

Office of the Auditor General
Performance Audit Report

**Partnership. Accountability. Training. Hope.
(PATH) Program**

Michigan Department of Health and Human Services and Talent
Investment Agency, Department of Talent and Economic Development

June 2018

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

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Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Partnership. Accountability. Training. Hope. (PATH) Program

Michigan Department of Health and Human Services (MDHHS) and Talent Investment Agency (TIA), Department of Talent and Economic Development (TED)

Report Number:
431-3301-16

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June 2018

The PATH Program is a partnership between MDHHS and TIA with a primary purpose of connecting families that receive cash assistance with jobs, education, and training opportunities to help them achieve self-sufficiency and meet the workforce and skill needs of Michigan businesses. In addition, PATH helps ensure that Michigan meets the federal work activity requirements for individuals who receive cash benefits because MDHHS requires all work-eligible individuals seeking or receiving cash benefits to participate in PATH unless deferred or engaged in other employment-related activities. TIA provides participants with specialized services that include job search/job readiness activities, job skills training, community service programs, employment, and work experience programs delivered through 16 Michigan Works! Agencies (MWAs) throughout the State. From October 1, 2013 through June 30, 2016, on average there were 30,090 active cash assistance cases at any given time and approximately 20,580 (68%) with at least one case member participating in PATH. During the audit period, MDHHS annually contracted with TIA to administer the program for approximately \$65 million and expended approximately \$4.6 million for administrative activities.

Audit Objective			Conclusion
Objective #1: To assess MDHHS's and TIA's compliance with selected laws, regulations, policies, and procedures governing the PATH Program.			Complied, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
For over 40% of the deferrals reviewed, MDHHS's documentation was not sufficient to support the appropriateness of the individual's deferment from mandatory PATH participation or other employment-related activities. Improper deferrals overstate MDHHS's federal Temporary Assistance for Needy Families (TANF) work participation rate (WPR) (Finding #1).	X		Agrees
Documentation to support a PATH participant's good cause for not participating in required activities was missing in 26% of the instances we reviewed (Finding #2).		X	Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
For 14% of PATH participants reviewed, individual responsibility plans lacked key facets, such as barriers and long-term actions, or a plan did not exist to help assess the participants' strengths and employability (<u>Finding #3</u>).		X	Agrees
Improved accuracy needed when reporting to the Legislature and other designated parties the number of cash assistance recipients who have remained employed for 6 months or longer; 45% of the recipients sampled from a report were actually employed for between 1 and 5 months (<u>Finding #4</u>).		X	Agrees
MDHHS did not always use available income and employment information to help determine the appropriate amount of cash benefits for employed PATH participants. This resulted in excess cash benefits totaling \$16,233 to 15 sampled participants and potentially \$13.8 million for all PATH participants employed during the 33-month audit period (<u>Finding #5</u>).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of MDHHS's and TIA's efforts in monitoring select PATH payments.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS's PATH policies for certain incentive payments, vehicle repairs, and clothing allowances were not appropriately conveyed to MWA staff, which resulted in inconsistencies in some payments (<u>Finding #6</u>).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the sufficiency of MDHHS's and TIA's efforts to evaluate PATH results.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS and TIA need to improve their evaluation of PATH results to better determine effectiveness in leading participants toward self-sufficiency. The agencies concentrated their evaluations on statutorily required analyses that were primarily output centered and directed less emphasis on evaluating outcomes (<u>Finding #7</u>).		X	Agrees

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Doug A. Ringler, CPA, CIA
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June 13, 2018

Mr. Nick Lyon, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan
and
Mr. Roger Curtis, Director
Department of Talent and Economic Development
300 North Washington Square
Lansing, Michigan

Dear Mr. Lyon and Mr. Curtis:

This is our performance audit report on the Partnership. Accountability. Training. Hope. (PATH) Program, Michigan Department of Health and Human Services and Talent Investment Agency, Department of Talent and Economic Development.

We organize our findings and observations by audit objective. Your agencies provided preliminary responses to the recommendations at the end of our fieldwork. 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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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

COMPLIANCE WITH SELECTED LAWS, REGULATIONS, POLICIES, AND PROCEDURES

BACKGROUND

Numerous federal and State laws and regulations and Michigan Department of Health and Human Services (MDHHS) and Talent Investment Agency (TIA) policies and procedures govern Partnership. Accountability. Training. Hope. (PATH) activities. Some key requirements include:

- Meeting the federally required 50% Temporary Assistance for Needy Families (TANF) work participation rate (WPR) for work-eligible individuals receiving cash assistance.
- Applying requirements for cash assistance recipients and PATH participation including:
 - Guidelines for deferral.
 - Directives for employment-related activities.
 - Penalties for noncooperation.
- Providing orientation for new and ongoing cash assistance applicants and recipients.
- Requiring PATH participants to complete Family Automated Screening Tools (FASTs).
- Preparing Family Self-Sufficiency Plan (FSSP) and Individual Service Strategy (ISS) responsibility plans for PATH participants.
- Reporting specified PATH outcomes* to members of the Michigan Legislature and other designated individuals.

The PATH Program is a partnership between MDHHS and TIA that was created to help cash assistance clients connect to resources needed to obtain employment and ensure that Michigan meets the federal WPR requirements. To comply with WPR requirements, MDHHS requires all work-eligible individuals to participate in the PATH Program to obtain or maintain cash benefits unless the individual is deferred or engaged in other employment-related activities.

MDHHS receives and processes all applications for cash assistance, determines each applicant's work-eligible status, and refers all work-eligible applicants to a Michigan Works! Agency (MWA) for PATH orientation. MDHHS is responsible for determining the minimum number of federally required work participation hours for each participant referred, and MDHHS may defer applicants from PATH participation for various reasons.

* See glossary at end of report for definition.

During PATH orientation, participants work one-on-one with an MWA caseworker to develop individual responsibility plans, identify barriers to employment, and connect to resources to address the barriers. After completing PATH orientation, participants are eligible to begin receiving cash benefits.

To continue receiving cash benefits, participants are expected to engage in employment-related activities, such as employment, on-the-job training, employment preparation, or community service. The MWA tracks and monitors the PATH participant's activity(ies) to ensure that the participant is meeting the minimum number of federally required hours and notifies MDHHS when a participant is noncompliant. MDHHS is responsible for determining if the participant has a valid good cause for not complying with required activities and sanctioning the cash benefits of participants without a good cause.

AUDIT OBJECTIVE

To assess MDHHS's and TIA's compliance with selected laws, regulations, policies, and procedures governing the PATH Program.

CONCLUSION

Complied, with exceptions.

**FACTORS
IMPACTING
CONCLUSION**

- MDHHS met and exceeded the federally required WPR for fiscal years 2014, 2015, and 2016.
- 96% of sampled PATH participants who completed PATH orientation did so within the required time frame.
- 99% of sampled PATH participants completed the required FASTs, and 87% of these FASTs were completed within the required time frame.
- 86% of sampled PATH participants had completed individual responsibility plans, and 98% of completed FSSPs were prepared timely.
- TIA ensured that 97% of the employment-related activity recorded by MWAs for our sampled PATH participants was accurately recorded in TIA's One-Stop Management Information System (OSMIS) and adequately supported by the applicable policy-required documentation, such as activity logs and pay stubs.
- MDHHS submitted all required monthly and quarterly PATH reports to the Legislature during the audit period.

- Material condition* related to insufficient documentation to support deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities (Finding #1).
- Reportable conditions* related to the need to improve documentation of participants' good cause for not participating in required activities (Finding #2), the preparation of individual responsibility plans (Finding #3), the accuracy of certain information reported to the Legislature (Finding #4), and the use of available information when determining cash benefit amounts for employed PATH participants (Finding #5).

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

FINDING #1

Improvement needed in documenting deferrals of work-eligible individuals from mandatory PATH participation.

MDHHS did not maintain the required support for over 40% of the deferrals reviewed.

MDHHS did not always maintain sufficient documentation to support its deferrals of work-eligible individuals receiving cash assistance from mandatory PATH participation or other employment-related activities. Improper deferrals could increase the risk that MDHHS overstates its WPR and hinder individuals' progress toward achieving self-sufficiency.

Federal and State laws require work-eligible individuals to participate in the PATH Program or other employment-related activity to obtain or maintain cash assistance, unless temporarily deferred or engaged in activities that meet participation requirements.

We reviewed the records for 42 individuals who MDHHS had deferred from mandatory participation while receiving cash benefits. These 42 individuals had a total of 60 unique deferrals and 20 (33%) of the 60 deferrals were for establishing incapacity or for incapacitation lasting more than 90 days.

We identified that MDHHS did not maintain the necessary documentation and verification to support 25 (42%) of the 60 deferrals. Within these 25 exceptions, we noted:

- 22 (52%) of the 42 sampled individuals had at least one deferral that was not appropriately supported.
- 14 (70%) of the 20 sampled deferrals for individuals who were establishing incapacity or that remained incapacitated were not properly supported.

It is important for MDHHS to properly support these types of deferrals because MDHHS excludes all of the associated individuals and case records for these categories from the federal TANF WPR calculation.

Federal regulations and MDHHS policies indicate that:

- Reasons for a deferral can include, but are not limited to: lacking child care; experiencing pregnancy complications, domestic violence, or short- or long-term incapacity; establishing incapacity; caring for a disabled child or spouse; and being aged 65 or older.
- Verification of the reason(s) for an individual's deferral is required.
- MDHHS is permitted to exclude from the TANF WPR calculation those individuals deferred for establishing incapacity or that remain incapacitated more than 90 days.

MDHHS informed us that it did not have a Bridges Integrated Automated Eligibility Determination System* (Bridges) mechanism

* See glossary at end of report for definition.

in place to ensure that caseworkers consistently maintained the required documentation to adequately support deferrals or to identify situations when an existing deferral required updated verification documentation.

We consider this finding to be a material condition because of the substantial exception rate noted in our testing and the potential impact of sanctions and/or decreased TANF funding if MDHHS did not meet the required WPR. In addition, improper deferrals from PATH participation could negatively impact MDHHS's ability to carry out the Program's primary purpose. Without proper documentation to support the validity of an individual's deferral, for auditing purposes, we must presume the deferral was not appropriate.

RECOMMENDATION

We recommend that MDHHS maintain sufficient documentation to support its deferrals of work-eligible individuals receiving cash assistance from mandatory PATH participation or other employment-related activities.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees that it did not always maintain sufficient documentation to support deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities.

MDHHS submitted a Bridges Work Request to have systematic monitoring of deferrals to aid in the appropriate and timely verification. This work request also mandates the entry of comments for verification entries. In addition, MDHHS will continue to educate staff on training available through Office of Workplace Development and Training website and policy support.

FINDING #2

Improved documentation needed to demonstrate cash assistance recipients' good cause for not participating in required PATH activities.

MDHHS needs to improve its documentation to support PATH participants' good cause for not participating in required employment- and self-sufficiency-related activities. Improving documentation would help MDHHS ensure that only those PATH participants who demonstrate a valid reason are permitted to delay their participation in required activities that promote employment and self-sufficiency and that cash assistance cases are sanctioned and closed, when appropriate.

MDHHS requires clients who receive cash benefits to participate in PATH employment- and self-sufficiency-related activities and to accept employment when offered, unless the client has good cause not to participate in these activities. MDHHS specifies penalties for nonparticipation with required activities that include a delay of eligibility for cash benefits, ineligibility for cash benefits, and closure of cash benefit cases ranging from 3 months to lifetime closure. Examples of good causes include a sick child or spouse, the birth of a child, a medical emergency, or an agency delay in providing required documentation to the client.

In 40 sampled cases containing 75 instances, MDHHS identified 38 instances as circumstances when the participant had good cause for nonparticipation. We noted that MDHHS did not maintain documentation to support the participants' good cause in 10 (26%) of these 38 instances. In all 10 instances, MDHHS's support was limited to the caseworkers' selection of the "verified unplanned event" reason coded from a pre-populated list within Bridges. MDHHS's records did not include any additional supporting documentation or caseworker comments within Bridges to indicate the nature of the participants' unplanned event or how MDHHS staff verified the event for the determination of good cause.

Documentation to support a PATH participant's good cause for not participating in required activities was missing in 26% of the instances we reviewed.

MDHHS policy instructs staff to document good cause determinations using case comments within Bridges and defines good cause as a valid reason for noncompliance with employment- and/or self-sufficiency-related activities that is based on factors that are beyond the control of the noncompliant person.

MDHHS informed us that its Bridges application controls were not sufficient to ensure that adequate documentation for good cause was always maintained because caseworkers could select a good cause reason without entering an accompanying case note to explain the determination.

RECOMMENDATION

We recommend that MDHHS improve its documentation to support PATH participants' good cause for not participating in required employment- and self-sufficiency-related activities.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees that additional improvements are necessary to document the support of good cause for participants not participating in required PATH employment and self-sufficiency-related activities.

MDHHS submitted a Bridges Work Request for implementation of systematic controls and monitoring related to these required activities. MDHHS will continue to educate staff on training available through Office of Workplace Development and Training website and policy support. In addition, MDHHS will continue Quality Assurance case reads and weekly discussions.

FINDING #3

Improvement needed to ensure that each PATH participant has a complete individual responsibility plan.

For 14% of PATH participants reviewed, individual responsibility plans lacked key elements, such as barriers and long-term actions, or a plan did not exist.

MDHHS and TIA should improve their preparation of individual responsibility plans to help ensure that all PATH participants have a complete plan that sets forth the individual's goals, barriers, and long-term actions. A complete plan that captures the participant's unique situation and strategies is key in helping to assess and maximize a PATH participant's strengths and employability and promoting self-sufficiency.

We reviewed 60 randomly sampled cash assistance cases with an active PATH participant during our audit period. These cases had 35 participants who were required to have a completed individual responsibility plan. We noted that neither MDHHS nor TIA prepared a complete individual responsibility plan for 5 (14%) participants. Four of the participants' plans were missing key required elements, such as descriptions of the participant's barriers and long-term action plans, and there was no plan for 1 participant.

Requirements for individual responsibility plans include:

- *Michigan Compiled Laws* require the completion of FSSPs for all families receiving cash assistance benefits.
- MDHHS and TIA policies and procedures instruct caseworkers to record employment goals, action plans, and barriers for each cash assistance client within FSSPs and ISS plans.

RECOMMENDATION

We recommend that MDHHS and TIA improve their preparation of individual responsibility plans to help ensure that all PATH participants have a complete plan that sets forth the individual's goals, barriers, and long-term actions.

AGENCY PRELIMINARY RESPONSE

MDHHS and TIA provided us with the following response:

MDHHS and TIA agree that improvements in the development of individual plans are necessary. MDHHS and TIA will develop consistent policy that requires PATH participants have a fully completed individual responsibility plan that includes all necessary components, whether in an FSSP or ISS. Any policy changes will be effective October 1, 2018.

In addition, although strengthening the Individual responsibility plan can positively impact the participant's program results, MDHHS and TIA also believe strengthening the program's case management tool bag will create even greater outcomes. A joint MDHHS and TIA workgroup is currently having discussions on expanding the previous Job Search Assistance pilot program which focuses more on Program case management delivery to a Goals, Progress, and Success (GPS) oriented coaching methodology. TIA expects to expand the GPS model to additional delivery sites which will improve the overall case management and participant engagement realized by the program.

FINDING #4

Improved accuracy needed in reporting.

45% of the selected cash assistance recipients reported as employed for 6 months or longer were actually employed for only 1 to 5 months.

MDHHS should improve the accuracy of its reports regarding cash assistance recipients who remain employed for 6 months or longer. Improving the accuracy of the information reported would provide legislators and other designated parties with sound information to facilitate their PATH evaluation and decision-making.

State law requires MDHHS to report quarterly the number and percentage of employed cash assistance recipients who remain employed for 6 months or more to the Senate and House Appropriations Subcommittees on the department budget, the Senate and House Fiscal Agencies and policy offices, and the State Budget Office.

MDHHS uses TIA's OSMIS employment information to identify the PATH participants who have been employed for 6 months or longer. We judgmentally selected and randomly sampled 40 PATH participants who MDHHS included in its March 1, 2016 through May 31, 2016 report and verified the participant's length of employment with the related OSMIS records. We noted that 18 (45%) of the participants had been employed for only 1 to 5 months, with 7 (39%) of the 18 employed for only 1 month, as of the end of the period.

MDHHS informed us that the query that it used to obtain the information from OSMIS inaccurately summarized employment information for some PATH participants.

RECOMMENDATION

We recommend that MDHHS improve the accuracy of its reports regarding cash assistance recipients who have remained employed for 6 months or longer.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees that it is important to provide accurate reports to the Legislature regarding the employment of PATH participants that remain employed for 6 months or longer. MDHHS has begun working on improvements to its data reporting; as part of this process, MDHHS has initiated a comparison of the data retrieved from OSMIS to the current case statuses. MDHHS will continue to work with TIA to ensure that legislative reporting accurately reflects employment status.

FINDING #5

Better use of available income and employment information is needed.

Income and employment information was available, but not used, for 83% of sampled cases with excess benefits.

MDHHS did not always utilize available income and employment information to help determine the appropriate amount of cash benefits that employed PATH participants should receive. Better utilization of available information would help MDHHS ensure that successfully employed PATH participants do not receive excess cash benefits and the State's limited resources are optimized. We estimated that MDHHS may have provided employed PATH participants excess cash benefits of \$13.8 million during the course of the 33-month audit period.

We randomly selected 33 cash assistance cases for employed PATH participants who received cash benefits during the audit period and determined that MDHHS provided excess cash benefits for 18 of the cases. We noted that MDHHS and/or TIA had income and/or employment information available to help determine the appropriate amount of cash benefits for 15 (83%) of the 18 cases. Total cash benefits paid for these 15 cases was \$86,191, of which, \$16,233 was paid in excess. We noted:

- a. For 9 cases, MDHHS did not consistently obtain available PATH participant employment information from TIA that was recorded in OSMIS. Because of system limitations, employment information was not interfaced into Bridges to allow MDHHS caseworkers to view the information. In addition, MWA caseworkers were not required to communicate PATH participant employment status to MDHHS nor was this information provided to MDHHS through other means, such as periodic reports.

The interagency agreement between MDHHS and the Department of Talent and Economic Development (TED) provides MDHHS complete access to MWA and MWA subcontractor case files and records upon request.

- b. For 4 cases, MDHHS did not timely process and incorporate earned income information that PATH participants had reported to MDHHS because of staff oversight.
- c. For 1 case, MDHHS did not process and include the unreported earned income that it had identified through its quarterly checks of Unemployment Insurance Agency (UIA) work history records because of staff oversight.

MDHHS performs a quarterly cross-match of client social security numbers to UIA work history records to help identify unreported income.

- d. For 1 case, MDHHS did not consider employment information recorded within Bridges when calculating the cash benefit amount because of a Bridges system error.

MDHHS requires:

- Cash assistance clients to notify MDHHS within 10 days of any employment starts, stops, or changes and requires MDHHS staff to take action and to notify the client within 15 calendar days when income increases result in a decrease in cash assistance benefits.
- PATH participants to report their employment activity to TIA to demonstrate compliance with federally required work activities.

RECOMMENDATION

We recommend that MDHHS utilize available income and employment information to help determine the appropriate amount of cash benefits that employed PATH participants should receive.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees that it needs to ensure that all available income and employment information is utilized to determine the appropriate amount of cash benefits. MDHHS submitted a Bridges Work Request that will allow for the utilization of employment data available from TIA as a tool to inquire if a client has income that the department has not been made aware of. MDHHS is evaluating other alternatives to manually monitor until systematic monitoring can be implemented.

MONITORING SELECT PATH PAYMENTS

BACKGROUND

MDHHS and TIA may pay for employment-related supportive services for cash assistance recipients who are enrolled in the PATH Program. Payments for supportive services can be provided, as appropriate, through the first 180 days of a participant's employment to help families achieve self-sufficiency. Examples include:

- Automobile purchases (\$2,000 lifetime limit).
- Automobile repairs (\$900 12-month limit).
- Public transportation allowances.
- Mileage reimbursements.
- Clothing allowances (\$250 12-month limit).
- Relocation expenses (\$1,500 limit per move).

PATH policies for supportive services payments are included in the MDHHS Bridges Eligibility Manual. TIA provides its MWA staff a PATH Manual for guidance regarding supportive services.

Supportive services payments totaled \$15.2 million for the period October 1, 2013 through June 30, 2016 and averaged \$555 for each of the 27,373 participants who received support services.

AUDIT OBJECTIVE

To assess the effectiveness* of MDHHS's and TIA's efforts in monitoring select PATH payments.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- MDHHS and TIA have established guidance specifically related to supportive services payments.
- For 60 randomly sampled supportive services payments, MDHHS and TIA:
 - Maintained appropriate supporting documentation for all of the payments, including receipts and mileage logs.
 - Maintained records to support that the participant met the applicable criteria for the type of supportive

* See glossary at end of report for definition.

service and had been employed for 180 days or less at the time of the payment.

- Properly approved all of the payments.
- MDHHS and TIA ensured compliance with established policies and procedures related to the prohibition of supportive services payments on behalf of individuals with previous intentional program violations (IPVs) for 99% of payments.
- Reportable condition related to monitoring supportive services policies for consistency (Finding #6).

FINDING #6

Improvement needed to ensure that TIA's supportive services policies consistently reflect MDHHS's PATH requirements.

MDHHS's PATH policies for certain incentive payments, vehicle repairs, and clothing allowances were not appropriately conveyed within TIA's PATH Manual for MWA staff.

MDHHS needs to improve its monitoring of TIA's supportive services policies to help ensure that the policies consistently and appropriately convey PATH requirements to MWA staff.

An interagency agreement between MDHHS and TED's TIA establishes the responsibilities and procedures for both departments in support of the PATH Program and specifies that MDHHS must provide to TIA, and TIA must comply with, all applicable State and federal laws, regulations, and standards. We analyzed MDHHS's and TIA's PATH supportive services policies and payments for the period October 1, 2013 through June 30, 2016. In addition, we surveyed staff at all 16 MWAs regarding certain supportive services policies. We noted:

- a. MDHHS's policies prohibited incentive payments for participating in employment-related activities; however, TIA's PATH Manual for MWA staff did not have a like policy. Two (13%) of 16 MWAs informed us that they provided incentives to PATH participants that included \$50 gift cards for retaining employment for 2 weeks and working the required number of hours and \$100 gift cards for retaining employment for 180 days and working the required number of hours.
- b. MDHHS's policies prohibited payments for vehicle repairs within 60 days of the purchase of a vehicle. However, TIA's PATH Manual did not include similar guidance for MWA staff. We reviewed 17 TIA car purchases and repairs and noted that 2 payments for car repairs totaling \$1,762 occurred within 60 days of the car purchase.
- c. MDHHS's policies limited the allowance for clothing for PATH participants to \$250 during a 12-month period; however, TIA's PATH Manual provided for a \$500 clothing allowance for PATH participants during a 12-month period. MWAs frequently provide PATH participants with clothing allowances; however, because of limitations in the supportive services payment history detail, it was undeterminable how many participants had received clothing allowances that exceeded \$250 during a 12-month period.

MDHHS and TIA informed us that there was not a standard process in place to monitor TIA's PATH Manual guidance to help ensure that it consistently aligned with MDHHS's PATH policies.

RECOMMENDATION

We recommend that MDHHS improve its monitoring of TIA's supportive services policies to help ensure that the policies consistently and appropriately convey PATH requirements to MWA staff.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees that improvements to its monitoring processes are necessary. MDHHS will work with TIA to ensure that its PATH Manual and Supportive Services policies align with MDHHS Supportive Services policy and procedures. MDHHS will ensure that TIA is notified on a timely basis of future supportive services changes in policy. In addition, MDHHS and TIA will monitor direct support services expenditures on a quarterly basis to ensure that MWA staff are following supportive services limits consistently and appropriately.

EVALUATING PATH RESULTS

BACKGROUND

The PATH Program's purpose is to connect families receiving cash assistance with jobs, education, and training opportunities to help them achieve self-sufficiency and meet the workforce and skill needs of Michigan businesses.

MDHHS and TIA have established two primary goals for the PATH Program:

- To help Michigan reach the federally mandated 50% TANF WPR.
- To identify barriers and help cash assistance clients connect to the resources needed to obtain employment, ultimately leading the client toward self-sufficiency.

The Michigan Legislature has also established two additional PATH goals:

- At least 50% of cash assistance cases shall be involved in employment activities (to coincide with the federal TANF WPR requirement).
- 15% of cash assistance cases include an individual with long-term employment (6 months or more).

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's and TIA's efforts to evaluate PATH results.

CONCLUSION

Sufficient, with exceptions.

FACTORS IMPACTING CONCLUSION

- MDHHS and TIA have a comprehensive process to compile and report data to the U.S. Department of Health and Human Services (HHS) for the evaluation of Michigan's success in reaching the federally mandated TANF WPR.
- MDHHS and TIA periodically evaluate PATH results, as statutorily required, for:
 - The number of active cash assistance applicants that successfully meet the 21-day PATH orientation requirements.
 - The number of participants who are employed.
 - The number of active participants who have been employed for 6 months or longer.
 - The administrative cost per PATH participant that enters employment.

- MDHHS surveyed PATH participants during 2013 to gather feedback for analysis related to the PATH orientation process, the helpfulness of certain PATH activities, the barriers to employment that participants faced, and whether PATH activities had helped clients on the road to self-sufficiency. However, since 2013, MDHHS and TIA have not conducted additional or similar surveys for evaluation.
- In January 2014, MDHHS discontinued evaluating PATH results related to increases in client earnings and analyzing information for applicants diverted from cash assistance because they secured employment during the orientation period.
- Reportable condition related to evaluating the PATH Program's effectiveness in leading participants toward self-sufficiency (Finding #7).

FINDING #7

Improvement needed in evaluating the PATH Program's success in leading participants toward self-sufficiency.

MDHHS's and TIA's evaluations of PATH results did not incorporate measures to comprehensively assess the Program's effectiveness.

MDHHS and TIA need to improve their evaluation of PATH results to better determine the Program's effectiveness in leading participants toward self-sufficiency. Enhanced evaluation strategies would help MDHHS and TIA better assess the Program's success in removing barriers and connecting participants to sufficient sustained employment and identify aspects that should be continued, improved, expanded, reduced, or eliminated.

A comprehensive evaluation process includes evaluations of impacts, performance, processes, and costs. It includes performance indicators for measuring program inputs*, outputs*, and outcomes; performance standards or goals describing the desired level of performance; a data collection system to accurately gather performance data for assessment; a comparison of actual achieved outcomes related to the services and resources provided for a consistent period of time; a reporting of the comparison results to management; an analysis of the performance gaps that exist between the actual and desired performance; and proposals of modifications to improve program effectiveness.

MDHHS and TIA have concentrated their evaluations of PATH results on statutorily required analyses that are primarily output centered and directed less emphasis on evaluating outcomes. MDHHS has a comprehensive process to assist HHS in assessing Michigan's success in achieving the TANF WPR. In addition, MDHHS and TIA perform statutorily required assessments of PATH results related to the number of participants who successfully complete orientation requirements, number of employed participants in a given month, active participants employed for 6 months or longer, and the administrative cost per PATH participant that enters employment. Although these assessments provide the departments with some information to evaluate program effectiveness, they do not allow for a comprehensive evaluation of the PATH Program's overall achievement in leading clients toward self-sufficiency and meeting the workforce and skill needs of Michigan businesses.

Using available PATH Program data and information, we identified various measures that could serve to enhance MDHHS's and TIA's overall evaluation of program results related to leading participants toward self-sufficiency. For example, the departments could:

- a. Survey PATH coordinators and former PATH participants, and more consistently survey current PATH participants, to help determine the PATH strengths and weaknesses from key stakeholders.

We surveyed PATH coordinators to gather their opinions on whether the PATH Program is successful in improving

* See glossary at end of report for definition.

70% of the PATH coordinator survey respondents indicated that they agreed or strongly agreed that the PATH Program improves employment options and outcomes for participants.

participants' employment options and outcomes and on areas where Program improvement might be needed.

- 70% of respondents either agreed or strongly agreed that the PATH Program is successful in improving employment options and outcomes for participants, 23% of respondents neither agreed nor disagreed, and 8% either disagreed or strongly disagreed.
- When asked about areas needing improvement, coordinators most often commented on participants needing additional educational and training opportunities and the need for the PATH Program to provide additional methods to address complex barriers to employment, such as substance abuse disorders, disabilities, or criminal histories.

Almost 30% of our sampled cash assistance cases had individuals who had participated in the PATH Program more than once during our audit period.

- b. Evaluate the short- and long-term impacts of PATH participants' successful completion of post-secondary education or training programs on achieving self-sufficiency. For example, assessing outcomes related to obtaining an associate's degree or becoming a certified nursing assistant (CNA).
- c. Analyze the frequency and reasons for PATH participants needing to return to PATH services on multiple occasions. From our review of 56 randomly sampled cash assistance cases, we determined that 29% had individuals who had participated in the PATH Program on more than one occasion during the 33-month audit period.
- d. Compare and contrast the PATH services that MDHHS and TIA provided to participants who stopped receiving cash assistance because of exceeding allowable income thresholds and those provided to participants whose cash assistance had ceased for other reasons, such as reaching statutory time limits.
- e. Evaluate the percentage of PATH participants who sustain long-term employment and the sufficiency and quality of the employment by looking at factors such as the number of hours worked. We noted that MDHHS includes participants who work as little as 4 hours per week when it reports the number of active PATH participants who were employed 6 months or longer to the Legislature.

In January 2016, MDHHS and TIA developed a PATH workgroup that provided the departments' leadership with potential Program changes that included modifying how PATH impact is measured and evaluated; however, MDHHS and TIA had not implemented the workgroup's proposals as of August 2017.

RECOMMENDATION

We recommend that MDHHS and TIA improve their evaluation of PATH results to better determine the Program's effectiveness in leading program participants toward self-sufficiency.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS and TIA provided us with the following response:

MDHHS and TIA agree that there are always opportunities for improvement in their processes and for additional actions that better assist them with determining the program's effectiveness. MDHHS and TIA will continue to evaluate the recommendations provided by the workgroup and the suggestions noted above and determine if actual achievement is attainable. While MDHHS and TIA would like to reiterate that they are meeting statutory requirements, the program is committed to pursuing appropriate outcome-based performance measures.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

PARTNERSHIP. ACCOUNTABILITY. TRAINING. HOPE. (PATH) PROGRAM

Michigan Department of Health and Human Services and
Talent Investment Agency, Department of Talent and Economic Development

Description of PATH Activities

Unsubsidized Employment

Unsubsidized employment is full-time or part-time employment in the public or private sector that is not supported by TANF, State General Fund/general purpose funds, or any other public program. Participation in unsubsidized employment is the fundamental goal for all PATH participants to prepare for self-sufficiency and public assistance case closure.

Subsidized Private and Public Sector Employment

Subsidized private and public sector employment is employment for which the employer receives a subsidy from TANF, General Fund/general purpose, or other funds to offset some or all of the wages and costs of employing a participant. Work-study programs sponsored by educational institutions may be included in this activity.

On-the-Job Training (OJT)

This activity consists of training in the public or private sector that is given to a paid employee while he or she is engaged in productive work. The training should provide the knowledge and skills essential to the full and adequate performance of the job. Any paid training, whether provided off-site or at the work site, may be considered an OJT.

Job Search/Job Readiness

This activity consists of the act of seeking or obtaining employment; preparation to seek or obtain employment, including life skills training; and substance abuse treatment, mental health treatment, or rehabilitation activities.

Community Service Program (CSP)

CSP is an activity where individuals perform work for the direct benefit of the community under the auspices of public or nonprofit organizations. CSPs must be designed to improve the employability of participants otherwise unable to obtain full-time employment. Time counted in CSPs may include training that is an integral, embedded part of the CSP and of limited duration.

Vocational Educational Training (VET)

VET is outlined in the following categories: vocational occupational training, condensed vocational training, and internships, practicums, and clinicals. All VET activities should be organized educational programs that are directly related to the preparation of individuals for employment in current, emerging, or in-demand occupations, as determined by the MWA. VET programs should be limited to activities that provide individuals with the knowledge and skills to perform a specific trade, occupation, or other particular vocation.

This exhibit continued on next page.

Job Skills Training Directly Related to Employment

This activity consists of training and education for job skills required by an employer to provide individuals with the abilities to obtain or advance in employment or adapt to changing workplace demands. Job skills training can include customized training to meet the needs of a specific employer or it can be general training that prepares individuals for employment. This can include literacy instruction or language instruction when such instruction is explicitly focused on skills needed for employment or combined in a unified whole with job training.

Education Directly Related to Employment

This activity is for work-eligible individuals who have not received a high school diploma or a certificate of high school equivalency. It involves education related to a specific occupation, job, or job offer. The activity includes courses designed to provide the knowledge and skills for specific occupations or work settings but may also include adult basic skills education and English as a Second Language. Where required as a prerequisite for employment by employers or occupations, this activity may also include education leading to a General Equivalency Diploma (GED) or high school equivalency certificate.

Satisfactory Attendance at Secondary School or in a Course of Study Leading to a Certificate of General Equivalence

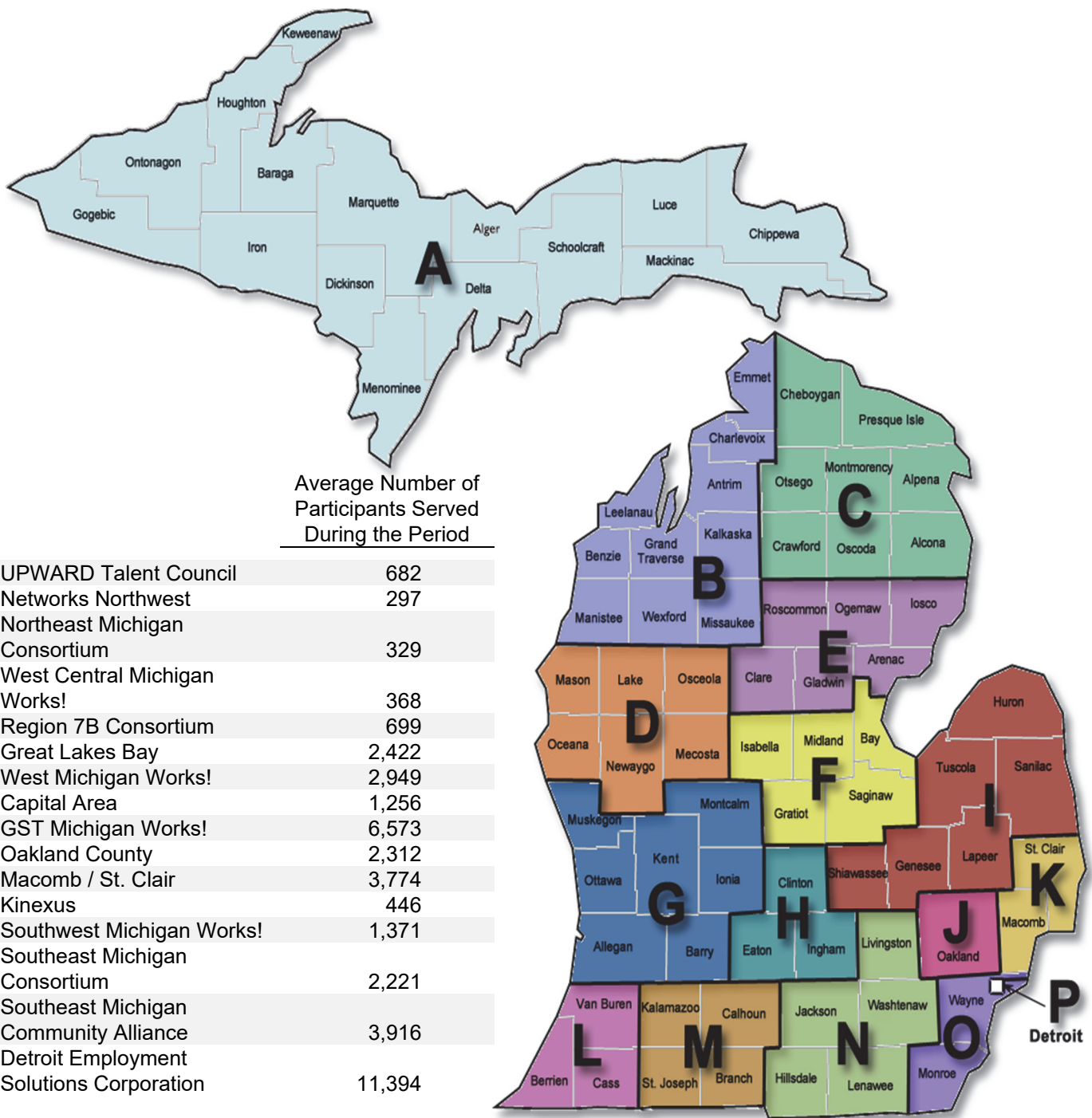
Unlike "education directly related to employment," this activity need not be restricted to those for whom obtaining a GED is a prerequisite for employment. The activity consists of regular attendance at a secondary school, in accordance with the requirements of the secondary school or, in a course of study leading to a certificate of general equivalence, in the case of a participant who has not completed secondary school or received such a certificate. The former is aimed primarily at minor parents still in high school, whereas the latter is aimed at participants of any age.

Source: Exhibit prepared by the OAG using information obtained from TIA's PATH Manual.

PARTNERSHIP. ACCOUNTABILITY. TRAINING. HOPE. (PATH) PROGRAM

Michigan Department of Health and Human Services and
Talent Investment Agency, Department of Talent and Economic Development

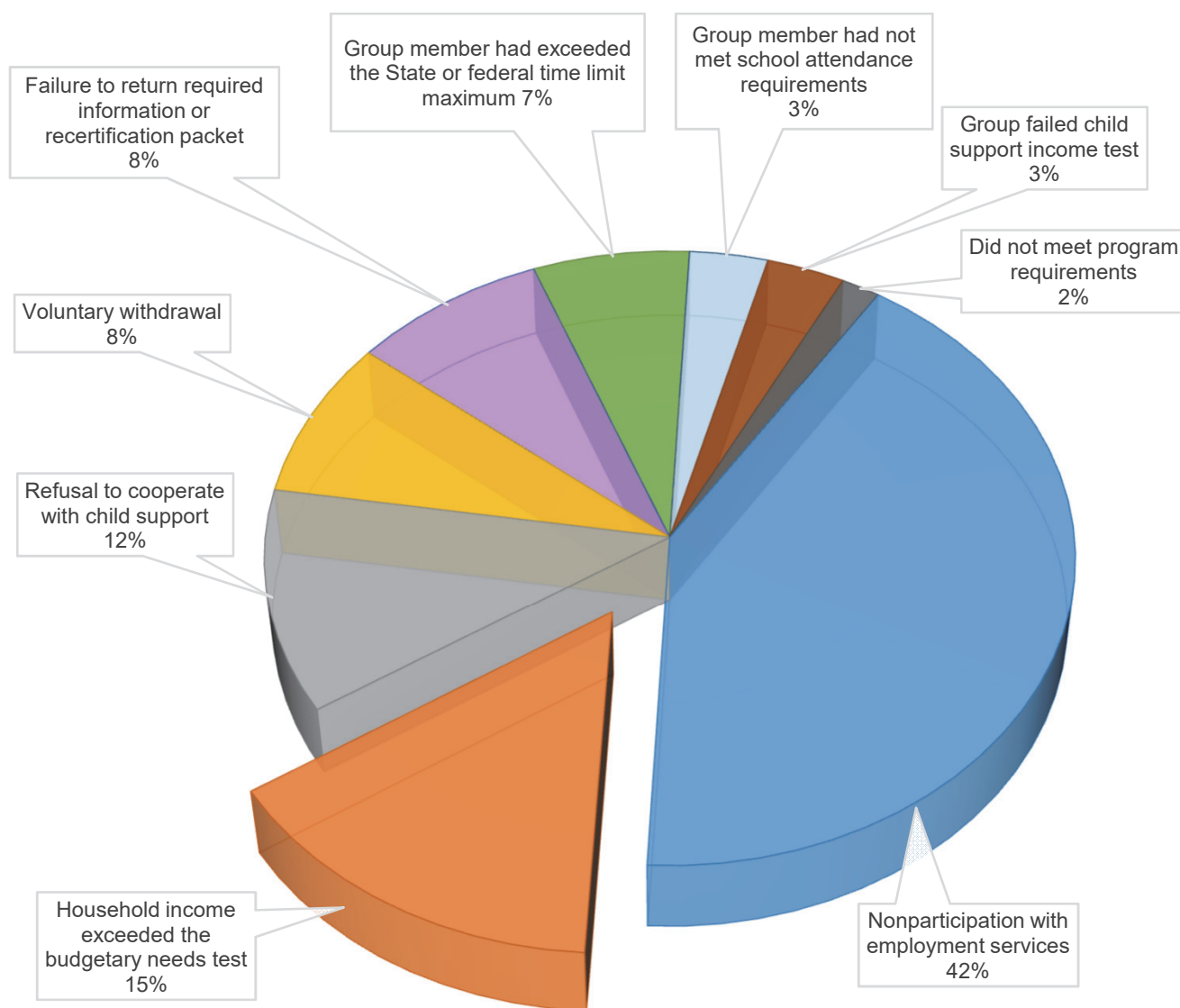
Map of Michigan Works! Agencies and Average Number of Participants Served
October 1, 2014 Through April 30, 2016



Source: Map provided by TIA.

PARTNERSHIP. ACCOUNTABILITY. TRAINING. HOPE. (PATH) PROGRAM
Michigan Department of Health and Human Services and
Talent Investment Agency, Department of Talent and Economic Development

Reasons Why Cash Assistance Stopped for 60 Randomly Sampled PATH Participant Cases



Source: Chart created by the OAG from data provided by MDHHS and TIA.

PROGRAM DESCRIPTION

Michigan's cash assistance program is funded by a combination of federal TANF and State funds and with the passage of federal Welfare to Work legislation in 1996, receipt of cash assistance has evolved from an entitlement to a safety net program to provide families with temporary financial assistance while securing employment.

The PATH Program is a partnership between MDHHS and TED's TIA to connect families receiving cash assistance with jobs, education, and training opportunities to help them achieve self-sufficiency and meet the workforce and skill needs of Michigan businesses and to ensure that Michigan meets the federal TANF WPR requirements.

An interagency agreement between MDHHS and TED's TIA establishes the responsibilities and procedures for both departments in support of the PATH Program. MDHHS provides TIA with all federal laws, regulations, and standards necessary for TIA to help administer PATH and TIA contracts with MWAs to provide specialized services including job search/job readiness, job skills training, community service programs, employment, and work experience programs (see Exhibit #1).

From October 1, 2013 through June 30, 2016, on average, there were 30,090 active cash assistance cases at any given time, and approximately 20,580 (68%) were involved in PATH activities.

During the audit period, MDHHS's annual contract amount with TIA for administration of the PATH Program was approximately \$65 million. Of that amount, approximately \$60 million was allocated to the MWAs for direct client services and the remainder for other PATH administrative expenses. MDHHS also expended approximately \$4.6 million annually for its PATH administration.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the program and other records of the PATH Program. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2013 through June 30, 2016.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of the PATH Program and to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MDHHS, TIA, and MWA management and staff and analyzed applicable information to obtain an understanding of the organizational structures, operational responsibilities, and activities related to the PATH Program.
- Reviewed applicable sections of the *Code of Federal Regulations* and *Michigan Compiled Laws*.
- Examined MDHHS's Bridges eligibility policies and procedures and TIA's PATH Manual.
- Analyzed MDHHS's and TIA's supportive services payment policies and procedures and obtained an understanding of MDHHS's and TIA's monitoring process for MWA's supportive services payments.
- Reviewed selected PATH participants' cash assistance case records and MWA activity records.
- Performed preliminary testing of compliance with applicable laws and procedures for PATH orientation, FASTs, individual responsibility plans, deferrals and good cause for noncooperation with program requirements, supportive services payments, and legislatively required reports.
- Obtained an understanding of MDHHS's process for compiling and reporting data reported to HHS for

* See glossary at end of report for definition.

calculation of Michigan's WPR. We relied upon testing procedures conducted during our State of Michigan single audits for fiscal years 2014, 2015, and 2016 (000-0100-15, 000-0100-16, and 000-0100-17, respectively) to verify the accuracy and completeness of the data compiled and reported to HHS for MDHHS's WPR calculation for each of the three fiscal years.

OBJECTIVE #1

To assess MDHHS's and TIA's compliance with selected laws, regulations, policies, and procedures governing the PATH Program.

To accomplish this objective, we:

- Analyzed applicable sections of the *Code of Federal Regulations* and *Michigan Compiled Laws* and policies and procedures within MDHHS's Bridges Eligibility Manual and TIA's PATH Manual to identify those with significant Program impact.
- Examined the federally published TANF WPR for Michigan for fiscal years 2014, 2015, and 2016 to determine compliance with WPR requirements.
- Randomly sampled 60 PATH participant cases from a population of approximately 20,580 cash assistance cases with an active PATH participant and performed tests to determine whether:
 - The participant met orientation requirements and completed the required FASTs.
 - The individual responsibility plans prepared for the participant contained the required elements and were completed in a timely manner.
 - Adequate documentation existed to support recorded MWA employment-related activity hours entered in OSMIS for the PATH participant.
 - UIA employment data corroborated the income amount MDHHS used in cash assistance benefit calculations.
- Randomly sampled 41 cash assistance cases from the population of approximately 30,090 cash assistance cases to determine whether instances of PATH deferrals were appropriate and adequately supported.

- Randomly sampled 40 cash assistance cases from the population of approximately 30,090 cash assistance cases and performed tests to determine whether:
 - Adequate documentation existed to support a PATH participant's good cause for noncooperation with required employment-or self-sufficiency-related activities, when applicable.
 - MDHHS took appropriate actions on cases with participants who were in noncooperation with required PATH activities without good cause.
- Verified that MDHHS submitted all legislatively required monthly and quarterly PATH performance reports to the Legislature during the audit period.
- Judgmentally selected and randomly sampled 40 records from the total count of 1,478 PATH participants identified as employed for 6 months for the period March 1, 2016 through May 31, 2016 from the Section 677 report and performed procedures to:
 - Validate that the participant had been employed at least 6 months as of the end of the reporting period.
 - Verify that the individual was a cash assistance recipient during the reporting period.
 - Determine the average weekly hours worked for participants employed for 6 months or longer.
- Randomly sampled 33 cash assistance cases with PATH participants who were employed from a population of approximately 20,580 cash assistance cases with an active PATH participant to evaluate whether employment income was properly considered when calculating cash assistance benefit amounts.
- Randomly sampled 60 supportive services payments from MWA issued supportive services payments totaling \$15.2 million and performed tests to verify that each payment was supported and in compliance with established policies and procedures.
- Performed a limited review of OSMIS security access controls and user application access for higher risk access roles to ensure that access was authorized and appropriate based on the user's responsibilities.

Our random samples were selected to eliminate any bias and enable us to project the results to the population.

OBJECTIVE #2

To assess the effectiveness of MDHHS's and TIA's efforts in monitoring select PATH payments.

To accomplish this objective, we:

- Surveyed staff at all 16 MWAs regarding use of supportive services funds for PATH participant incentives.
- Randomly sampled 60 supportive services payments from MWA issued supportive services payments totaling \$15.2 million and performed tests to verify that each payment was appropriately documented and supported, in compliance with established policies and procedures, and properly approved.
- Compared the records of 186,309 supportive services payments made on behalf of PATH participants to the 51,028 records for individuals with an MDHHS IPV within the last 5 years to determine whether individuals who had an IPV received PATH supportive services.
- Performed analytical and detail review of MWA supportive services payments for vehicle purchases made on behalf of 1,742 individuals totaling \$3.4 million and payments for vehicle repairs made on behalf of 2,590 individuals totaling \$1.8 million to identify payments that exceeded established limits.

Our random samples were selected to eliminate any bias and enable us to project the results to the population.

OBJECTIVE #3

To assess the sufficiency of MDHHS's and TIA's efforts to evaluate PATH results.

To accomplish this objective, we:

- Obtained and reviewed MDHHS's monthly and quarterly reports to the Legislature and other designated parties covering the period October 1, 2013 through June 30, 2016 for reporting PATH results related to:
 - The number of active cash assistance applicants that successfully meet the 21-day PATH orientation requirements.
 - The number of employed participants.
 - The number of active participants who have been employed for 6 months or longer.
 - The administrative cost per PATH participant that enters employment.

- Interviewed MDHHS and TIA management regarding evaluation of PATH results, including existing PATH performance measures and past dashboard performance metrics.
- Reviewed potential program changes developed by the PATH workgroup that recommended additional outcomes and measurements to evaluate PATH impact.
- Summarized and analyzed the case closure reasons for 60 randomly sampled closed cash assistance cases with a former PATH participant to determine the most common reasons for case closures (see Exhibit #3).
- Reviewed 56 randomly sampled cases from a population of approximately 20,580 cash assistance cases with an active PATH participant to determine how many of the selected cases had individuals who participated in PATH on multiple occasions during the 33-month audit period.
- Surveyed 75 MDHHS PATH coordinators Statewide and received 42 (56%) responses regarding the coordinators' views on the success of the PATH Program in achieving established goals, PATH shortcomings, and resources needed to complete PATH tasks.
- Surveyed staff at all 16 MWAs to determine whether MWAs had surveyed former PATH participants to evaluate PATH strengths and weaknesses.

Our random samples were selected to eliminate any bias and enable us to project the results to the population.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 7 findings and 7 corresponding recommendations. MDHHS's and TIA's preliminary responses indicate that they agree with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agencies' written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days after release of the audit report 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.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #3. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system that processes client intake applications, registration, eligibility determination, and benefit calculations and the issuance of assistance benefits, including cash assistance benefits.
effectiveness	Success in achieving mission and goals.
FAST	Family Automated Screening Tool.
FSSP	Family Self-Sufficiency Plan.
GED	General Equivalency Diploma.
HHS	U.S. Department of Health and Human Services.
input	A resource (e.g., staff hours or expenditures) that is consumed in producing outputs.
IPV	intentional program violation.
ISS	Individual Service Strategy.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MDHHS	Michigan Department of Health and Human Services.
MWA	Michigan Works! Agency.
OAG	Office of the Auditor General.
OSMIS	One-Stop Management Information System.
outcome	An actual impact of a program or an entity.

output	A product or a service produced by a program or an entity.
PATH	Partnership. Accountability. Training. Hope.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective actions, and contribute to public accountability.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
TANF	Temporary Assistance for Needy Families.
TED	Department of Talent and Economic Development.
TIA	Talent Investment Agency.
UIA	Unemployment Insurance Agency.
WPR	work participation rate.



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