that involves reconciling the DMVA 6-1 with DMVA Purchasing monthly, which should allow DMVA to identify unreimbursed purchase orders and recurring charges.

Anticipated Completion Date:

DMVA anticipates completion by December 31, 2018. This is the first extension request due date for the fiscal year 2018 agreements.

Responsible Individual(s):
Christine Apostol, DMVA

Finding 2017-026

Highway Safety Cluster, CFDA 20.600 and 20.616, Lack of Maintenance of Effort Documentation

Management Views:

Michigan State Police (MSP) agrees with the finding.

Planned Corrective Action:

MSP will develop a procedure to ensure that documentation is maintained to demonstrate compliance with maintenance of effort (MOE) requirements.

Anticipated Completion Date:

June 30, 2018

Responsible Individual(s):

Michael Prince, MSP

Finding 2017-027

Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Lack of Local Education Agency (LEA) Budget Documentation

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

The MDE Office of Special Education (OSE) started development of Catamaran, a significantly complex, intuitive, and interactive electronic MOE eligibility and compliance testing system immediately following the new federal MOE regulations. The MOE eligibility electronic testing system is now developed, and MDE is subsequently receiving budget information for federal fiscal year (FFY) 2017. To date, 54 of 56 local education agencies (LEAs) (MDE's subrecipients) have submitted and have passed their eligibility test to have received the FFY 2017 award. All LEAs have access and are in the Catamaran system. The FFY 2018 MOE eligibility testing and all years moving forward will be completed prior to making awards. In addition, MDE OSE has been in regular communication with the federal Office of Special Education Programs regarding the status of this requirement.

Anticipated Completion Date:

Completed

Responsible Individual(s):

John Andrejack, MDE

Finding 2017-028

Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Risk Assessments

Management Views:

MDE agrees with the finding. It was understood by MDE OSE that risk assessments must be done for each subrecipient, though not required annually. This finding clarifies that risk assessments must be performed on each subrecipient annually for the Special Education Part B award because MDE makes subawards annually.

Planned Corrective Action:

MDE OSE will develop a procedure that will 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.

Anticipated Completion Date:

July 1, 2018

Responsible Individual(s):

John Andrejack, MDE

Finding 2017-029

Career and Technical Education-Basic Grants to States, CFDA 84.048, Allocation of Funds to Secondary Eligible Recipients

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

MDE will include all open LEAs and public school academies (PSAs) in the Perkins funding formula. Michigan will no longer exclude LEAs and PSAs because of a "non-participating agency" status.

MDE will utilize "Estimated number of relevant children 5-17 years old in poverty who are related to the householder" and "Relevant population age 5-17" from the U.S. Census website, www.census.gov. Several years of this data were examined and found to be complete and available for PSAs and LEAs. This will provide complete non-duplicative data for the two required formula elements for PSAs and for LEAs.

Anticipated Completion Date:

MDE has implemented corrective action for the 2018-2019 Perkins application grant year.

Responsible Individual(s):

Dr. Jill Kroll, MDE
Muhammed Sadek, MDE
Christine Black, MDE
Dr. Brian Pyles, MDE

Finding 2017-030

Career and Technical Education - Basic Grants to States, CFDA 84.048, Post-Secondary Subrecipient Program Improvement Plans

Management Views:

TED agrees with the finding.

Planned Corrective Action:

TED will require post-secondary subrecipients that fail to meet the local adjusted level of performance of the core indicators to develop and implement program improvement plans. In addition, TED will provide technical assistance, which could include on-site monitoring, to the post-secondary subrecipients deemed medium to high-risk to prevent reoccurrence.

Anticipated Completion Date:

By June 2018, TED will request the post-secondary subrecipients to submit a program improvement plan. The activities in the program improvement plan will be included for implementation in the 2018-19 Local Annual Grant Application. By May 2019, TED will have provided technical assistance, including on-site monitoring, to the post-secondary subrecipients to prevent reoccurring failure to meet the local adjusted levels of performance.

Responsible Individual(s):

Keenan Wade, TED/TIA
Marcia Black-Watson, TED/TIA

Finding 2017-031

Career and Technical Education - Basic Grants to States, CFDA 84.048, Lack of Post-Secondary Data Validation

Management Views:

TED agrees with the finding.

Planned Corrective Action:

Beginning federal fiscal year 2018-19 (July 1 - June 30), TED will conduct on-site reviews and/or desk audits to validate the accuracy and reliability of subrecipients student data in the Consolidated Annual Report.

TED will conduct local monitoring with priority placed upon high-risk subrecipients. Prior to fiscal year 2018-19, TED will conduct risk assessments of Perkins subrecipients to determine high, medium or low-risk for on-site or desk audit reviews.

Anticipated Completion Date:

TED will complete risk assessments by July 1, 2018 and on-site or desk audit reviews by March 31, 2019.

Responsible Individual(s):

Keenan Wade, TED/TIA
Marcia Black-Watson, TED/TIA

Finding 2017-032

Career and Technical Education - Basic Grants to States, CFDA 84.048, Risk Assessments of Post-Secondary Subrecipients

Management Views:

TED agrees with the finding.

Planned Corrective Action:

TED will conduct risk assessments to evaluate each subrecipient's risk of noncompliance with Career and Technical Education Program requirements to determine high, medium, or low-risk and the type of monitoring appropriate for each subrecipient. On-site or desk audit monitoring reviews will be completed based on the results of the risk assessment.

Anticipated Completion Date:

TED will complete the risk assessments by July 1, 2018. On-site or desk audit reviews will be completed by March 31, 2019, based on risk of non-compliance.

Responsible Individual(s):

Keenan Wade, TED/TIA
Marcia Black-Watson, TED/TIA

Finding 2017-033

Rehabilitation Services - Vocational Rehabilitation Grant to States, CFDA 84.126, Completion of IPEs

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will immediately notify managers, counselors, and support staff of this finding and require managers to provide additional supervision regarding Individualized Plan for Employment (IPE) deadlines. MDHHS is in the process of reviewing IPE policy and training staff related to IPE timelines. Staff are reviewing the feasibility of the existing case management system alerting managers and staff prior to eligibility and IPE due dates. In addition, new performance objectives for counselors related to eligibility and IPE timeframes have been established and are being monitored.

Anticipated Completion Date:

MDHHS has completed training of new staff and anticipates completion of training for existing staff by March 30, 2019. MDHHS anticipates the feasibility review for system enhancements will be complete by September 1, 2018, with recommendations or next steps identified by December 31, 2018.

Responsible Individual(s):

William H. Addison, MDHHS
Sigrid J. Adams, MDHHS
William Colombo, MDHHS

Christine Fullerton, MDHHS
James Bunton, MDHHS

Finding 2017-034

TANF Cluster, CFDA 93.558, Lack of Income Eligibility Documentation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The addition of electronic storage functionality for Consolidated Inquiry and State Online Query within the Bridges Electronic Case File was completed in October 2016. MDHHS FOA will continue to educate local office staff on policies and procedures along with online trainings through the Office of Workforce Development and Training (OWDT) website.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Kenton Schulze, MDHHS

Finding 2017-035

TANF Cluster, CFDA 93.558, Lack of Eligibility Documentation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS FOA will continue to remind to local office staff that policies and procedures must be followed when determining eligibility. Training will continue through the OWDT website. In addition, work will continue with the Compliance Division on TANF sampling case reads.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Dawn Sweeney, MDHHS
Kenton Schulze, MDHHS

Finding 2017-036
TANF Cluster, CFDA 93.558, Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The MiSACWIS business rule was corrected in March of 2016 so that annual reports generate out one year from the date of eligibility. Cases one year from this date will generate correctly.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Dawn Ritter, MDHHS

Finding 2017-037
TANF Cluster, CFDA 93.558, Accuracy of Financial and Special Reports

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS Budget and Federal Reporting now utilize the same real time source of data for preparing swaps and federal reporting with the implementation of SIGMA, therefore eliminating the use of multiple methodologies. SIGMA also eliminates the use of Administrative Revolving Funds so that MDHHS can better determine the status of each line item throughout the year and make any necessary adjustments timelier. In addition, MDHHS will implement better coordination between Budget and Federal Reporting to ensure all entries have been made prior to the completion and submission of federal reports.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Budget and Federal Reporting staff, MDHHS

Finding 2017-038
TANF Cluster, CFDA 93.558, Child Support Non-Cooperation

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The deficiencies related to cases not closing appropriately due to clients being in noncooperation is a known technical issue. Work request BRGUS00566578 has been submitted, but not yet prioritized.

The deficiencies related to clients who cooperated within the negative action period but were still penalized is a training issue. MDHHS and OWDT will continue to educate specialists with training and policy support as needed.

Anticipated Completion Date:

Bridges Work Request #BRGUS00566578 is not yet prioritized. Training is ongoing.

Responsible Individual(s):

Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Kenton Schulze, MDHHS
Bethany Cabanaw, MDHHS
Brian Sanborn, MDHHS

Finding 2017-039

TANF Cluster, CFDA 93.558, Penalty for Refusal to Work

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

The cases identified in the finding were part of a Bridges issue that was previously identified and fixed with work request BRGUS00321074 in 2016. The identified system fix has corrected the issue going forward. However, MDHHS cannot retroactively sanction a recipient due to the previous system issue because the recipients were not notified that there was a noncooperation concern.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Dawn Sweeney, MDHHS
Heidi Norfleet, MDHHS

Finding 2017-040

CCDF Cluster, CFDA 93.575 and 93.596, Lack of Documentation

Management Views:

MDE and MDHHS agree with the finding.

Planned Corrective Action:

MDHHS FOA will continue to educate local office staff to ensure policies and procedures are followed when determining eligibility for the Child Development and Care program, as well as continue to issue Statewide FOA memos for all policy updates. In addition, MDHHS FOA will work with OWDT in providing training and job aids via the OWDT website.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Terrence Beurer, MDHHS

Finding 2017-041

CCDF Cluster, CFDA 93.575 and 93.596, Inappropriate Administrative Draws

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

MDE has been in contact with Treasury about the overdrawn funds. Treasury has indicated that the overdrawn funds will be reported as a prior period adjustment on the fiscal year 2018 CMIA Annual Report when it is completed in November 2018 and the interest will be included in the annual calculation as well.

To ensure that federal revenue is not recorded in the general fund in the future, MDE accounting staff will run reports at least monthly to review federal revenue draw postings and verify that they were posted properly. MDE will also make sure that the proper parameters are set in the Federal Letter of Credit system if a front-end split situation (in SIGMA) occurs on any federal program.

Anticipated Completion Date:

December 31, 2018

Responsible Individual(s):

Brandon Reed, MDE
Rose Zuker, MDE

Finding 2017-042

CCDF Cluster, CFDA 93.575 & 93.596, Understatement of Expenditures

Management Views:

MDE agrees with the finding.

Planned Corrective Action:

The MDE Program Office Financial Analyst and MDE Accounting Office staff will collaborate to ensure that expenditure recodes are requested and processed between federal award years prior to September 30 of the second year of the federal award so that discretionary award obligations are properly recorded on each open federal award. The

MDE Program Office Financial Analyst and MDE Accounting Office staff will also collaborate to ensure that matching expenditures and obligations (including other State agencies and component units) are identified and properly recorded as of September 30 of the first year of the federal award. MDE will submit revised fourth quarter reports after the book close process is complete with the final expenditure and obligation amounts.

Anticipated Completion Date:
December 31, 2018

Responsible Individual(s):
Bethanie Kramer, MDE
Jodi Woodman, MDE
Rose Zuker, MDE

Finding 2017-043
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 will conduct additional research to determine what additional strategies should be implemented to collect fraudulent payments. During this research, MDE will determine if additional manual protocols need to be implemented pending Bridges automation. Once this research is completed, MDE, as the lead agency, will instruct MDHHS as to what should be implemented.

Anticipated Completion Date:
MDE will research strategies by October 1, 2018. MDHHS implementation of additional strategies, if necessary, is anticipated by December 31, 2018. An anticipated completion date for Bridges functionality being programmed has not yet been determined.

Responsible Individual(s):
Lisa Brewer-Walraven, MDE
Steven Bendele, MDHHS

Finding 2017-044
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Transitional Medicaid Eligibility

Management Views:
MDHHS partially agrees with the finding. MDHHS acknowledges timely termination did not always occur for beneficiaries receiving transitional Medicaid coverage. However, MDHHS believes that although the beneficiary may no longer have been eligible under Transitional Medicaid Assistance (TMA), they may have been eligible to receive coverage under another benefit category and Medicaid payments still would have been made on their behalf.

Planned Corrective Action:

MDHHS will develop a query to identify beneficiaries that are nearing the end of TMA eligibility and work with applicable staff to determine if a monitoring plan is warranted. As part of this process, MDHHS will analyze any query results and determine what other mitigating steps could be implemented, such as, development of additional training materials and/or system modifications. In addition, MDHHS will review the identified population and determine if the population identified in the audit were determined eligible for another benefit category.

Anticipated Completion Date:

December 31, 2018

Responsible Individual(s):

Logan Dreasky, MDHHS
Andrea Piper, MDHHS

Finding 2017-045

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Payments After Date of Death

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS loaded the identified paper death records into the system in May via batch files, to interface to CHAMPS. MDHHS is currently investigating to determine what prevented these records from being processed and will continue to send batch files for processing until a long-term solution can be developed and implemented.

Anticipated Completion Date:

December 2019

Responsible Individual(s):

Glenn Copeland, MDHHS
Dan Ridge, MDHHS

Finding 2017-046

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:

MDHHS will determine if there are work requests and/or system enhancements/changes that could be requested which could provide worker relief. However, due to Bridges modernization, any work request prioritization and implementation is expected to be limited. In addition, training on the importance of obtaining and maintaining proper documentation will continue for workers through OWDT.

Anticipated Completion Date:

An anticipated completion date for work requests and/or system enhancements/changes has not yet been determined. Worker training is ongoing.

Responsible Individual(s):

Logan Dreasky, MDHHS

Finding 2017-047

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Ineligible Prepaid Inpatient Health Plan Payments

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has implemented Modernizing Continuum of Care (MCC) which moved the managed care organization (MCO) enrollment file interface from Bridges directly into CHAMPS, making CHAMPS the system of record effective January 2, 2018. Prior to MCC, the Bridges system incorrectly sent invalid overlapping enrollment segments because of a defect. These could not be processed by CHAMPS and required manual corrections. This prevented eligibility closures from being processed by CHAMPS and caused the invalid extension of eligibility, which resulted in the PIHP overpayments.

Bridges system defects also caused a retroactive change in Medicaid eligibility. These defects will be fixed in a future Bridges release which will prevent these invalid retroactive eligibility changes.

Anticipated Completion Date:

December 2019

Responsible Individual(s):

Jamy Hengesbach, MDHHS

Finding 2017-048

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:

Beginning with claims adjudicated on January 1, 2018, Medicaid policy 17-46 requires nursing facility authorized admission dates be entered directly into CHAMPS so that claims can be edited against these dates rather than the level of care derived from the Bridges system. This will eliminate delays in updating CHAMPS because of level of care changes. Home help payment will not be made for an individual that shows nursing facility admission dates in CHAMPS. This policy also requires hospitals to do the same if the

hospitalization is expected to be over 30 days, however, the majority of hospital stays are less than 30 days.

MDHHS will continue to conduct post payment monitoring for any overlap in services. The Home Help unit has developed a spreadsheet to track all monthly reports to ensure that they are received timely and distributed to the field. The Home Help unit will also be tracking workers actions for all identified hospitalizations and nursing facility stays. MDHHS's Office of Inspector General (OIG) will continue to process recoupments when any overlap of services are not processed timely.

Anticipated Completion Date:
Ongoing

Responsible Individual(s):
Michelle Martin, MDHHS

Finding 2017-049

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:

Home Help staff will work with the MDHHS training unit to develop a mandatory training for all adult services workers doing Home Help case management. The training will reiterate the requirements of Adult Services Manual 155 and the importance of completing required contacts between workers, clients and providers, and the documentation needed to verify the contacts.

Home Help staff will also design new reports to enhance monitoring for timely completion of these contacts.

Anticipated Completion Date:
December 2018

Responsible Individual(s):
Michelle Martin, MDHHS

Finding 2017-050

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 continue to 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:

October 2019

Responsible Individual(s):

Michael Daeschlein, MDHHS

Finding 2017-051

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

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

Effective October 1, 2017, MDHHS implemented point-of-sale coding to allow pharmacy providers to submit an “emergency” indicator on claims for undocumented aliens in lieu of requiring the prescriber to submit a prior authorization request. In addition, at that time, a listing of questionable claims for this population was forwarded to MDHHS’s OIG for post payment audit and recovery consideration.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Tina Villarreal, MDHHS
Helen Walley, MDHHS
Trish Bouck, MDHHS

Finding 2017-052

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 implemented MCC, which moved the MCO enrollment file interface from Bridges directly into CHAMPS, making CHAMPS the system of record effective January 2, 2018. MCC also implemented various other changes which should significantly decrease retroactive enrollments due to eligibility and enrollment changes. MDHHS is also exploring an automatic recoupment for any retroactive disenrollment which will completely eliminate overlapping fee-for-service and managed care payments.

Anticipated Completion Date:

System changes were implemented January 2, 2018, and are ongoing.
Automatic recoupment, to be determined

Responsible Individual(s):

Samantha Rutledge-Wolf, MDHHS
Susan A. Klein, MDHHS

Finding 2017-053

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:

Beginning with claims adjudicated on January 1, 2018, nursing facility authorized admission dates submitted directly to CHAMPS will be used in editing claims rather than the level of care derived from the Bridges system. This will eliminate delays in updating CHAMPS because of level of care changes. Errors in establishing eligibility requiring retroactive changes may still occur, however, MDHHS continues outreach to durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) providers focusing on our communication with the DMEPOS contracted supplier to ensure that reasonable effort is made to verify where beneficiaries reside at the time supplies are ordered.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Susan A. Klein, MDHHS

Finding 2017-054

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:

In October 2017, the Michigan Adult Information Management System (MiAIMS) (a new case management program) was rolled out Statewide. MiAIMS has a system edit in place to stop agency payment rates to providers not on the "Approved Agency List" as long as their agency status was not modified during the authorization period. During fiscal year 2017, MDHHS also implemented a database to enhance tracking of applicable agency documentation and agency status. Finally, MDHHS is implementing a policy that will eliminate the 6-month agency authorizations. This policy will require that agency

payments are only paid after the agency invoice has been received and services have been verified.

Anticipated Completion Date:
March 2019

Responsible Individual(s):
Michelle Martin, MDHHS
Home Help Team, MDHHS

Finding 2017-055

Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), HHP Provider Overpayments

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
MDHHS has developed the new computer application MiAIMS to record case management activities for Home Help and to authorize payment. This application has been built to check an authorized payment against the client's functional assessment to determine if the payment exceeds the approved time and task. Subsequent to implementation, MDHHS identified a small number of defects related to multiple providers that they are prioritizing for remediation.

Anticipated Completion Date:
MiAIMS Statewide rollout was completed in October 2017. MDHHS anticipates the defects will be remediated by October 2018.

Responsible Individual(s):
Michelle Martin, MDHHS

Finding 2017-056

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA) - Lack of Required Contract Provisions

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
MDHHS followed the State procurement policies, which includes standard contract term language. DTMB Central Procurement subsequently issued the Federal Provisions Addendum to fulfill federal requirements for any new contract or purchase order that includes federal funding. For any existing contract or purchase order that does not already include the Federal Provisions Addendum, MDHHS will incorporate the addendum into the contract or purchase order when the next change notice is issued.

Anticipated Completion Date:

Ongoing for new contracts and purchase orders that include federal funding. As required when change notices are issued for existing contracts and purchase orders that include federal funding.

Responsible Individual(s):

Christine Sanches, MDHHS
Dr. David Neff, MDHHS

Finding 2017-057

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Medicaid Services Verification Reports

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

PIHP reporting requirements are currently being amended to add the Medicaid Services Verification reporting to the contractual requirements. This will ensure that all contractual requirements are incorporated into the documents used for the compliance monitoring.

Anticipated Completion Date:

Completed

Responsible Individual(s):

John P. Duvendeck, MDHHS

Finding 2017-058

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Undeliverable Explanation of Benefit Letters

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

It is not cost effective for MDHHS to retain, track, or analyze undeliverable Explanation of Benefit letters as they are currently received by MDHHS. MDHHS has discussed this with DTMB printing services and at this time they do not have a viable option for MDHHS. MDHHS will continue to research other viable options.

Anticipated Completion Date:

September 2018

Responsible Individual(s):

Dan Ridge, MDHHS

Finding 2017-059

Low-Income Home Energy Assistance, CFDA 93.568, Incorrect Eligibility Determination

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 policy clarifications and the OWDT website.

Anticipated Completion Date:

Ongoing

Responsible Individual(s):

Terrence Beurer, MDHHS
Kenton Schulze, MDHHS
Tammy Bair, MDHHS

Finding 2017-060

Foster Care - Title IV-E, CFDA 93.658, Foster Parent Household Background Checks

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will consult with Michigan tribes on the best process and language to update Tribal Title IV-E agreements that will honor tribal sovereignty and allow the State of Michigan to meet federal requirements as a state Title IV-E entity.

The MDHHS CSA will develop, implement, and monitor Tribal Title IV-E Agreements in consultation with the appropriate CSA program offices to include itemized duties of the department which will ensure the child abuse and neglect registry checks on prospective tribal foster parents and other adults living in the prospective tribal foster parents' home are completed prior to issuing foster care maintenance payments.

Anticipated Completion Date:

October 1, 2018

Responsible Individual(s):

Wendy Campau, MDHHS
Jenifer Pettibone, MDHHS
Christine Rehagen, MDHHS
Stacey Tadgerson, MDHHS

Finding 2017-061

Foster Care – Title IV-E, CFDA 93.658, Foster Care Demonstration Projects Report

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS will work with its federal Administration for Children and Families contact to determine if MDHHS needs to update and resubmit affected reports or if corrections can be made on the third quarter report. MDHHS has also implemented a reasonableness review process prior to submission.

Anticipated Completion Date:

July 31, 2018

Responsible Individual(s):

Tiffany Clarke, MDHHS
Rebecca Jones, MDHHS

Finding 2017-062

Adoption Assistance, CFDA 93.659, Payments exceed Foster Care Maintenance

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS has already completed the reconciliation and recoupment upon discovery for this case error. This was complete May 1, 2018. The error was due to worker error and was prior to the multilevel approval of rate and dates that is now in place.

Anticipated Completion Date:

Completed

Responsible Individual(s):

Dawn Ritter, MDHHS

Finding 2017-063

Adoption Assistance, CFDA 93.659, Annual Adoption Savings Calculation and Accounting Report

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS is working on revisions to the adoption savings query and will resubmit the 2017 federal savings report.

Anticipated Completion Date:
July 1, 2018

Responsible Individual(s):
Dawn Ritter, MDHHS
Catherine Hoover, MDHHS

Finding 2017-064
Adoption Assistance, CFDA 93.659, Accuracy of Financial Reports

Management Views:
MDHHS agrees with the finding.

Planned Corrective Action:
MDHHS will enhance communication between divisions for these types of entries to ensure they are properly accounted for on the federal reports.

Anticipated Completion Date:
August 30, 2018

Responsible Individual(s):
Teresa Schneider, MDHHS
Carol O'Callaghan, MDHHS

Finding 2017-065
Block Grants for the Prevention and Treatment of Substance Abuse, CFDA 93.959, Maintenance of Effort - State Expenditures

Management Views:
MDHHS partially agrees with the finding. As a result of a federal audit, MDHHS worked with the federal awarding agency to revise its MOE expenditure calculations. However, when MDHHS attempted to submit the final version to the awarding agency, MDHHS was informed that it could not be submitted until the federal monitoring visit report was received. MDHHS will submit the updated numbers as part of the response to the federal monitoring report.

Planned Corrective Action:
MDHHS will continue to maintain documentation and implement controls to ensure compliance with the MOE requirement for State expenditures.

Anticipated Completion Date:
Ongoing

Responsible Individual(s):
Kristen Jordan, MDHHS

Finding 2017-066

Block Grants for the Prevention and Treatment of Substance Abuse, CFDA 93.959, Risk Assessments

Management Views:

MDHHS agrees with the finding.

Planned Corrective Action:

MDHHS revised its risk assessment process for subrecipients earlier in the fiscal year and will utilize these risk assessments when determining appropriate monitoring activities.

Anticipated Completion Date:

Completed

Responsible Individual(s):

John P. Duvendeck, MDHHS

Finding 2017-067

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, 2017, Corrective Action Plan, Finding 2017-001.

Finding 2017-068

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, 2017, Corrective Action Plan, Finding 2017-002.

Finding 2017-069

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, 2017, Corrective Action Plan, Finding 2017-003.

Finding 2017-070

CCDF Cluster, CFDA 93.575 and 93.596

See Early Childhood Investment Corporation, Supplementary Information to Financial Statements (Federal Awards), September 30, 2017, Corrective Action Plan, Finding 2017-001

GLOSSARY

LIST OF ABBREVIATIONS

ACA	Affordable Care Act.	CTE	Career and Technical Education - Basic Grants to States.
ACF	HHS's Administration for Children and Families.	DBA	database administrator.
ADP	automated data processing.	DCA	HHS's Division of Cost Allocation.
ALM	application lifecycle management.	DCDS	Data Collection and Distribution System.
ARRA	American Recovery and Reinvestment Act of 2009.	DMEPOS	durable medical equipment, prosthetics, orthotics, and supplies.
ASCAP	Adult Services Comprehensive Assessment Program.	DMVA	Department of Military and Veterans Affairs.
ASM	Adult Services Manual.	DMVA 6-1	Request for Purchase and/or Service.
ASW	adult services worker.	DNR	Department of Natural Resources.
BCP	business continuity plan.	DRP	disaster recovery plan.
BRS	Bridges Benefits Recovery System.	DTMB	Department of Technology, Management, and Budget.
CAP	cost allocation plan.	ELM	Enterprise Log Management.
CATS	Corrective Action Tracking System.	EOB	explanation of benefit.
CCDF	Child Care and Development Fund.	FAA	Federal Aviation Administration.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>	FAIN	Federal Award Identification Number.
CFMO	Construction and Facilities Management Office.	FAST Act	Fixing America's Surface Transportation Act.
CFR	<i>Code of Federal Regulations.</i>	FFEL	Federal Family Education Loans.
CHAMPS	Community Health Automated Medicaid Processing System.	FFY	federal fiscal year.
CHIP	Children's Health Insurance Program.	FIP	Family Independence Program.
CI	Consolidated Inquiry.	FISCAM	Federal Information System Controls Audit Manual.
CIS	Center for Internet Security.	FNS-FRS	Food Nutrition System - Fiscal Reporting System.
CIT	corporate income tax.	FOA	Field Operations Administration.
CMIA	Cash Management Improvement Act.	FRA	Federal Railroad Administration.
CMS	Cash Management System.	GAO	U.S. Government Accountability Office.
CSA	Children's Services Agency.	GEMS/MARS	Grant Electronic Management System/Michigan Administrative Review System.
CSFP	Commodity Supplemental Food Program.	GOR	Grants Officer Representative.

HHA	home health agency.	MOE	maintenance of effort.
HHP	Home Help Program.	MSHDA	Michigan State Housing Development Authority.
HHS	U.S. Department of Health and Human Services.	MSP	Michigan Department of State Police.
IDEA	Individuals with Disabilities Education Act.	MSV	Medicaid Services Verification.
IEVS	Income Eligibility and Verification System.	MWA	Michigan Works! Agency.
IIT	individual income tax.	NGR	National Guard Regulations.
IPE	Individualized Plan for Employment.	OAG	Office of the Auditor General.
IT	information technology.	OFM	Office of Financial Management.
LARA	Department of Licensing and Regulatory Affairs.	OIG	Office of Inspector General.
LEA	local educational agency.	OMB	U.S. Office of Management and Budget.
LIHEAP	Low-Income Home Energy Assistance Program.	OSE	Office of Special Education.
LOC	level of care.	OWDT	Office of Workforce Development and Training.
LOSC	local office security coordinator.	PAB	Project Accounting and Billing.
MARS	Management of Awards to Recipients System.	PACAP	Public Assistance Cost Allocation Plan.
MCC	Modernizing Continuum of Care.	PBM	Pharmacy Benefits Manager.
MCO	managed care organization.	PIHP	Prepaid Inpatient Health Plan.
MDE	Michigan Department of Education.	PSA	public school academy.
MDHHS	Michigan Department of Health and Human Services.	R&D	research and development.
MDOT	Michigan Department of Transportation.	RMTS	Random Moment Time Study.
MEGS+	Michigan Electronic Grants System Plus.	RSS	Retail Sales System.
MFOS	MAP Financial Obligation System.	SAM	System for Award Management
MHP	Medicaid Health Plan.	SEFA	schedule of expenditures of federal awards.
MiAIMS	Michigan Adult Information Management System.	SER	State Emergency Relief.
MI Choice	MI Choice Waiver Program.	SIGMA	Statewide Integrated Governmental Management Applications.
MiND	Michigan Nutrition Data.	SNAP	Supplemental Nutrition Assistance Program.
MiSACWIS	Michigan Statewide Automated Child Welfare Information System.	SOC	System and Organization Controls.
MI-WIC	Michigan Women, Infants, and Children Information System.	SOLQ	State Online Query.
		SOMCAFR	<i>State of Michigan Comprehensive Financial Report.</i>

SQL	Structured Query Language.	TOA	type of assistance.
SSA	Social Security Administration.	USC	<i>United States Code.</i>
SWSS	Services Worker Support System.	USDOE	U.S. Department of Education.
TANF	Temporary Assistance for Needy Families.	USPFO	United States Property and Fiscal Office.
TED	Department of Talent and Economic Development.	WIA	Workforce Investment Act.
TIA	Talent Investment Agency.	WIC	Women, Infants, and Children.
TMA	Transitional Medicaid Assistance.	WIOA	Workforce Innovation and Opportunity Act.

GLOSSARY OF TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
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 supported accounting, purchasing, and other financial management activities through fiscal year 2017.
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.
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 <i>Government Auditing Standards</i> 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.

System and Organization Controls (SOC) report

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 meet specific user needs:

- 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 management's description of a service organization's system 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.

Uniform Guidance

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- 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.

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