

Office of the Auditor General

**State of Michigan
Single Audit Report**

Fiscal Year Ended September 30, 2018

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.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Single Audit Report

Report Number:
000-0100-19

State of Michigan

Fiscal Year Ended September 30, 2018

Released:
July 1, 2019

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

Audit Results for the State's Basic Financial Statements

Fairly presented, in all material respects	Internal Control Over Financial Reporting		No instances of noncompliance or other matters required to be reported
	1 material weakness	10 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
\$24.3 billion	9 programs	16 programs	No programs	\$19,452,360	21	62
Number of findings repeated from the prior audit					13	27

*14 programs had questioned costs that were undeterminable.

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	\$26,687 known plus an undeterminable amount	<u>2018-002 (M)</u> <u>2018-003 (M)</u> <u>2018-004 (M)</u> <u>2018-005</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019</u> <u>2018-022</u> <u>2018-023</u> <u>2018-024</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Qualified	\$2,133,081	<u>2018-008</u> <u>2018-020</u> <u>2018-025</u> <u>2018-026</u> <u>2018-027 (M)</u>
10.558	Child and Adult Care Food Program	Unmodified	\$0	<u>2018-009</u> <u>2018-010</u> <u>2018-028</u>
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Qualified	\$4,044,479	<u>2018-022</u> <u>2018-029 (M)</u> <u>2018-030 (M)</u> <u>2018-031 (M)</u> <u>2018-032 (M)</u> <u>2018-033</u> <u>2018-034</u> <u>2018-035</u> <u>2018-036</u> <u>2018-037</u>
20.205 and 20.219	Highway Planning and Construction Cluster	Unmodified	\$0	<u>2018-022</u> <u>2018-038</u>
84.010	Title I Grants to Local Educational Agencies	Unmodified	\$0	<u>2018-009</u> <u>2018-010</u> <u>2018-021</u> <u>2018-039</u> <u>2018-040</u>
84.032 G/L	Federal Family Education Loans - Guaranty Agency and Lender	Unmodified	\$0	Not applicable
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Qualified	Undeterminable	<u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u> <u>2018-022</u> <u>2018-041 (M)</u> <u>2018-042</u>
93.044, 93.045, and 93.053	Aging Cluster	Qualified	Undeterminable	<u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u> <u>2018-043</u>
93.558	TANF Cluster <i>(continued on next page)</i>	Qualified	\$24,317 known plus an undeterminable amount	<u>2018-001</u> <u>2018-002 (M)</u> <u>2018-003 (M)</u> <u>2018-004 (M)</u> <u>2018-006</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u> <u>2018-022</u> <u>2018-044 (M)</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.558	TANF Cluster <i>(continued)</i>			<u>2018-045 (M)</u> <u>2018-046</u> <u>2018-047</u> <u>2018-048 (M)</u> <u>2018-049</u> <u>2018-050</u>
93.575 and 93.596	CCDF Cluster	Qualified	Undeterminable	<u>2018-001</u> <u>2018-002 (M)</u> <u>2018-003 (M)</u> <u>2018-009</u> <u>2018-010</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-021 (M)</u> <u>2018-051 (M)</u> <u>2018-052</u> <u>2018-053</u>
93.775, 93.777, and 93.778	Medicaid Cluster	Qualified	\$2,442,388 known plus an undeterminable amount	<u>2018-001</u> <u>2018-002 (M)</u> <u>2018-003 (M)</u> <u>2018-004 (M)</u> <u>2018-005</u> <u>2018-007</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-014</u> <u>2018-015</u> <u>2018-016</u> <u>2018-017</u> <u>2018-022</u> <u>2018-054</u> <u>2018-055</u> <u>2018-056 (M)</u> <u>2018-057</u> <u>2018-058</u> <u>2018-059</u> <u>2018-060</u> <u>2018-061</u> <u>2018-062</u> <u>2018-063</u> <u>2018-064</u> <u>2018-065</u>
93.268	Immunization Cooperative Agreements	Qualified	\$0	<u>2018-008</u> <u>2018-019 (M)</u> <u>2018-066</u> <u>2018-067</u> <u>2018-068</u>
93.563	Child Support Enforcement	Qualified	Undeterminable	<u>2018-005</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u>
93.568	Low-Income Home Energy Assistance	Qualified	\$10,672,356 known plus an undeterminable amount	<u>2018-002 (M)</u> <u>2018-003 (M)</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u> <u>2018-022</u> <u>2018-069 (M)</u> <u>2018-070 (M)</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.658	Foster Care - Title IV-E	Qualified	\$2,967 known plus an undeterminable amount	<u>2018-001</u> <u>2018-005</u> <u>2018-006</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-018</u> <u>2018-019 (M)</u> <u>2018-022</u> <u>2018-071</u> <u>2018-072</u>
93.659	Adoption Assistance	Qualified	\$100,393 known plus an undeterminable amount	<u>2018-001</u> <u>2018-005</u> <u>2018-006</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u> <u>2018-022</u> <u>2018-073</u> <u>2018-074 (M)</u> <u>2018-075</u>
93.667	Social Services Block Grant	Qualified	\$671 known plus an undeterminable amount	<u>2018-001</u> <u>2018-006</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-018</u> <u>2018-019 (M)</u> <u>2018-022</u>
93.767	Children's Health Insurance Program	Qualified	\$456 known plus an undeterminable amount	<u>2018-002 (M)</u> <u>2018-003 (M)</u> <u>2018-007</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-014 (M)</u> <u>2018-015</u> <u>2018-016</u> <u>2018-017</u> <u>2018-022</u> <u>2018-076</u> <u>2018-077</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Qualified	Undeterminable	<u>2018-008</u> <u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019 (M)</u> <u>2018-020</u> <u>2018-078</u> <u>2018-079 (M)</u> <u>2018-080</u>
96.001	Disability Insurance/SSI Cluster	Unmodified	Undeterminable	<u>2018-011</u> <u>2018-012</u> <u>2018-013</u> <u>2018-019</u> <u>2018-022</u>
97.039	Hazard Mitigation Grant	Unmodified	\$0	Not applicable

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
14.871 and 14.879	Housing Voucher Cluster	Unmodified	\$0	Not Applicable
17.225	Unemployment Insurance, including ARRA	Unmodified	\$0	<u>2018-082</u> <u>2018-083</u> <u>2018-084</u> <u>2018-085</u>
84.412	Race to the Top - Early Learning Challenge	Unmodified	\$0	<u>2018-009</u> <u>2018-010</u>

Findings Related to Non-Major Programs

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
97.091	Homeland Security Biowatch Program	Not Applicable	\$4,565	<u>2018-081</u>

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Doug A. Ringler, CPA, CIA
Auditor General

July 1, 2019

Mr. Chris Kolb, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Dear Mr. Kolb:

This is our single audit report for the State of Michigan for the fiscal year ended September 30, 2018.

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 to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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, 2018

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Agriculture							
SNAP Cluster:							
Supplemental Nutrition Assistance Program	10.551			\$ 1,906,665,324	\$	\$	\$ 1,906,665,324
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			142,677,899	28,608,952		171,286,851
Total SNAP Cluster				\$ 2,049,343,223	\$ 28,608,952	\$ 0	\$ 2,077,952,175
Child Nutrition Cluster:							
School Breakfast Program	10.553			\$ 86,858	\$ 115,465,144	\$	\$ 115,552,002
National School Lunch Program	10.555			155,142	311,052,765		311,207,907
National School Lunch Program (Note 6)	10.555			3,687	33,311,105		33,314,792
Special Milk Program for Children	10.556				197,818		197,818
Summer Food Service Program for Children	10.559			1,220,106	11,259,344		12,479,450
Summer Food Service Program for Children (Note 6)	10.559				36,298		36,298
Total Child Nutrition Cluster				\$ 1,465,793	\$ 471,322,474	\$ 0	\$ 472,788,267
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565			\$ 157,364	\$ 5,651,861	\$	\$ 5,809,225
Commodity Supplemental Food Program (Note 6)	10.565				17,253,835		17,253,835
Emergency Food Assistance Program (Administrative Costs)	10.568			44,834	3,116,846		3,161,680
Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569				17,342,668		17,342,668
Total Food Distribution Cluster				\$ 202,198	\$ 43,365,210	\$ 0	\$ 43,567,408
Forest Service Schools and Roads Cluster:							
Schools and Roads - Grants to States	10.665			\$	\$ 3,241,263	\$	\$ 3,241,263
Total Forest Service Schools and Roads Cluster				\$ 0	\$ 3,241,263	\$ 0	\$ 3,241,263
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 309,346	\$ 185,504	\$	\$ 494,850
Wetlands Reserve Program	10.072				16,457		16,457
Voluntary Public Access and Habitat Incentive Program	10.093			281,044			281,044
Biofuel Infrastructure Partnership	10.117				327,594		327,594
Market Protection and Promotion	10.163			1,239,244			1,239,244
Specialty Crop Block Grant Program - Farm Bill	10.170			456,045	1,083,964		1,540,009
Food Safety Cooperative Agreements	10.479			243,000			243,000
SNAP Fraud Framework Implementation Grant	10.535			272,722			272,722
Professional Standards for School Nutrition Employees	10.547			384			384
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			108,378,294	44,868,976		153,247,270
Child and Adult Care Food Program	10.558			1,117,315	71,760,245		72,877,560
State Administrative Expenses for Child Nutrition	10.560			7,489,355			7,489,355
WIC Farmers' Market Nutrition Program (FMNP)	10.572			450,777			450,777
Team Nutrition Grants	10.574			388,256			388,256
Farm to School Grant Program	10.575			12,329	42,798		55,127
Senior Farmers Market Nutrition Program	10.576			244,619			244,619
WIC Grants To States (WGS)	10.578			316,171	39,404		355,575
Child Nutrition Discretionary Grants Limited Availability	10.579			8,066,108	615,373		8,681,481
Fresh Fruit and Vegetable Program	10.582			152,360	4,033,323		4,185,683
Child Nutrition Direct Certification Performance Awards	10.589			1,737			1,737

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Supplemental Nutrition Assistance Program (SNAP)							
Recipient Trafficking Prevention Grants	10.598			\$ 647	\$	\$	\$ 647
Cooperative Forestry Assistance	10.664			949,569	397,635		1,347,204
Urban and Community Forestry Program	10.675			170,243	262,690		432,933
Forest Legacy Program	10.676			536,688			536,688
Forest Stewardship Program	10.678			25,943			25,943
Forest Health Protection	10.680			176,995			176,995
Forest Health Protection	10.680	The Gypsy Moth Slow the Spread Foundation Inc.	15-DG-11420004-034-05	7,643			7,643
Total 10.680				<u>\$ 184,638</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 184,638</u>
Good Neighbor Authority	10.691			\$ 370,677	\$	\$	\$ 370,677
Partnership Agreements	10.699			4,554			4,554
Soil and Water Conservation	10.902			1,866	364,867		366,733
Environmental Quality Incentives Program	10.912				139,000		139,000
Conservation Stewardship Program	10.924				11,690		11,690
Regional Conservation Partnership Program	10.932			139,429			139,429
Wetlands Mitigation Banking Program	10.933			434,159			434,159
Forest Service Drug Team	10.14-LE-11091000-004**			578	696		1,274
Total U.S. Department of Agriculture				<u>\$ 2,183,249,311</u>	<u>\$ 670,688,115</u>	<u>\$ 0</u>	<u>\$ 2,853,937,426</u>
U.S. Department of Commerce							
Interjurisdictional Fisheries Act of 1986 (Note 15)	11.407			\$ 13,503	\$	\$	\$ 13,503
Coastal Zone Management Administration Awards	11.419			1,025,504	666,076		1,691,580
Habitat Conservation	11.463			352,964			352,964
State and Local Implementation Grant Program	11.549			223,338			223,338
Total U.S. Department of Commerce				<u>\$ 1,615,309</u>	<u>\$ 666,076</u>	<u>\$ 0</u>	<u>\$ 2,281,385</u>
U.S. Department of Defense							
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			\$ 808,030	\$	\$	\$ 808,030
Military Construction, National Guard	12.400			725,594			725,594
National Guard Military Operations and Maintenance (O&M) Projects (Note 13)	12.401			62,481,211		6,006,302	68,487,513
National Guard Challenge Program	12.404			3,562,207	2,412,154		5,974,361
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	Macomb/St. Clair Workforce Development Board, Inc.	HQ00051710056	115,886			115,886
Troops to Teachers Grant Program	12.620			138,627			138,627
Total U.S. Department of Defense				<u>\$ 67,831,555</u>	<u>\$ 2,412,154</u>	<u>\$ 6,006,302</u>	<u>\$ 76,250,011</u>
U.S. Department of Housing and Urban Development							
Section 8 Project-Based Cluster:							
Section 8 - Contract Administration	14.182			\$ 234,988,381	\$	\$	\$ 234,988,381
Section 8 - New Construction/Substantial Rehabilitation	14.182			112,735,913			112,735,913
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856			1,336,396			1,336,396
Total Section 8 Project-Based Cluster				<u>\$ 349,060,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 349,060,690</u>

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871			\$ 192,257,439	\$	\$	\$ 192,257,439
Mainstream Vouchers	14.879			252,808			252,808
Total Housing Voucher Cluster				\$ 192,510,247	\$ 0	\$ 0	\$ 192,510,247
Housing Counseling Assistance Program							
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.169			\$ 14,097	\$ 559,168	\$	\$ 573,265
Emergency Solutions Grant Program	14.228			967,277	19,180,217		20,147,494
Supportive Housing Program	14.231				5,692,849		5,692,849
	14.235			210	4,419,402		4,419,612
Home Investment Partnerships Program							
Home Investment Partnerships Program - Technical Assistance	14.239			11,714,176	1,984,682		13,698,858
Total 14.239				\$ 11,714,176	161,609	\$ 0	161,609
				\$ 11,714,176	\$ 2,146,291	\$ 0	\$ 13,860,467
Housing Opportunities for Persons with AIDS							
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.241			\$ (9,463)	\$ 1,255,523	\$	\$ 1,246,060
Continuum of Care Program	14.256				2,864,664		2,864,664
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.267			86,893	6,237,470		6,324,363
Fair Housing Assistance Program State and Local	14.326			(2,929)			(2,929)
Family Self-Sufficiency Program	14.401			1,055,865			1,055,865
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.896			967,062			967,062
	14.900			796,067	145,124		941,191
Total U.S. Department of Housing and Urban Development				\$ 557,160,192	\$ 42,500,708	\$ 0	\$ 599,660,900
U.S. Department of the Interior							
Fish and Wildlife Cluster:							
Sport Fish Restoration (Note 15)	15.605			\$ 10,973,907	\$	\$	\$ 10,973,907
Wildlife Restoration and Basic Hunter Education (Note 15)	15.611			25,243,478			25,243,478
Total Fish and Wildlife Cluster				\$ 36,217,385	\$ 0	\$ 0	\$ 36,217,385
Fish and Wildlife Management Assistance							
Coastal Wetlands Planning, Protection and Restoration	15.608			\$ 177,377	\$ 27,480	\$	\$ 204,857
Cooperative Endangered Species Conservation Fund	15.614			884,081			884,081
Clean Vessel Act	15.615			475,306			475,306
Sportfishing and Boating Safety Act	15.616			1,879	48,207		50,086
Enhanced Hunter Education and Safety	15.622			418,863			418,863
State Wildlife Grants (Note 15)	15.626			180,912			180,912
Research Grants (Generic)	15.634			1,576,685			1,576,685
Endangered Species Conservation - Recovery Implementation Funds	15.650			22,029			22,029
Natural Resource Damage Assessment and Restoration	15.657			64,667			64,667
	15.658			38,612			38,612

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Great Lakes Restoration	15.662			\$ 1,216,902	\$ 288,747	\$	\$ 1,505,649
Great Lakes Restoration	15.662	National Fish and Wildlife Foundation	0501.14.043762	441,000			441,000
Total 15.662				\$ 1,657,902	\$ 288,747	\$ 0	\$ 1,946,649
Historic Preservation Fund Grants-In-Aid	15.904			\$ 1,029,071	\$ 241,338	\$	\$ 1,270,409
Outdoor Recreation Acquisition, Development and Planning	15.916			544,589	795,246		1,339,835
Natural Resource Stewardship	15.944			3,289			3,289
Total U.S. Department of the Interior				\$ 43,292,647	\$ 1,401,018	\$ 0	\$ 44,693,665
U.S. Department of Justice							
Sexual Assault Services Formula Program	16.017			\$ 1,115	\$ 271,911	\$	\$ 273,026
Justice Systems Response to Families	16.021			1,467	207,266		208,733
Services for Trafficking Victims	16.320			31,917	297,103		329,020
OVW Technical Assistance Initiative	16.526	Northern Arizona University	2015-TA-AX-K072	5,034			5,034
Supervised Visitation, Safe Havens for Children	16.527				(1,249)		(1,249)
Juvenile Justice and Delinquency Prevention	16.540			515,793	302,666		818,459
Missing Children's Assistance	16.543			482,454	20,992		503,446
National Criminal History Improvement Program (NCHIP)	16.554			1,139,903	6,250		1,146,153
Crime Victim Assistance	16.575			841,423	34,135,334		34,976,757
Crime Victim Compensation	16.576			418,000			418,000
Crime Victim Assistance/Discretionary Grants	16.582			1,517	506,626		508,143
Violence Against Women Formula Grants	16.588			682,978	3,622,852		4,305,830
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589				161,937		161,937
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590			151,958			151,958
Residential Substance Abuse Treatment for State Prisoners	16.593			6,464	140,485		146,949
Project Safe Neighborhoods	16.609	Black Family Development	2016-GP-BX-0002	27,625			27,625
Public Safety Partnership and Community Policing Grants	16.710			648,605			648,605
Edward Byrne Memorial Justice Assistance Grant Program	16.738			1,794,977	2,977,806		4,772,783
DNA Backlog Reduction Program	16.741			1,904,597			1,904,597
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			216,541	26,709		243,250
Support for Adam Walsh Act Implementation Grant Program	16.750			366,022			366,022
Edward Byrne Memorial Competitive Grant Program	16.751			75,866			75,866
Harold Rogers Prescription Drug Monitoring Program	16.754			266,200			266,200
Second Chance Act Reentry Initiative	16.812			47,284			47,284
Innovations in Community-Based Crime Reduction	16.817			79,631			79,631
Postconviction Testing of DNA Evidence	16.820			124,692			124,692
National Sexual Assault Kit Initiative	16.833			19,104	301,914		321,018
Equitable Sharing Program	16.922			16,287			16,287
Equitable Sharing of Federally Forfeited Property	16.**			267,773			267,773
ATF	16.**			173,105			173,105
Violent Crimes Task Force	16.**			47,005			47,005
Detroit Major Crimes Task Force (DMCTF)	16.**			103,913			103,913
Oakland County Violent Gang Task Force	16.**			17,967			17,967
DEA - Tactical Diversion Task Force	16.**			23,325			23,325
Joint Terrorism Task Force	16.**			31,184			31,184
USMS Eastern District Fugitive Apprehensive Task Force	16.**			97,917			97,917

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
USMS Western District Fugitive Apprehensive Task Force	16.**			\$ 74,079	\$	\$	\$ 74,079
Child Exploitation Task Force	16.**			51,796			51,796
Safe Streets Task Force	16.**			144,745			144,745
Detroit Cyber Task Force	16.**			3,488			3,488
Detroit Area Corruption Task Force	16.**			13,075			13,075
Safe Trails Task Force	16.198-DE-C103956**			84,832			84,832
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2018-72**			255,000			255,000
OCDETF	16.GL-MIE-0565**			4,643			4,643
DEA - Crime Drug Enforcement Task Force - Great Lakes Region	16.SI-GL-012-15**			295,300			295,300
Total U.S. Department of Justice				\$ 11,556,601	\$ 42,978,602	\$ 0	\$ 54,535,203
U.S. Department of Labor							
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207			\$ 5,331,005	\$ 10,962,674	\$	\$ 16,293,679
Disabled Veterans' Outreach Program (DVOP)	17.801			4,411,992			4,411,992
Total Employment Service Cluster				\$ 9,742,997	\$ 10,962,674	\$ 0	\$ 20,705,671
WIOA Cluster:							
WIOA Adult Program	17.258			\$ 1,669,579	\$ 28,183,138	\$	\$ 29,852,717
WIOA Youth Activities	17.259			1,585,711	24,403,862		25,989,573
WIOA Dislocated Worker Formula Grants	17.278			3,568,004	31,477,740		35,045,744
Total WIOA Cluster				\$ 6,823,294	\$ 84,064,740	\$ 0	\$ 90,888,034
Labor Force Statistics	17.002			\$ 2,669,517		\$	\$ 2,669,517
Compensation and Working Conditions	17.005			253,658			253,658
Unemployment Insurance	17.225			905,612,000	2,687,835		908,299,835
ARRA - Unemployment Insurance	17.225			1,363,259			1,363,259
Total 17.225				\$ 906,975,259	\$ 2,687,835	\$ 0	\$ 909,663,094
Senior Community Service Employment Program	17.235			\$ 42,177	\$ 2,592,073	\$	\$ 2,634,250
Trade Adjustment Assistance	17.245			710,247	8,869,845		9,580,092
WIOA Pilots, Demonstrations, and Research Projects	17.261			1,151,793			1,151,793
Temporary Labor Certification for Foreign Workers	17.273			172,651			172,651
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			992,044	2,574,617		3,566,661
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280			7,391	1,039,736		1,047,127
Apprenticeship USA Grants	17.285			282,646	1,033,395		1,316,041
Occupational Safety and Health State Program	17.503			9,963,300			9,963,300
Consultation Agreements	17.504			1,661,800			1,661,800
Total U.S. Department of Labor				\$ 941,448,774	\$ 113,824,915	\$ 0	\$ 1,055,273,689
U.S. Department of Transportation							
Highway Planning and Construction Cluster:							
Highway Planning and Construction (Note 15)	20.205			\$ 871,576,268	\$ 44,599,993	\$	\$ 916,176,261
Recreational Trails Program	20.219			1,150,033			1,150,033
Total Highway Planning and Construction Cluster				\$ 872,726,301	\$ 44,599,993	\$ 0	\$ 917,326,294

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500			\$	\$ 868,901	\$	\$ 868,901
Federal Transit Formula Grants	20.507				123,572		123,572
Bus and Bus Facilities Formula Program	20.526				2,479,026		2,479,026
Total Federal Transit Cluster				\$ 0	\$ 3,471,499	\$ 0	\$ 3,471,499
Transit Services Programs Cluster:							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			\$	\$ 5,904,584	\$	\$ 5,904,584
Job Access and Reverse Commute Program	20.516				1,442,113		1,442,113
New Freedom Program	20.521				449,484		449,484
Total Transit Services Programs Cluster				\$ 0	\$ 7,796,181	\$ 0	\$ 7,796,181
Highway Safety Cluster:							
State and Community Highway Safety	20.600			\$ 4,857,254	\$ 2,487,706	\$	\$ 7,344,960
National Priority Safety Programs	20.616			4,403,430	4,127,871		8,531,301
Total Highway Safety Cluster				\$ 9,260,684	\$ 6,615,577	\$ 0	\$ 15,876,261
Airport Improvement Program (Note 7)	20.106			\$ 28,212,802	\$	\$	\$ 28,212,802
Highway Research and Development Program (Note 15)	20.200			482,280	22,012		504,292
Highway Training and Education	20.215			17,245			17,245
Motor Carrier Safety Assistance	20.218			8,820,456			8,820,456
Commercial Driver's License Program Implementation Grant	20.232			490,969			490,969
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319			3,049	42,894		45,943
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			254,034	1,383,291		1,637,325
Formula Grants for Rural Areas	20.509			2,154,138	20,914,201		23,068,339
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614			240,846			240,846
Pipeline Safety Program State Base Grant	20.700			1,368,720			1,368,720
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			226,050	96,876		322,926
State Damage Prevention Program Grants	20.720				83,122		83,122
PHMSA Pipeline Safety Program One Call Grant	20.721			62,931			62,931
National Infrastructure Investments	20.933			236			236
Total U.S. Department of Transportation				\$ 924,320,741	\$ 85,025,646	\$ 0	\$ 1,009,346,387
U.S. Department of the Treasury							
Equitable Sharing of Federally Forfeited Property	21.**			\$ 69,645	\$	\$	\$ 69,645
Total U.S. Department of the Treasury				\$ 69,645	\$ 0	\$ 0	\$ 69,645
Equal Employment Opportunity Commission							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002			\$ 527,100	\$	\$	\$ 527,100
Total Equal Employment Opportunity Commission				\$ 527,100	\$ 0	\$ 0	\$ 527,100

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(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
General Services Administration							
Donation of Federal Surplus Personal Property (Notes 6 and 8)	39.003			\$	\$ 580,000	\$	\$ 580,000
Total General Services Administration				\$ 0	\$ 580,000	\$ 0	\$ 580,000
National Endowment for the Arts							
Promotion of the Arts Partnership Agreements	45.025			\$	\$ 761,700	\$	\$ 761,700
Total National Endowment for the Arts				\$ 0	\$ 761,700	\$ 0	\$ 761,700
Institute of Museum and Library Services							
Museums for America	45.301			\$ 11,605	\$	\$	\$ 11,605
Grants to States	45.310			3,899,633	489,018		4,388,651
Total Institute of Museum and Library Services				\$ 3,911,238	\$ 489,018	\$ 0	\$ 4,400,256
Small Business Administration							
State Trade Expansion	59.061			\$ 42,600	\$ 857,400	\$	\$ 900,000
Total Small Business Administration				\$ 42,600	\$ 857,400	\$ 0	\$ 900,000
U.S. Department of Veterans Affairs							
Veterans State Domiciliary Care	64.014			\$ 467,865	\$	\$	\$ 467,865
Veterans State Nursing Home Care	64.015			22,162,688			22,162,688
Veterans Information and Assistance	64.115			382,340			382,340
Total U.S. Department of Veterans Affairs				\$ 23,012,893	\$ 0	\$ 0	\$ 23,012,893
U.S. Environmental Protection Agency							
Clean Water State Revolving Fund Cluster:							
Capitalization Grants for Clean Water State Revolving Funds	66.458			\$ 1,124,768	\$ 26,789,391	\$	\$ 27,914,159
Total Clean Water State Revolving Fund Cluster				\$ 1,124,768	\$ 26,789,391	\$ 0	\$ 27,914,159
Drinking Water State Revolving Fund Cluster:							
Capitalization Grants for Drinking Water State Revolving Funds	66.468			\$ 8,274,753	\$ 20,598,176	\$	\$ 28,872,929
Total Drinking Water State Revolving Fund Cluster				\$ 8,274,753	\$ 20,598,176	\$ 0	\$ 28,872,929
Air Pollution Control Program Support	66.001			\$ 3,975,336	\$	\$	\$ 3,975,336
Air Pollution Control Program Support (Note 6)	66.001			101,887			101,887
Total 66.001				\$ 4,077,223	\$ 0	\$ 0	\$ 4,077,223
State Indoor Radon Grants	66.032			\$ 270,223	\$	\$	\$ 270,223
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act 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	66.034			1,150,914			1,150,914
State Clean Diesel Grant Program	66.038	Inter-Tribal Council of Michigan	TX97522906	3,282			3,282
	66.040			13,155	467,079		480,234

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Multipurpose Grants to States and Tribes	66.204			\$ 105,203			\$ 105,203
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			260,503	64,131		324,634
State Public Water System Supervision	66.432			4,090,000	115,508		4,205,508
Water Quality Management Planning	66.454			71,707	284,812		356,519
Nonpoint Source Implementation Grants	66.460				2,912,997		2,912,997
Regional Wetland Program Development Grants	66.461			279,053	75,077		354,130
Great Lakes Program	66.469			2,104,553	345,573		2,450,126
Great Lakes Program	66.469	Central Michigan University	GL00E01567	11,704			11,704
Great Lakes Program	66.469	Nature Conservancy	010418-1	37,790			37,790
Total 66.469				<u>\$ 2,154,047</u>	<u>\$ 345,573</u>	<u>\$ 0</u>	<u>\$ 2,499,620</u>
Beach Monitoring and Notification Program Implementation Grants	66.472			\$ 139,327	\$ 186,922		\$ 326,249
Performance Partnership Grants	66.605			11,526,752			11,526,752
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			189,829	258,004		447,833
Hazardous Waste Management State Program Support	66.801			2,662,667			2,662,667
Hazardous Waste Management State Program Support (Note 6)	66.801			218,164			218,164
Total 66.801				<u>\$ 2,880,831</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,880,831</u>
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			\$ 765,126	\$ 67,529		\$ 832,655
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			605,207			605,207
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			1,736,152			1,736,152
State and Tribal Response Program Grants	66.817			938,559			938,559
Brownfields Assessment and Cleanup Cooperative Agreements	66.818			154,987	58,832		213,819
Total U.S. Environmental Protection Agency				<u>\$ 40,811,601</u>	<u>\$ 52,224,031</u>	<u>\$ 0</u>	<u>\$ 93,035,632</u>
U.S. Department of Energy							
State Energy Program	81.041			\$ 1,139,583			\$ 1,139,583
Weatherization Assistance for Low-Income Persons	81.042			1,209,779	12,176,023		13,385,802
State Heating Oil and Propane Program	81.138			2,082			2,082
Total U.S. Department of Energy				<u>\$ 2,351,444</u>	<u>\$ 12,176,023</u>	<u>\$ 0</u>	<u>\$ 14,527,467</u>
U.S. Department of Education							
Student Financial Assistance Cluster:							
Federal Supplemental Educational Opportunity Grants	84.007			\$ 20,389			\$ 20,389
Federal Pell Grant Program	84.063			423,940			423,940
Total Student Financial Assistance Cluster				<u>\$ 444,329</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 444,329</u>

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Special Education Cluster (IDEA):							
Special Education Grants to States	84.027			\$ 19,872,171	\$ 385,984,032	\$	\$ 405,856,203
Special Education Preschool Grants	84.173			855,264	11,586,309		12,441,573
Total Special Education Cluster (IDEA)				\$ 20,727,435	\$ 397,570,341	\$ 0	\$ 418,297,776
DED Generalist CFDA (9000000100)	84.000			\$ 177,811	\$	\$	\$ 177,811
Adult Education - Basic Grants to States	84.002			1,976,570	11,186,926		13,163,496
Title I Grants to Local Educational Agencies	84.010			5,368,476	475,047,524		480,416,000
Migrant Education State Grant Program	84.011			554,314	6,969,549		7,523,863
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			975,331	1		975,332
Federal Family Education Loans - Guaranty Agency (Notes 9 and 10)	84.032G			110,422,548			110,422,548
Federal Family Education Loans - Guaranty Agency (Notes 6, 9, and 10)	84.032G			1,470,305,608			1,470,305,608
Total 84.032G				\$ 1,580,728,156	\$ 0	\$ 0	\$ 1,580,728,156
Federal Family Education Loans - Lender (Notes 9 and 11)	84.032L			\$ (1,615,315)	\$	\$	\$ (1,615,315)
Federal Family Education Loans - Lender (Notes 6, 9, and 11)	84.032L			513,375,599			513,375,599
Total 84.032L				\$ 511,760,284	\$ 0	\$ 0	\$ 511,760,284
Career and Technical Education -- Basic Grants to States	84.048			\$ 3,049,598	\$ 31,533,607	\$	\$ 34,583,205
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126			113,993,975	869,959		114,863,934
Migrant Education Coordination Program	84.144			8,335			8,335
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177			1,162,301	79,878		1,242,179
Special Education-Grants for Infants and Families	84.181			741,311	11,330,142		12,071,453
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184			198,080	330,720		528,800
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			181,494	(35,447)		146,047
Education for Homeless Children and Youth	84.196			362,610	1,844,947		2,207,557
Twenty-First Century Community Learning Centers	84.287			991,443	34,096,594		35,088,037
Special Education - State Personnel Development	84.323				1,288,559		1,288,559
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			8,445	392,137		400,582
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			618,130	1,470,060		2,088,190
Credit Enhancement for Charter School Facilities	84.354			6,769,032			6,769,032
Rural Education	84.358			81,808	2,081,655		2,163,463
English Language Acquisition State Grants	84.365			519,688	10,605,239		11,124,927
Mathematics and Science Partnerships	84.366			32,878	3,304,355		3,337,233
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367			2,885,323	73,684,031		76,569,354
Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)	84.368			1,380,223			1,380,223

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Grants for State Assessments and Related Activities	84.369			\$ 8,381,856	\$	\$	\$ 8,381,856
School Improvement Grants	84.377			167,036	11,032,772		11,199,808
Race to the Top - Early Learning Challenge	84.412			15,085,346	5,983,808		21,069,154
Student Support and Academic Enrichment Program	84.424			356,901	6,399,526		6,756,427
Total U.S. Department of Education				\$ 2,279,688,519	\$ 1,087,066,883	\$ 0	\$ 3,366,755,402
National Archives and Records Administration							
National Historical Publications and Records Grants	89.003			\$ 406	\$	\$	\$ 406
Total National Archives and Records Administration				\$ 406	\$ 0	\$ 0	\$ 406
U.S. Election Assistance Commission							
Election Reform Payments	39.011			\$ 6,719,947	\$	\$	\$ 6,719,947
Help America Vote Act Requirements Payments	90.401			6,140,908			6,140,908
Total U.S. Election Assistance Commission				\$ 12,860,855	\$ 0	\$ 0	\$ 12,860,855
U.S. Department of Health and Human Services							
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			\$ 564,041	\$ 12,067,683	\$	\$ 12,631,724
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			1,102,646	20,633,297		21,735,943
Nutrition Services Incentive Program	93.053				7,645,627		7,645,627
Total Aging Cluster				\$ 1,666,687	\$ 40,346,607	\$ 0	\$ 42,013,294
Maternal, Infant, and Early Childhood Home Visiting Cluster:							
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505			\$	\$ (12,300)	\$	\$ (12,300)
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870			672,060	6,733,995		7,406,055
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				\$ 672,060	\$ 6,721,695	\$ 0	\$ 7,393,755
TANF Cluster:							
Temporary Assistance for Needy Families (Note 12)	93.558			\$ 611,039,802	\$ 85,982,183	\$	\$ 697,021,985
Total TANF Cluster				\$ 611,039,802	\$ 85,982,183	\$ 0	\$ 697,021,985
CCDF Cluster:							
Child Care and Development Block Grant (Note 12)	93.575			\$ 108,300,651	\$ 8,740,578	\$	\$ 117,041,229
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			80,806,089			80,806,089
Total CCDF Cluster				\$ 189,106,740	\$ 8,740,578	\$ 0	\$ 197,847,318
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775			\$ 3,835,868	\$	\$	\$ 3,835,868
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			13,094,729			13,094,729
Medical Assistance Program	93.778			12,574,312,515	71,210,728		12,645,523,243
Total Medicaid Cluster				\$ 12,591,243,112	\$ 71,210,728	\$ 0	\$ 12,662,453,840

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For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			\$	\$ 126,654	\$	\$ 126,654
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			16,445	596,148		612,593
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				808,637		808,637
Alzheimer's Disease Demonstration Grants to States	93.051			13,327	114,432		127,759
National Family Caregiver Support, Title III, Part E	93.052			254,802	5,169,353		5,424,155
Chronic Diseases: Research, Control, and Prevention	93.068			178,222			178,222
Public Health Emergency Preparedness	93.069			8,398,997	7,811,407		16,210,404
Public Health Emergency Preparedness (Note 6)	93.069			138,303			138,303
Total 93.069				\$ 8,537,300	\$ 7,811,407	\$ 0	\$ 16,348,707
Environmental Public Health and Emergency Response	93.070			\$ 941,495	\$ 584,285	\$	\$ 1,525,780
Medicare Enrollment Assistance Program	93.071			35,852	748,622		784,474
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			205,373			205,373
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			291,058	68,682		359,740
Guardianship Assistance	93.090			3,024,414	1		3,024,415
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			296,017	1,274,364		1,570,381
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094			679,249	512,762		1,192,011
Food and Drug Administration Research	93.103			1,958,446	569,955		2,528,401
Food and Drug Administration Research	93.103	Association of Food and Drug Officials	G-MT-1710-01122; G-ME-1710-01127; G-T-1706-00427	11,842			11,842
Total 93.103				\$ 1,970,288	\$ 569,955	\$ 0	\$ 2,540,243
Maternal and Child Health Federal Consolidated Programs	93.110			\$ 202,641	\$ 287,675	\$	\$ 490,316
Maternal and Child Health Federal Consolidated Programs	93.110	Association of Public Health Laboratories, Inc.	56300600-155-17-14	19,250			19,250
Maternal and Child Health Federal Consolidated Programs	93.110	University of Colorado-Denver	FY17.398.041	51,600			51,600
Maternal and Child Health Federal Consolidated Programs	93.110	Wayne State University	WSU18013		20,091		20,091
Maternal and Child Health Federal Consolidated Programs	93.110	Michigan Public Health Institute	1UH7MC30775-01	9,986			9,986
Total 93.110				\$ 283,477	\$ 307,766	\$ 0	\$ 591,243
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			\$ 756,323	\$ 205,338	\$	\$ 961,661
Emergency Medical Services for Children	93.127			99,016	(2,581)		96,435
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			149,505	(80,143)		69,362

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Injury Prevention and Control Research and State and Community Based Programs	93.136			\$ 970,961	\$ 2,018,528	\$	\$ 2,989,489
Projects for Assistance in Transition from Homelessness (PATH)	93.150			84,595	1,479,511		1,564,106
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			105,233	976,099		1,081,332
Grants to States for Loan Repayment Program	93.165			1,006,975			1,006,975
Disabilities Prevention	93.184			42,279	238,775		281,054
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	Michigan State University	RC107653-MDHHS	9,343	52,859		62,202
Family Planning Services	93.217			1,234,908	7,283,369		8,518,277
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235			1,118,354	1,194,667		2,313,021
Grants to States to Support Oral Health Workforce Activities	93.236			(11,232)	381,934		370,702
State Capacity Building	93.240			456,771			456,771
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			1,049,485	5,948,353		6,997,838
Universal Newborn Hearing Screening	93.251			157,006	88,991		245,997
Occupational Safety and Health Program	93.262	Michigan State University	RC105035-MDHHS	128,400			128,400
Immunization Cooperative Agreements	93.268			3,280,285	4,832,633		8,112,918
Immunization Cooperative Agreements (Note 6)	93.268			93,129,572			93,129,572
Total 93.268				\$ 96,409,857	\$ 4,832,633	\$ 0	\$ 101,242,490
Viral Hepatitis Prevention and Control	93.270			\$ 190,037	\$	\$	\$ 190,037
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			650,272	140,659		790,931
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	Council of State and Territorial Epidemiology	20171613-01	301,177	20,939		322,116
Total 93.283				\$ 951,449	\$ 161,598	\$ 0	\$ 1,113,047
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305			\$ 994,856	\$ 399,440	\$	\$ 1,394,296
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF) (Note 6)	93.305			1,172			1,172
Total 93.305				\$ 996,028	\$ 399,440	\$ 0	\$ 1,395,468
Trans-NIH Research Support (Note 15)	93.310	Michigan State University	20171476-00 MSU	\$ 50,771	\$	\$	\$ 50,771
Early Hearing Detection and Intervention Information System (EHD-IS) Surveillance Program	93.314			108,666	5,000		113,666
CSELS Partnership: Strengthening Public Health Laboratories	93.322	Association of Public Health Laboratories, Inc.	56400-200-943-17-03; 56400-200-904-18-06	147,590			147,590
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			4,663,467	249,143		4,912,610
State Health Insurance Assistance Program	93.324			35,530	1,456,452		1,491,982

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Research, Monitoring and Outcomes Definitions for Vaccine Safety	93.344	Epidemiology and Population Health	20170880	\$ 14,000	\$	\$	\$ 14,000
Sickle Cell Treatment Demonstration Program	93.365	Sickle Cell Disease Association of America	20153529-00	5,000			5,000
ACL Independent Living State Grants	93.369			334,555	2,678,467		3,013,022
Food Safety and Security Monitoring Project	93.448			214,498			214,498
ACL Assistive Technology	93.464			5,938	621,990		627,928
Pregnancy Assistance Fund Program	93.500			308,293	1,055,894		1,364,187
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511			45,853			45,853
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			564,350			564,350
Promoting Safe and Stable Families	93.556			9,881,105	526,263		10,407,368
Child Support Enforcement	93.563			15,421,791	128,540,872		143,962,663
Child Support Enforcement Research	93.564				241,337		241,337
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			19,482,640	964,201		20,446,841
Low-Income Home Energy Assistance (Note 12)	93.568			120,628,252	48,551,126		169,179,378
Community Services Block Grant	93.569			1,537,165	24,203,264		25,740,429
Refugee and Entrant Assistance Discretionary Grants	93.576			115,457			115,457
Refugee and Entrant Assistance Targeted Assistance Grants	93.584			1,249,687			1,249,687
State Court Improvement Program	93.586			750,069			750,069
Community-Based Child Abuse Prevention Grants	93.590			134,165			134,165
Grants to States for Access and Visitation Programs	93.597			277,772			277,772
Chafee Education and Training Vouchers Program (ETV)	93.599			860,505			860,505
Head Start	93.600			133,161	45,581		178,742
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624			676,246	15,697,809		16,374,055
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628			682,910	1,514,406		2,197,316
Developmental Disabilities Basic Support and Advocacy Grants	93.630			1,680,679	1,272,202		2,952,881
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634				307,937		307,937
Children's Justice Grants to States	93.643			424,700			424,700
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644			2,594	31,247		33,841
Stephanie Tubbs Jones Child Welfare Services Program (Note 12)	93.645			9,185,655			9,185,655
Foster Care - Title IV-E	93.658			132,419,093	6,509,611		138,928,704
Adoption Assistance	93.659			102,732,881	949,299		103,682,180
Social Services Block Grant (Note 12)	93.667			122,748,991	3,631,655		126,380,646
Child Abuse and Neglect State Grants	93.669			619,220	621,301		1,240,521
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			255,202	2,455,396		2,710,598

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			\$ 4,320,927	\$ 7,711	\$	\$ 4,328,638
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)	93.733			495,165	71,748		566,913
State Public Health Approaches for Ensuring Qitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735			11,382	608,894		620,276
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745			255,430	47,370		302,800
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753			230,080			230,080
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757			2,065,525	2,945,610		5,011,135
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			762,535	5,154,825		5,917,360
Children's Health Insurance Program	93.767			250,358,464	6,405,652		256,764,116
Opioid STR	93.788			924,464	7,046,012		7,970,476
Money Follows the Person Rebalancing Demonstration State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.791			576,097	311,076		887,173
Organized Approaches to Increase Colorectal Cancer Screening	93.796			7,785,455			7,785,455
Organized Approaches to Increase Colorectal Cancer Screening	93.800			504,510	813,285		1,317,795
Increasing the Implementation of Evidence-Based Cancer Survivorship Interventions to Increase Quality and Duration of Life Among Cancer Patients	93.808			226,788	108,215		335,003
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810			770,173	9,652		779,825
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			287,196	451,822		739,018
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			126,215	3,486,002		3,612,217
Child Health and Human Development Extramural Research	93.865	University of Utah	10036366-MDCH	36,100			36,100
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881			149,774			149,774
National Bioterrorism Hospital Preparedness Program	93.889			2,131,099	1,648,669		3,779,768
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			2,635,676	2,395,759		5,031,435
HIV Care Formula Grants	93.917			12,932,381	3,944,702		16,877,083
HIV Prevention Activities Health Department Based	93.940			1,811,350	4,443,912		6,255,262
HIV Demonstration, Research, Public and Professional Education Projects	93.941			223,990	250,020		474,010
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			162,571	823,220		985,791
Assistance Programs for Chronic Disease Prevention and Control	93.945			863,655	577,951		1,441,606

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			\$ 118,210	\$ 41,962	\$	\$ 160,172
Block Grants for Community Mental Health Services	93.958			650,615	12,197,666		12,848,281
Block Grants for Prevention and Treatment of Substance Abuse	93.959			1,301,675	65,474,692		66,776,367
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			362,602	1,910,599		2,273,201
Maternal and Child Health Services Block Grant to the States	93.994			8,714,063	9,873,496		18,587,559
Genotyping TB Contract	93.200-213-57461**			473,430	5		473,435
Vital Statistics - CDC - NCHS Contract	93.200-2012-50823**			395,357			395,357
Vital Statistics - CDC - National Death Index Contract	93.200-2015-M-62296**			105,394			105,394
FDA Tobacco Retail Inspection Contract	93.HHSF223201400074C**			280,909	377,934		658,843
NASMHPD Transformation Transfer Initiative (TTI)	93.SC-1026-MI-01**						
		National Association of State Mental Health Program Directors	SC-1026-MI-01		28,029		28,029
NASMHPD Transformation Transfer Initiative (TTI)	93.SC-1060-MI-01**						
		National Association of State Mental Health Program Directors	SC-1060-MI-01		14,953		14,953
Behavioral Health Services Information System Contract (Mental Health - Treatment Episode Data Set)	93.283-07-4803**	Eagle Technologies, Inc.	283-07-4803	28,579	108,529		137,108
Michigan Pregnancy Risk Assessment Monitoring System (PRAMS)	93.20171644**	Abt Associates Inc.	20171644	35,203	9,000		44,203
Total U.S. Department of Health and Human Services				\$ 14,367,872,503	\$ 630,593,655	\$ 0	\$ 14,998,466,158
U.S. Corporation for National and Community Service							
State Commissions	94.003			\$ 478,125	\$ 67,687	\$	\$ 545,812
AmeriCorps	94.006				6,815,792		6,815,792
Training and Technical Assistance	94.009			43,179	103,459		146,638
Volunteers in Service to America	94.013			245	10,000		10,245
Volunteer Generation Fund	94.021			4,051	207,309		211,360
Operation AmeriCorps	94.025				23,113		23,113
Total U.S. Corporation for National and Community Service				\$ 525,600	\$ 7,227,360	\$ 0	\$ 7,752,960
Executive Office of the President							
High Intensity Drug Trafficking Areas Program	95.001			\$ 407,301	\$	\$	\$ 407,301
Total Executive Office of the President				\$ 407,301	\$ 0	\$ 0	\$ 407,301
Social Security Administration							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001			\$ 84,649,086	\$ 1,213	\$	\$ 84,650,299
Total Disability Insurance/SSI Cluster				\$ 84,649,086	\$ 1,213	\$ 0	\$ 84,650,299
Social Security Administration - Birth Record Contract	96.00-14-61006**			\$ 388,274	\$	\$	\$ 388,274
Social Security Administration - Death Record Contract	96.SS00-09-60016**			264,122			264,122
Total Social Security Administration				\$ 85,301,482	\$ 1,213	\$ 0	\$ 85,302,695

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2018
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Homeland Security							
Non-Profit Security Program	97.008			\$	\$ 381,049	\$	\$ 381,049
Boating Safety Financial Assistance	97.012			4,647,478	617,414		5,264,892
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			124,874			124,874
Flood Mitigation Assistance	97.029			3,178	(165,000)		(161,822)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				1,057,182		1,057,182
Hazard Mitigation Grant	97.039			161,876	9,409,973		9,571,849
National Dam Safety Program	97.041			99,564			99,564
Emergency Management Performance Grants	97.042			6,852,672	2,411,394		9,264,066
State Fire Training Systems Grants	97.043			5,080			5,080
Assistance to Firefighters Grant	97.044			420,786			420,786
Cooperating Technical Partners	97.045			11,892	33,389		45,281
Pre-Disaster Mitigation	97.047			11,625	160,946		172,571
Port Security Grant Program	97.056			64,406			64,406
Homeland Security Grant Program	97.067			2,007,144	8,617,165		10,624,309
Homeland Security Biowatch Program	97.091			1,777,995			1,777,995
HSI - Task Force Officer	97.**			17,326			17,326
Total U.S. Department of Homeland Security				\$ 16,205,896	\$ 22,523,512	\$ 0	\$ 38,729,408
Total Financial Assistance				\$ 19,486,790,221	\$ 2,705,474,123	\$ 6,006,302	\$ 22,198,270,646
Total Non-Cash Assistance				\$ 2,077,273,992	\$ 68,523,906	\$ 0	\$ 2,145,797,898
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 21,564,064,213	\$ 2,773,998,029	\$ 6,006,302	\$ 24,344,068,544

* 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.

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 Central Michigan University, Western 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 2018. 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 2018 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, 2018. In addition, some of the programs noted below also include Michigan Department of Health and Human Services and Michigan Department of Transportation (Other State Agencies) expenditures, which are reported as of September 30, 2018.

<u>CFDA Number</u>	<u>Federal Program Title</u>	<u>MSHDA Expenditures as of June 30, 2018</u>	<u>Other State Agencies' Expenditures as of September 30, 2018</u>	<u>Total (as Reported on the SEFA)</u>
14.169	Housing Counseling Assistance Program	\$ 573,265	\$ 0	\$ 573,265
14.182	Section 8 - Contract Administration	\$ 234,988,381	\$ 0	\$ 234,988,381
14.182	Section 8 - New Construction/ Substantial Rehabilitation	\$ 112,735,913	\$ 0	\$ 112,735,913

<u>CFDA Number</u>	<u>Federal Program Title</u>	<u>MSHDA Expenditures as of June 30, 2018</u>	<u>Other State Agencies' Expenditures as of September 30, 2018</u>	<u>Total (as Reported on the SEFA)</u>
14.231	Emergency Solutions Grant Program	\$ 5,692,849	\$ 0	\$ 5,692,849
14.239	Home Investment Partnerships Program	\$ 13,698,858	\$ 0	\$ 13,698,858
14.239	Home Investment Partnerships Program - Technical Assistance	\$ 161,609	\$ 0	\$ 161,609
14.256	ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	\$ 2,864,664	\$ 0	\$ 2,864,664
14.267	Continuum of Care Program	\$ 1,094,640	\$ 5,229,723	\$ 6,324,363
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	\$ (2,929)	\$ 0	\$ (2,929)
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	\$ 1,336,396	\$ 0	\$ 1,336,396
14.871	Section 8 Housing Choice Vouchers	\$ 192,257,439	\$ 0	\$ 192,257,439
14.879	Mainstream Vouchers	\$ 252,808	\$ 0	\$ 252,808
14.896	Family Self-Sufficiency Program	\$ 967,062	\$ 0	\$ 967,062
15.904	Historic Preservation Fund Grants-In-Aid	\$ 1,270,409	\$ 0	\$ 1,270,409
20.205	Highway Planning and Construction	\$ 509,463	\$ 915,666,798	\$ 916,176,261

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 \$49,894,140 for the Airport Improvement Program (CFDA 20.106) channeled to primary airports for fiscal year 2018 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 airports 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 23.8% 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 2018 were \$246,594.

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, 2018, 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 \$1,234,693,513. In addition, as of September 30, 2018, \$422,718,235 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 2018.

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:

<u>Annual Default Rate</u>	<u>Federal Reinsurance</u>
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 2018 was:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Federal Family Education Loans - Guaranty Agency	84.032G	
Beginning of fiscal year balance - Loans from prior years		\$1,470,305,608
Loan loss reinsured by USDOE		94,991,772
Account maintenance fees		965,961
Loan recoveries - Net of amounts returned to USDOE		3,204,949
Loans repurchased and rehabilitated		11,259,866
Total Federal Family Education Loans - Guaranty Agency		<u>\$1,580,728,156</u>

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

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

The FFEL Program - Lender activity for fiscal year 2018 was:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Federal Family Education Loans - Lender	84.032L	
Beginning of fiscal year balance - Loans from prior years		\$ 513,375,599
Interest subsidy payments		1,809,223
Special allowance payments		(3,424,538)
Total Federal Family Education Loans - Lender		<u>\$ 511,760,284</u>

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

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

Low-Income Home Energy Assistance (CFDA 93.568)	\$ 242,849
Stephanie Tubbs Jones Child Welfare Services Program (CFDA 93.645)	\$ 33,767,243
Social Services Block Grant (CFDA 93.667)	\$111,132,484

- 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 \$8,300,000 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 \$1,050,000 and Medicaid revenue totaling \$6,353 in fiscal year 2018. 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:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Interjurisdictional Fisheries Act of 1986	11.407	\$ 13,503
Sport Fish Restoration	15.605	50,625
Wildlife Restoration and Basic Hunter Education	15.611	1,824,739
State Wildlife Grants	15.634	306,298
Highway Research and Development Program	20.200	504,292
Highway Planning and Construction	20.205	5,506,520
Trans-NIH Research Support	93.310	50,771
Total R&D Expenditures		<u>\$ 8,256,748</u>

INDEPENDENT AUDITOR'S REPORT



OAG

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Doug A. Ringler, CPA, CIA
Auditor General

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

The Honorable Gretchen Whitmer, 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, 2018. 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 Central Michigan University, Western 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, 2018. 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.

CFDA Number(s)	Program or Cluster	Percent Audited by Other Auditors	Total Expenditures
14.871 and 14.879	Housing Voucher Cluster	100%	\$ 192,510,247
17.225	Unemployment Insurance, including ARRA	100%	\$ 909,663,094
84.412	Race to the Top - Early Learning Challenge	53%	\$ 21,069,154

We did not audit the State of Michigan's compliance with the compliance requirements listed below applicable to the Federal Family Education Loans - Guaranty Agency, CFDA 84.032G, and Federal Family Education Loans - Lender, CFDA 84.032L. Third-party servicers performed the compliance requirements for the State of Michigan and have obtained examinations performed under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* (January 2011) and *Audits of Guaranty Agency Servicers Participating in the Federal Family Education Loan Program* (March 2000), issued by the U.S. Department of Education.

Our report does not include the results of the other accountants' examinations of the third-party servicers' compliance with such requirements.

CFDA Number(s)	Third-Party Servicer	Compliance Requirements	Period Covered by Examination(s)
84.032G	Educational Credit Management Corporation	Special Tests and Provisions (Federal Share of Borrower Payments and Assignment of Defaulted Loans to ED)	01/01/2018 - 12/31/2018
84.032G	Navient Solutions, LLC	Special Tests and Provisions (Federal Share of Borrower Payments and Assignment of Defaulted Loans to ED)	01/01/2017 - 12/31/2017 01/01/2018 - 06/30/2018
84.032L	Nelnet, Inc.	Reporting and Special Tests and Provisions (Individual Record Review; Interest Benefits; Special Allowance Payments; Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence by Lenders in the Collection of Delinquent Loans; Timely Claim Filings by Lenders or Servicers; and Curing Due-Diligence and Timely Filing Violations)	01/01/2017 - 12/31/2017 01/01/2018 - 12/31/2018

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 Health and Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Matching, Level of Effort, and Earmarking - Maintenance of Effort	2018-079

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

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	Special Tests and Provisions - ADP System for SNAP	2018-004
U.S. Department of Agriculture	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions - Compliance Investigations of High-Risk Vendors	2018-027
U.S. Department of Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Period of Performance	2018-030 2018-031 2018-032
U.S. Department of Education	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Cash Management	2018-019 2018-041
U.S. Department of Health and Human Services	93.044, 93.045, and 93.053	Aging Cluster	Cash Management	2018-019
U.S. Department of Health and Human Services	93.558	TANF Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Income Eligibility and Verification System	2018-004 2018-019 2018-044 2018-048

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; and Matching, Level of Effort, and Earmarking	2018-021 2018-051
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	2018-004 2018-056
U.S. Department of Health and Human Services	93.268	Immunization Cooperative Agreements	Cash Management	2018-019
U.S. Department of Health and Human Services	93.563	Child Support Enforcement	Cash Management	2018-019
U.S. Department of Health and Human Services	93.568	Low-Income Home Energy Assistance	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; and Matching, Level of Effort, and Earmarking	2018-019 2018-069 2018-070
U.S. Department of Health and Human Services	93.658	Foster Care - Title IV-E	Cash Management	2018-019
U.S. Department of Health and Human Services	93.659	Adoption Assistance	Cash Management	2018-019
U.S. Department of Health and Human Services	93.667	Social Services Block Grant	Cash Management	2018-019
U.S. Department of Health and Human Services	93.767	Children's Health Insurance Program	Cash Management	2018-014
U.S. Department of Health and Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management	2018-019

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, except for the possible effects of the matter 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, 2018.

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, 2018.

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 2018-011, 2018-012, 2018-013, 2018-018, 2018-023, 2018-026, 2018-029, 2018-033, 2018-045, 2018-046, 2018-047, 2018-054, 2018-055, 2018-057, 2018-059, 2018-060, 2018-061, 2018-062, 2018-063, 2018-064, 2018-065, 2018-071, 2018-073, 2018-076, and 2018-081. 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 sections of the schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 2018-002, 2018-003, 2018-004, 2018-014, 2018-019, 2018-021, 2018-027, 2018-029, 2018-030, 2018-031, 2018-032, 2018-041, 2018-044, 2018-045, 2018-048, 2018-051, 2018-056, 2018-069, 2018-070, 2018-074, and 2018-079 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 2018-001, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018, 2018-019, 2018-020, 2018-021, 2018-022, 2018-023, 2018-024, 2018-025, 2018-026, 2018-028, 2018-033, 2018-034, 2018-035, 2018-036, 2018-037, 2018-038, 2018-039, 2018-040, 2018-042, 2018-043, 2018-046, 2018-047, 2018-049, 2018-050, 2018-052, 2018-053, 2018-054, 2018-055, 2018-057, 2018-058, 2018-059, 2018-060, 2018-061, 2018-062, 2018-063, 2018-064, 2018-065, 2018-066, 2018-067, 2018-068, 2018-071, 2018-072, 2018-073, 2018-075, 2018-076, 2018-077, 2018-078, and 2018-080 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 sections of the schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated April 30, 2019, which contained unmodified opinions on those financial statements and includes references to other auditors.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Doug Ringler".

Doug Ringler
Auditor General
June 28, 2019

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
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Qualified
10.558	Child and Adult Care Food Program	Unmodified
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Qualified
20.205 and 20.219	Highway Planning and Construction Cluster	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.032 G/L	Federal Family Education Loans - Guaranty Agency and Lender	Unmodified
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Qualified
93.044, 93.045, and 93.053	Aging Cluster	Qualified
93.558	TANF Cluster	Qualified
93.575 and 93.596	CCDF Cluster	Qualified
93.775, 93.777, and 93.778	Medicaid Cluster	Qualified
93.268	Immunization Cooperative Agreements	Qualified
93.563	Child Support Enforcement	Qualified
93.568	Low-Income Home Energy Assistance	Qualified
93.658	Foster Care - Title IV-E	Qualified
93.659	Adoption Assistance	Qualified
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program	Qualified
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Qualified
96.001	Disability Insurance/SSI Cluster	Unmodified
97.039	Hazard Mitigation Grant	Unmodified

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion
14.871 and 14.879	Housing Voucher Cluster	Unmodified
17.225	Unemployment Insurance, including ARRA	Unmodified
84.412	Race to the Top - Early Learning Challenge	Unmodified

* See glossary at end of report for definition.

Dollar threshold used to distinguish between type A and type B programs: \$36,516,103

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 242.

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* (071-0010-19), located at:

audgen.michigan.gov/wp-content/uploads/2019/06/r071001019.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 2018-001

Access Limitations for Confidential Information in SIGMA*

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 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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 Non-Cooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689

* See glossary at end of report for definition.

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	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	17 01 MI FOST 10/01/2016 - 09/30/2017 18 01 MI FOST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; 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	Adoption Assistance: CFDA 93.659
Federal Award Identification Number (FAIN) and Year	17 01 MI ADPT 10/01/2016 - 09/30/2017 18 01 MI ADPT 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180
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

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	18 01 MISOSR 10/01/2017 - 09/30/2019 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646
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	Not Applicable
State Agency	Michigan Department of Health and Human Services

Please refer to Finding #3, parts a.(2) and b., in the Report on Internal Control, Compliance, and Other Matters for the *State of Michigan Comprehensive Annual Financial Report (071-0010-19)* for the body of this finding. The finding relates to the major federal programs noted in the preceding boxes.

This report is located at <audgen.michigan.gov/wp-content/uploads/2019/06/r071001019.pdf>.

Management Views

The Michigan Department of Health and Human Services (MDHHS), Michigan Department of Education (MDE), and Office of Financial Management (OFM) agree with the finding.

FINDING 2018-002

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	EBT - 2017 10/01/2016 - 09/30/2017 EBT - 2018 10/01/2017 - 09/30/2018 182MI100S2514 10/01/2017 - 09/30/2018 182MI100S2519 10/01/2017 - 09/30/2018 182MI100S2520 10/01/2017 - 09/30/2018 182MI100S8026 10/01/2017 - 09/30/2018 182MI100S8036 10/01/2017 - 09/30/2018 172MI122Q3903 10/01/2016 - 09/30/2017 182MI123Q3903 10/01/2017 - 09/30/2019 182MI122Q7503 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175
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	2017-001
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	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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 Non-Cooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0

Repeat Finding	2017-001
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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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	2017-001
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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-001
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 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G 18 01 MI LIE4 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
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	2017-001
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	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	2017-001
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Background

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

Condition

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

- a. DTMB did not ensure that the file control and batch summary tables used to reconcile Bridges interfaces consistently accounted for interface header and trailer records, represented control totals of information processed, or reported if the interface processing occurred with or without exceptions.
- b. DTMB, in conjunction with MDHHS, had not established procedures to account for all interfaced records and to ensure that all records identified with errors and excluded from interface processing were investigated, corrected, and resubmitted for processing as appropriate.

* See glossary at end of report for definition.

- c. MDHHS had not established data sharing agreements with all State agencies that exchanged information with Bridges.
- d. DTMB, in conjunction with MDHHS, had not established adequate controls to detect whether Bridges change control processes were being followed. Detective controls, such as a scanning tool, can be used to identify any unauthorized changes to the source code after it has been rolled out.
- e. DTMB had not established effective access controls* over the Bridges version control tool, ClearCase, and the Bridges workflow tool, ClearQuest. DTMB used ClearCase and ClearQuest to control access to Bridges source code and to promote changes to the Bridges application. We noted that DTMB had not established a policy to identify user roles and specify the level of access required, did not remove access for users that no longer required access, and did not properly restrict privileged access*.
- 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.

DTMB informed us that it removed the batch support team's access to ClearCase and ClearQuest in February 2018. However, because ClearCase and ClearQuest were archived in November 2018, DTMB was unable to provide documentation that would allow us to independently verify the removal of the batch support team's access.

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 State of Michigan Administrative Guide to State Government policy 1340.00, 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.

* See glossary at end of report for definition.

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 it focused its limited resources on establishing policies and procedures governing user roles, user management reviews, and properly restricting privileged access to ensure effective controls over new development tools.

For part f., DTMB indicated that there is only one role capable of checking files into ClearQuest and, because of limitations with the development tools' capabilities, additional segregation of duties is not feasible at this point in time.

Effect

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

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

MDHHS and DTMB agree with the finding.

FINDING 2018-003

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	EBT - 2017	10/01/2016 - 09/30/2017
	EBT - 2018	10/01/2017 - 09/30/2018
	182MI100S2514	10/01/2017 - 09/30/2018
	182MI100S2519	10/01/2017 - 09/30/2018
	182MI100S2520	10/01/2017 - 09/30/2018
	182MI100S8026	10/01/2017 - 09/30/2018
	182MI100S8036	10/01/2017 - 09/30/2018
	172MI122Q3903	10/01/2016 - 09/30/2017
	182MI123Q3903	10/01/2017 - 09/30/2019
	182MI122Q7503	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175	
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	2017-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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 Non-Cooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-002
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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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	2017-002
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	1805MI5MAP 10/01/2017 - 09/30/2018

Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-002
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 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G 18 01 MI LIE4 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
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	2017-002
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	1805MI5021 10/01/2017 - 9/30/2019 1705MI5021 10/01/2016 - 9/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	2017-002
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 31 (78%) of the 40 sampled Bridges incompatible role exception requests. Of the 9 forms that were received, we noted that MDHHS did not properly approve any of the 9 forms prior to granting the exception requests.

We also noted that MDHHS did not have an adequate process to ensure that incompatible role exception requests were updated annually.

- b. MDHHS did not maintain documentation for 2 (5%) of 40 sampled local office security monitoring reports. Also, MDHHS did not document its review and/or review date for 8 (21%) of 38 sampled security monitoring reports and did not complete timely reviews for 7 (23%) of 30 sampled security monitoring reports.
- 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 ensure that 4 (9%) of 45 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. 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 document the timely completion of its reviews for 6 (60%) of 10 local office high-risk transaction monitoring reports. Also, MDHHS had not implemented a process to review and monitor high-risk transactions of non-local office Bridges users.

Criteria

State of Michigan Administrative Guide to State Government policy 1340.00 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.

State of Michigan (SOM) 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.

* See glossary at end of report for definition.

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 because of a 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 it has not been able to update processes appropriately and the Bridges security agreement form in a timely manner for the Bridges Universal Case Load (UCL) implementation that would assist requestors with adequately documenting UCL approvals and security administrators with appropriately granting Bridges UCL access because of constant UCL changes.

For part e., DTMB informed us that it has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

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 agree with the finding.

FINDING 2018-004

Income Eligibility and Verification System

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	EBT - 2017	10/01/2016 - 09/30/2017
	EBT - 2018	10/01/2017 - 09/30/2018
	182MI100S2514	10/01/2017 - 09/30/2018
	182MI100S2519	10/01/2017 - 09/30/2018
	182MI100S2520	10/01/2017 - 09/30/2018
	182MI100S8026	10/01/2017 - 09/30/2018
	182MI100S8036	10/01/2017 - 09/30/2018
	172MI122Q3903	10/01/2016 - 09/30/2017
	182MI123Q3903	10/01/2017 - 09/30/2019
	182MI122Q7503	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175	

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	2017-003
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	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	2017-003
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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-003
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 15 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 6 (50%) of 12 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 22 (40%) of 55 cases reviewed.
- c. For 3 (25%) of 12 IEVS interfaces, MDHHS did not take timely action on IEVS information in 11 (20%) of 55 cases reviewed, of which 9 are also reported in part b.
- 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 10 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 and recipients.
- g. MDHHS did not obtain the National Directory of New Hires' records for SNAP applicants and recipients for 9 months of the audit period.
- h. MDHHS did not request and obtain the SSA prisoner records for all applicants and recipients for the first quarter 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 2018-002, 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 had not yet executed a data sharing agreement between MDHHS's Division for Vital Records and Health Statistics and its Children's Services Agency.

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 disconnect in the remittance process of the paper warrant payment to the U.S. Department of Health and Human Services' (HHS's) Administration for Children and Families, which caused a delay in getting the file.

For part h., MDHHS informed us that the prisoner match file submitted to SSA during the first quarter of the audit period did not contain any data; therefore, MDHHS did not receive a response from SSA.

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 2018-005

ADP Security Program

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2017	10/01/2016 - 09/30/2017
	EBT - 2018	10/01/2017 - 09/30/2018
	182MI100S2514	10/01/2017 - 09/30/2018
	182MI100S2519	10/01/2017 - 09/30/2018
	182MI100S2520	10/01/2017 - 09/30/2018
	182MI100S8026	10/01/2017 - 09/30/2018
	182MI100S8036	10/01/2017 - 09/30/2018
	172MI122Q3903	10/01/2016 - 09/30/2017
	182MI123Q3903	10/01/2017 - 09/30/2019
	182MI122Q7503	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175	
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	2017-004	
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	1805MI5MAP	10/01/2017 - 09/30/2018
	1805MI5ADM	10/01/2017 - 09/30/2018
	1805MIINCT	10/01/2017 - 09/30/2018
	1805MIIMPL	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840	
Total ARRA Expenditures	\$19,657,689	
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	2017-004
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	1704MICSES	10/01/2016 - 09/30/2017
	1804MICSES	10/01/2017 - 09/30/2018
	1804MICEST	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$143,962,663	
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	2017-004	
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: CFDA 93.658	
Federal Award Identification Number (FAIN) and Year	17 01 MI FOST	10/01/2016 - 09/30/2017
	18 01 MI FOST	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704	
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	2017-004	
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: CFDA 93.659	
Federal Award Identification Number (FAIN) and Year	17 01 MI ADPT	10/01/2016 - 09/30/2017
	18 01 MI ADPT	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180	
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	2017-004
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 10 significant systems and noted:

- a. MDHHS and DTMB did not have a business continuity plan (BCP) for 7 systems. For 2 of the 3 systems that had a BCP, the plan was missing critical elements, such as annual testing of the plan.
- b. MDHHS and DTMB did not have a disaster recovery plan (DRP) for 1 system. Of the 9 DRPs reviewed, 3 DRPs were not updated during fiscal year 2018 and 7 were missing critical elements, such as annual testing and annual review.
- c. MDHHS and DTMB did not have a security plan for 1 system.

Criteria

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

Cause

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 2018-006
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: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	2017-005
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	17 01 MI FOST 10/01/2016 - 09/30/2017 18 01 MI FOST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704
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	2017-005
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	17 01 MI ADPT 10/01/2016 - 09/30/2017 18 01 MI ADPT 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180
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	2017-005
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	18 01 MISOSR 10/01/2017 - 09/30/2019 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646
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	2017-005
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 did not maintain documentation for 1 (3%) of 40 sampled MiSACWIS user security agreements.
 - (2) MDHHS did not ensure that all required individuals signed the security agreements before access was granted for 1 (3%) of 39 sampled MiSACWIS user security agreements.
- b. MDHHS did not maintain documentation for 39 (98%) of 40 sampled MiSACWIS incompatible role exception requests.
- 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 did not fully establish and implement effective security and access controls over the operating system for MiSACWIS servers. 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

State of Michigan Administrative Guide to State Government policy 1340.00 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.

SOM 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 has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

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 2018.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2018-007

CHAMPS 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	Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-006
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: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	2017-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls over the Community Health Automated Medicaid Processing System (CHAMPS). We noted:

- a. DTMB did not fully establish and implement effective security configurations for the CHAMPS database. The CHAMPS 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 CHAMPS servers. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

- c. MDHHS did not ensure that 1 (33%) of 3 privileged users' application security agreements was properly approved or maintained.

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.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel.

SOM 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.

Cause

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

For part b., DTMB informed us that it has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

For part c., MDHHS informed us that during a review of privileged user access, it identified that the user's access request was incorrectly approved.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to CHAMPS. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the security of the CHAMPS application and data used to issue payments to Medicaid and CHIP beneficiaries.

Known Questioned Costs

None.

Recommendation

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

Management Views

DTMB and MDHHS agree with the finding.

FINDING 2018-008**EGrAMS Security Management and Access 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: <i>CFDA</i> 10.557	
Federal Award Identification Number (FAIN) and Year	182MI003W1003	10/01/2017 - 09/30/2018
	182MI003W1006	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$153,247,270	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Immunization Cooperative Agreements: <i>CFDA</i> 93.268	
Federal Award Identification Number (FAIN) and Year	NH23IP000752	04/01/2017 - 06/30/2019
	NH23IP000783	04/01/2017 - 06/30/2019
	NH23IP000854	09/30/2016 - 06/30/2019
Total Expenditures of Federal Awards	\$101,242,490	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

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	TI010026-17	10/01/2016 - 09/30/2018
	TI010026-18	10/01/2017 - 09/30/2019
	B08TI010026-18	10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Performance; and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS had not established effective security management and access controls over Electronic Grants Administration and Management System (EGrAMS) users. MDHHS utilizes EGrAMS to manage its subgrants and process payments to subrecipients. We noted:

- a. MDHHS did not document its recertification of all 9 sampled users to ensure that the users' access to 2018 grants and projects was assigned in accordance with their job responsibilities.
- b. MDHHS did not review EGrAMS user access every 120 days.

Criteria

SOM 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.

MDHHS's process requires a completed security access form when adding a user to EGrAMS and an annual recertification that the user's access remains appropriate.

Cause

MDHHS informed us that because of the nature of grant agreements, user access is recertified and rolled forward each year based on the original approved and signed access form.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to EGrAMS. As a result, an increased risk exists that MDHHS cannot ensure the security of the EGrAMS application and data used to issue payments to subrecipients of federal awards.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2018-009

MDE, IT General Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child and Adult Food Care Program: CFDA 10.558

Federal Award Identification Number (FAIN) and Year	16152MI030N2020	10/01/2015 - 09/30/2016
	16162MI060N1099	10/01/2015 - 09/30/2016
	16162MI030N2020	10/01/2015 - 09/30/2016
	172MI060N2020	10/01/2016 - 09/30/2017
	172MI060N1099	10/01/2016 - 09/30/2017
	182MI060N2020	10/01/2017 - 09/30/2018
	182MI060N1099	10/01/2017 - 09/30/2018
	192MI060N2020	10/01/2018 - 09/30/2019
	192MI060N1099	10/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$72,877,560	
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	Title I Grants to Local Educational Agencies: CFDA 84.010	
Federal Award Identification Number (FAIN) and Year	S010A150022	07/01/2015 - 09/30/2016
	S010A150022 - 15A	07/01/2015 - 09/30/2016
	S010A150022 - 15B	07/01/2015 - 09/30/2016
	S010A160022	07/01/2016 - 09/30/2017
	S010A160022 - 16A	07/01/2016 - 09/30/2017
	S010A160022 - 16B	07/01/2016 - 09/30/2017
	S010A170022	07/01/2017 - 09/30/2018
	S010A170022 - 17A	07/01/2017 - 09/30/2018
	S010A170022 - 17B	07/01/2017 - 09/30/2018
	S010A180022	07/01/2018 - 09/30/2019
	S010A180022 - 18A	07/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$480,416,000	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Period of Performance; Procurement and Suspension and Debarment; 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	Race to the Top - Early Learning Challenge: CFDA 84.412	
Federal Award Identification Number (FAIN) and Year	S412A130044	01/01/2014 - 12/31/2018
Total Expenditures of Federal Awards	\$21,069,154	
Total ARRA Expenditures	\$0	

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment; Subrecipient Monitoring; and Special Tests and Provisions - Separate Accountability for ARRA Funding
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 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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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 Agencies	Michigan Department of Education and Department of Technology, Management, and Budget

Condition

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), Cash Management System (CMS), and Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS). Our review of selected general controls disclosed:

- a. MDE and DTMB did not fully implement an effective change management process. We sampled records for 25 MEGS+ changes, 2 FNS-FRS (Michigan Nutrition Data [MiND]) changes, 3 CMS changes, and 25 GEMS/MARS changes. The table below documents the control weaknesses noted for each system:

Control Weakness	Number (and Percent) of Control Weaknesses by System			
	MEGS+	FNS-FRS (MiND)	CMS	GEMS/MARS
MDE and/or DTMB did not document testing results at one or more stages of process.	2 (8%)	2 (100%)	0 (0%)	24 (96%)
MDE did not document post-implementation approvals.	0 (0%)	0 (0%)	3 (100%)	6 (24%)

- b. DTMB had not fully established and implemented effective security management over the operating system for MEGS+, FNS-FRS, CMS, and GEMS/MARS 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 GAO's FISCAM, management should authorize and approve all configuration changes and test results should be documented.

State of Michigan Administrative Guide to State Government policy 1340.00 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., 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 b., DTMB informed us that, because it focused resources on operationally developing and implementing best practices, it had not yet formalized the processes into internal standards and procedures.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE and DTMB agree with the finding.

FINDING 2018-010

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 and Adult Food Care Program: <i>CFDA</i> 10.558	
Federal Award Identification Number (FAIN) and Year	16152MI030N2020	10/01/2015 - 09/30/2016
	16162MI060N1099	10/01/2015 - 09/30/2016
	16162MI030N2020	10/01/2015 - 09/30/2016
	172MI060N2020	10/01/2016 - 09/30/2017
	172MI060N1099	10/01/2016 - 09/30/2017
	182MI060N2020	10/01/2017 - 09/30/2018
	182MI060N1099	10/01/2017 - 09/30/2018
	192MI060N2020	10/01/2018 - 09/30/2019
192MI060N1099	10/01/2018 - 09/30/2019	

Total Expenditures of Federal Awards	\$72,877,560
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 Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010	
Federal Award Identification Number (FAIN) and Year	S010A150022	07/01/2015 - 09/30/2016
	S010A150022 - 15A	07/01/2015 - 09/30/2016
	S010A150022 - 15B	07/01/2015 - 09/30/2016
	S010A160022	07/01/2016 - 09/30/2017
	S010A160022 - 16A	07/01/2016 - 09/30/2017
	S010A160022 - 16B	07/01/2016 - 09/30/2017
	S010A170022	07/01/2017 - 09/30/2018
	S010A170022 - 17A	07/01/2017 - 09/30/2018
	S010A170022 - 17B	07/01/2017 - 09/30/2018
	S010A180022	07/01/2018 - 09/30/2019
	S010A180022 - 18A	07/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$480,416,000	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, and Earmarking; Period of Performance; Procurement and Suspension and Debarment; and 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 Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Race to the Top - Early Learning Challenge: CFDA 84.412	
Federal Award Identification Number (FAIN) and Year	S412A130044	01/01/2014 - 12/31/2018
Total Expenditures of Federal Awards	\$21,069,154	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Subrecipient Monitoring, and Special Tests and Provisions - Separate Accountability for ARRA Funding	
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 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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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 fully establish effective security management and access controls over MEGS+, FNS-FRS, CMS, and 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 36 MEGS+ users, 39 FNS-FRS (MiND) users, 38 CMS users, and 36 GEMS/MARS users. The table below documents the control weaknesses noted for each system:

Control Weakness	Number (and Percent) of Control Weaknesses by System			
	MEGS+	FNS-FRS (MiND)	CMS	GEMS/MARS
MDE did not ensure that security access forms were properly approved prior to granting access.	2 (6%)	1 (3%)	5 (13%)	4 (11%)
MDE did not have security access forms for users.	0 (0%)	2 (5%)	1 (3%)	5 (14%)

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

Criteria

SOM 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 function. 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 is responsible for granting access to certain user roles within each system. MDE's process required a security access form to be completed and 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.

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

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

Management Views

MDE agrees with the finding.

FINDING 2018-011

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	EBT - 2017	10/01/2016 - 09/30/2017
	EBT - 2018	10/01/2017 - 09/30/2018
	182MI100S2514	10/01/2017 - 09/30/2018
	182MI100S2519	10/01/2017 - 09/30/2018
	182MI100S2520	10/01/2017 - 09/30/2018
	182MI100S8026	10/01/2017 - 09/30/2018
	182MI100S8036	10/01/2017 - 09/30/2018
	172MI122Q3903	10/01/2016 - 09/30/2017
	182MI123Q3903	10/01/2017 - 09/30/2019
	182MI122Q7503	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and, for only part c., Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2017-011	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126	
Federal Award Identification Number (FAIN) and Year	H126A170090	10/01/2016 - 09/30/2017
	H126A180090	10/01/2017 - 09/30/2018
	H126A170031	10/01/2016 - 09/30/2017
	H126A180031	10/01/2017 - 09/30/2018

Total Expenditures of Federal Awards	\$114,863,934
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-011
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	18AAMINSIP	10/01/2017 - 09/30/2018
	18AAMIT3SS	10/01/2017 - 09/30/2018
	18AAMIT3CM	10/01/2017 - 09/30/2018
	18AAMIT3HD	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$42,013,294	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2017-011	
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	17 01 MI TANF	10/01/2016 - Until Expended
	18 01 MI TANF	10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and, for only part c., Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2017-011	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596	
Federal Award Identification Number (FAIN) and Year	G 16 03 MI CCDF	10/01/2015 - 09/30/2016
	G 17 03 MI CCDF	10/01/2016 - 09/30/2017
	G 18 03 MI CCDF	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and, for only part c., Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2017-011	
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: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1805MI5MAP 10/01/2017 - 09/30/2018 1805MI5ADM 10/01/2017 - 09/30/2018 1805MIINCT 10/01/2017 - 09/30/2018 1805MIIMPL 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and, for only part c., Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2017-011
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	1704MICSES 10/01/2016 - 09/30/2017 1804MICSES 10/01/2017 - 09/30/2018 1804MICEST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$143,962,663
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and, for only part c., Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2017-011
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 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G 18 01 MI LIE4 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and, for only part c., Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2017-011
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	17 01 MI FOST 18 01 MI FOST	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and, for only part c., Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2017-011	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659	
Federal Award Identification Number (FAIN) and Year	17 01 MI ADPT 18 01 MI ADPT	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and, for only part c., Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2017-011	
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	18 01 MISOSR 18 01 MI TANF	10/01/2017 - 09/30/2019 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency and, for only part c., Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2017-011	
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	1805MI5021 1705MI5021	10/01/2017 - 09/30/2019 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2017-011	
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	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959	
Federal Award Identification Number (FAIN) and Year	TI010026-17	10/01/2016 - 09/30/2018
	TI010026-18	10/01/2017 - 09/30/2019
	B08TI010026-18	10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2017-011	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	Social Security Administration	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001	
Federal Award Identification Number (FAIN) and Year	1704MID100	10/01/2016 - 09/30/2021
	1804MID100	10/01/2017 - 09/30/2022
Total Expenditures of Federal Awards	\$84,650,299	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2017-011	
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). We noted:

- a. For 11 (69%) of the 16 sampled cost pools, MDHHS did not ensure that the codes used to record expenditures in the Statewide Integrated Governmental Management Applications (SIGMA) agreed with the codes detailed in its amended PACAP.
- b. For 6 (38%) of the 16 sampled cost pools, MDHHS excluded the necessary coding or provided inaccurate coding in its amended first quarter PACAP narrative.
- c. MDHHS did not describe its process for prior quarter adjustments in its amended PACAP. We estimated that MDHHS recorded \$728.3 million of total federal and State prior quarter adjustments through the 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

MDHHS transitioned cost allocation from an outside vendor to the new Statewide accounting system, SIGMA, in fiscal year 2018. MDHHS informed us that this transition was complicated by the many intricacies of integrating the cost allocation process within SIGMA and the delay in availability of reports. Also, MDHHS stated that the conversion of accounting data to SIGMA from the 20-year-old legacy system provided substantial challenges to the transition process. MDHHS further explained that because of the many unknown factors with the SIGMA transition, its monitoring procedures could not anticipate all scenarios for which to capture inconsistencies and did not establish an appropriate materiality threshold for follow-up.

Effect

For parts a. and c., 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.

For part b., 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

Undeterminable.

Recommendation

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

Management Views

MDHHS partially agrees with the finding.

With the implementation of SIGMA, meeting statewide deadlines and converting PACAP to SIGMA provided many challenges. MDHHS anticipated there would be a need to address coding errors in line with the implementation of a new, large, and complex accounting system. MDHHS identified and corrected many of the coding errors and has processed correcting entries to resolve these issues. Many of the transactions identified in this finding as being excluded from our PACAP narrative were initially miscoded and have since been corrected.

In accordance with 2 *CFR* §200.302 (b)(2) the non-federal entity is required to have financial management systems that provides for "accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 2 *CFR* 200.327 Financial reporting and 200.328 Monitoring and

reporting program performance." MDHHS uses a combination of chart of account codes in SIGMA based on Task Order and Sub Unit to map costs to the department-wide PACAP. If one of these codes is incorrect in accordance with the PACAP narrative, it does not mean the expenditure is missing from the PACAP, it means the expenditure must be corrected in SIGMA.

Due to the challenges in implementation and conversion of data to SIGMA, there were instances where expenditures were posted with incorrect codes. For example, there were instances where expenditures were coded using Sub Units that were blank or entitled "FIX". These names indicated corrections were needed by MDHHS to match to our PACAP narrative. The PACAP narrative should not have been amended to reflect these expenditures coded incorrectly. To address these issues, there was a concerted effort by MDHHS to correct all miscoded expenditures and ensure proper federal claiming. MDHHS is in agreement that its PACAP should outline the materiality threshold and prior quarter adjustment process.

Auditor's Comments to Management Views*

For part a., MDHHS stated that these transactions were miscoded and many were corrected; however, MDHHS still had uncorrected transactions recorded to these codes at the conclusion of fiscal year 2018. Consequently, we could not determine if these costs were appropriately allocated to the federal and/or State programs.

For part b., when MDHHS corrected its subsequent quarterly narrative it did not make these changes retroactive. Since each PACAP is approved by the federal agency for a specific quarter, correction in a subsequent quarter does not address the errors in the prior quarters' PACAP.

Therefore, the finding stands as written.

FINDING 2018-012
MDHHS, PACAP - Inappropriate PACAP Allocation

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2017 10/01/2016 - 09/30/2017 EBT - 2018 10/01/2017 - 09/30/2018 182MI100S2514 10/01/2017 - 09/30/2018 182MI100S2519 10/01/2017 - 09/30/2018 182MI100S2520 10/01/2017 - 09/30/2018 182MI100S8026 10/01/2017 - 09/30/2018 182MI100S8036 10/01/2017 - 09/30/2018 172MI122Q3903 10/01/2016 - 09/30/2017 182MI123Q3903 10/01/2017 - 09/30/2019 182MI122Q7503 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175
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

* See glossary at end of report for definition.

Repeat Finding	2017-012
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	H126A170090	10/01/2016 - 09/30/2017
	H126A180090	10/01/2017 - 09/30/2018
	H126A170031	10/01/2016 - 09/30/2017
	H126A180031	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$114,863,934	
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	2017-012	
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: CFDA 93.044, 93.045, and 93.053	
Federal Award Identification Number (FAIN) and Year	18AAMINSIP	10/01/2017 - 09/30/2018
	18AAMIT3SS	10/01/2017 - 09/30/2018
	18AAMIT3CM	10/01/2017 - 09/30/2018
	18AAMIT3HD	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$42,013,294	
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	2017-012	
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: CFDA 93.558	
Federal Award Identification Number (FAIN) and Year	17 01 MI TANF	10/01/2016 - Until Expended
	18 01 MI TANF	10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985	
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	2017-012	
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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
Total ARRA Expenditures	Not Applicable
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2017-012
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	1805MI5MAP 10/01/2017 - 09/30/2018 1805MI5ADM 10/01/2017 - 09/30/2018 1805MIINCT 10/01/2017 - 09/30/2018 1805MIIMPL 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-012
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	1704MICSES 10/01/2016 - 09/30/2017 1804MICSES 10/01/2017 - 09/30/2018 1804MICEST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$143,962,663
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	2017-012
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 17 B1 MI LIEA G 18 B1 MI LIEA G 18 01 MI LIE4	10/01/2016 - 09/30/2018 10/01/2017 - 09/30/2019 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378	
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	2017-012	
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	Foster Care - Title IV-E: CFDA 93.658	
Federal Award Identification Number (FAIN) and Year	17 01 MI FOST 18 01 MI FOST	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704	
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	2017-012	
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	17 01 MI ADPT 18 01 MI ADPT	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180	
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	2017-012	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services.	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667	
Federal Award Identification Number FAIN and Year	18 01 MISOSR 18 01 MI TANF	10/01/2017 - 09/30/2019 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646	
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	2017-012
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	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	2017-012
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	TI010026-17 10/01/2016 - 09/30/2018 TI010026-18 10/01/2017 - 09/30/2019 B08TI010026-18 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367
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	2017-012
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	1704MID100 10/01/2016 - 09/30/2021 1804MID100 10/01/2017 - 09/30/2022
Total Expenditures of Federal Awards	\$84,650,299
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	2017-012
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that it used the appropriate PACAP data and account codes to allocate expenditures to its federal programs. We noted:

- a. 27 (17%) of 157 statistic groups for which MDHHS used incorrect data to calculate the PACAP percentages, which affected 15 (94%) of 16 sampled cost pools.
- b. 1 (6%) of 16 Random Moment Time Study (RMTS) statistic groups for which MDHHS did not ensure that it used complete data to calculate the PACAP percentages, which affected 8 (50%) of 16 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 transitioned cost allocation from an outside vendor to the new Statewide accounting system, SIGMA, in fiscal year 2018. MDHHS informed us that this transition was complicated by the many intricacies of integrating the cost allocation process within SIGMA and the delay in availability of reports. Also, MDHHS stated that the conversion of accounting data to SIGMA from the 20-year-old legacy system provided substantial challenges to the transition process. MDHHS further explained that because of the many unknown factors with the SIGMA transition, its monitoring procedures could not anticipate all scenarios for which to capture inconsistencies and did not establish an appropriate materiality threshold for follow-up.

Effect

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 uses the appropriate PACAP data and account codes to allocate expenditures to its federal programs.

Management Views

MDHHS partially agrees with the finding. MDHHS agrees with part a. For part b., the issue of incomplete data relates to a new activity showing up on the Family Independence Specialists/Eligibility Specialists Random Moment Time Study (RMTS) results in the second quarter. This activity did not appear in any other quarter for fiscal year 2018. This single activity had 1.6 hits out of 2,270.04 RMTS hits in total (or .07%). The impact of the missing statistical unit was extremely immaterial to the overall PACAP results.

Auditor's Comments to Management Views

For part b., MDHHS used incomplete data to allocate approximately \$121.8 million of expenditures to various federal and State programs. MDHHS's second quarter time study consisted of 52 statistic groups with activity. MDHHS did not enter 1 group into SIGMA, which affected the percentages used to allocate these expenditures for the other 51 statistic groups. MDHHS did not assess the impact of excluding this statistic group. Consequently, it has no basis for its "extremely immaterial" statement. We could not determine the known questioned costs related to the exclusion of this statistic group; however, it is likely that the improper allocation related to the \$121.8 million exceeds \$25,000 for the federal programs identified. Federal regulation 2 *CFR* 200.516(a)(3) states that in evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total questioned costs (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report audit findings for known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. Therefore, the finding stands as written.

FINDING 2018-013

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: <i>CFDA</i> 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2017	10/01/2016 - 09/30/2017
	EBT - 2018	10/01/2017 - 09/30/2018
	182MI100S2514	10/01/2017 - 09/30/2018
	182MI100S2519	10/01/2017 - 09/30/2018
	182MI100S2520	10/01/2017 - 09/30/2018
	182MI100S8026	10/01/2017 - 09/30/2018
	182MI100S8036	10/01/2017 - 09/30/2018
	172MI122Q3903	10/01/2016 - 09/30/2017
	182MI123Q3903	10/01/2017 - 09/30/2019
	182MI122Q7503	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175	
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	2017-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: <i>CFDA</i> 84.126	
Federal Award Identification Number (FAIN) and Year	H126A170090	10/01/2016 - 09/30/2017
	H126A180090	10/01/2017 - 09/30/2018
	H126A170031	10/01/2016 - 09/30/2017
	H126A180031	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$114,863,934	
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Aging Cluster: CFDA 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	18AAMINSIP 10/01/2017 - 09/30/2018 18AAMIT3SS 10/01/2017 - 09/30/2018 18AAMIT3CM 10/01/2017 - 09/30/2018 18AAMIT3HD 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$42,013,294
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	CCDF Cluster: CFDA 93.575 and 93.596
Federal Award Identification Number (FAIN) and Year	G 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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	2017-014
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Medicaid Cluster: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1805MI5MAP 10/01/2017 - 09/30/2018 1805MI5ADM 10/01/2017 - 09/30/2018 1805MIINCT 10/01/2017 - 09/30/2018 1805MIIMPL 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Child Support Enforcement: <i>CFDA</i> 93.563
Federal Award Identification Number (FAIN) and Year	1704MICSES 10/01/2016 - 09/30/2017 1804MICSES 10/01/2017 - 09/30/2018 1804MICEST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$143,962,663
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: <i>CFDA</i> 93.568
Federal Award Identification Number (FAIN) and Year	G 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G 18 01 MI LIE4 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Foster Care - Title IV-E: <i>CFDA</i> 93.658

Federal Award Identification Number (FAIN) and Year	17 01 MI FOST 18 01 MI FOST	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704	
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	2017-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Adoption Assistance: CFDA 93.659	
Federal Award Identification Number (FAIN) and Year	17 01 MI ADPT 18 01 MI ADPT	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180	
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	2017-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Social Services Block Grant: CFDA 93.667	
Federal Award Identification Number (FAIN) and Year	18 01 MISOSR 18 01 MI TANF	10/01/2017 - 09/30/2019 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646	
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	2017-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767	
Federal Award Identification Number (FAIN) and Year	1805MI5021 1705MI5021	10/01/2017 - 09/30/2019 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116	
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	2017-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959	
Federal Award Identification Number (FAIN) and Year	TI010026-17	10/01/2016 - 09/30/2018
	TI010026-18	10/01/2017 - 09/30/2019
	B08TI010026-18	10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367	
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	2017-014	
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	1704MID100	10/01/2016 - 09/30/2021
	1804MID100	10/01/2017 - 09/30/2022
Total Expenditures of Federal Awards	\$84,650,299	
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	2017-014	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not allocate federal expenditures based on the allocation methods described in the PACAP for 8 (50%) of the 16 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 transitioned cost allocation from an outside vendor to the new Statewide accounting system, SIGMA, in fiscal year 2018. MDHHS informed us that this transition was complicated by the many intricacies of integrating the cost allocation process within SIGMA and the delay in availability of reports. Also, MDHHS stated that the conversion of accounting data to SIGMA from the 20-year-old legacy system provided substantial challenges to the transition process. MDHHS further explained that because of the many unknown factors with the SIGMA transition, its monitoring procedures could not anticipate all scenarios for which to capture inconsistencies and did not establish an appropriate materiality threshold for follow-up.

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 partially agrees with the finding.

MDHHS anticipated there would be a need to address expenditure coding errors in line with the implementation of a new, large, and complex accounting system. MDHHS identified and worked with various areas within MDHHS to assess expenditure coding errors that were not in line with the PACAP and determine if the expenditures were coded incorrectly or if the PACAP needed to be revised. MDHHS corrected many of the coding errors and processed correcting entries to resolve these issues during fiscal year 2018. MDHHS configured the Cost Allocation module to allocate expenditures in accordance with the department's federally approved PACAP. Thus, the configuration files loaded into SIGMA accurately reflected the PACAP and expenditures posted using those combinations were accurately allocated.

Auditor's Comments to Management Views

MDHHS did not post expenditures using only combinations reflected in the approved PACAP. For our sample of cost pools, MDHHS allocated \$6.8 million of expenditures using coding that was inconsistent with its PACAP and not corrected at the conclusion of fiscal year 2018. We could not determine the known questioned costs related to the \$6.8 million of inconsistent coding; however it is likely that the improper allocation related to the \$6.8 million exceeds \$25,000 for the federal programs identified. Federal regulation 2 *CFR* 200.516(a)(3) states that in evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total questioned costs (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report audit findings for known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. Therefore, the finding stands as written.

FINDING 2018-014

MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; and Matching, Level of Effort, and Earmarking - Expenditure Processing for Medical 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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; 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
Federal Award Identification Number (FAIN) and Year	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness for compliance requirements noted above and Material Noncompliance for Cash Management
Known Questioned Costs by FAIN	1805MI5021 - \$24
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that Bridges and CHAMPS contained the correct Medicaid Cluster and CHIP eligibility information to record expenditures to the appropriate program at the time of payment and to ensure that the related federal draw was accurate and timely.

MDHHS incorrectly recorded \$116.1 million of CHIP medical payments to the Medicaid Cluster throughout fiscal year 2018. On a quarterly basis, MDHHS transferred expenditure amounts from the Medicaid Cluster to CHIP by completing a summary-level adjustment determined by analyzing CHAMPS payment data and Bridges eligibility data. However, MDHHS did not maintain a record of the detailed expenditure transactions that were transferred to CHIP.

Criteria

Federal regulation 45 *CFR* 75.302(a) indicates that MDHHS must trace funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award. Also, federal regulation 45 *CFR* 75.303 requires 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 the terms and conditions of federal awards.

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.

Cause

MDHHS stated that because of funding limitations and competing IT priorities, the Bridges enhancement to correct eligibility classifications has not occurred.

Effect

MDHHS is unable to identify the specific underlying expenditures that were transferred from Medicaid to CHIP. As a result, MDHHS may be unable to demonstrate that Medicaid Cluster or CHIP funds were used in accordance with the federal statutes, regulations, and the terms and conditions of the federal award. For example, we replicated MDHHS's quarterly queries in an attempt to identify the underlying expenditures transferred to CHIP. We selected a sample of 11 transactions from this population and noted that 1 (9%) of the 11 beneficiaries were not eligible for CHIP, but instead were Medicaid eligible. MDHHS may be transferring Medicaid Cluster expenditures to CHIP.

Also, MDHHS improperly received federal Medicaid Cluster funds in the amount of the quarterly transfers totaling \$116.1 million. After MDHHS recorded the quarterly summary-level adjustments in the accounting system, it returned the Medicaid Cluster funds to the federal government and appropriately received reimbursement from CHIP. The quarterly CHIP draws were not compliant with the State's Cash Management Improvement Act (CMIA) agreement, which required draws on the dollar-weighted average day of clearance for the disbursement.

For the CHIP compliance requirements noted, we consider this to be a material weakness and material noncompliance because the \$116.1 million in CHIP expenditures inappropriately charged to and reimbursed by the Medicaid Cluster represents 45% of total CHIP expenditures.

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.

- \$24 - federal share of sampled CHIP payment made to provider for ineligible CHIP beneficiary.

Recommendation

We recommend that MDHHS ensure that Bridges and CHAMPS contain the correct Medicaid Cluster and CHIP eligibility information to allow MDHHS to record expenditures to the appropriate program at the time of payment and to ensure that the related federal draw is accurate and timely.

Management Views

MDHHS agrees with the finding.

FINDING 2018-015

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-016
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	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	2017-016
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 6 (60%) of 10 sampled daily interface runs were investigated, corrected, and resubmitted for processing as appropriate. Also, MDHHS did not investigate, correct, and resubmit for processing in a timely manner eligibility records with identified errors for 3 (30%) of 10 sampled daily interface runs.

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 the terms and conditions of federal awards.

Cause

For 6 of the errors, MDHHS informed us that it had not identified the program area responsible for investigating and correcting the errors. For 3 of the errors, MDHHS provided evidence that the errors were updated in CHAMPS; however, these records were updated between 70 and 182 days after the daily interface runs.

Effect

MDHHS could not ensure that eligibility and benefit level information from Bridges was accurately reflected in CHAMPS for the Medicaid Cluster and CHIP 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 and in a timely manner.

Management Views

MDHHS agrees with the finding.

FINDING 2018-016

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	2017-017
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Children's Health Insurance Program: CFDA 93.767
Federal Award Identification Number (FAIN) and Year	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116

Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-017
State Agency	Michigan Department of Health and Human Services

Condition

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

Criteria

Federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106 and 42 *CFR* 457.935 require MDHHS to obtain certain identifying information from medical providers, including PIHP entities, MHP entities, MI Choice entities, Dental Health Plan entities, and its PBM. 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 and a system error preventing the approval of records, MDHHS was unable to obtain and timely update and approve all required disclosures. In addition, limited resources resulted in the MiChoice entities' network of providers not being monitored for provider agreements and required disclosures. Furthermore, MDHHS stated that because of an in-progress contract bid, no process was in place for ensuring that the Dental Health Plan entity obtained provider agreements and 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 and approve CHAMPS for all required disclosures from PIHP entities, MHP 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 enter into provider agreements and make all required disclosures.

Management Views

MDHHS agrees with the finding.

FINDING 2018-017

MDHHS, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Pharmacy Rebate Validations

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	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
Federal Award Identification Number (FAIN) and Year	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not complete and obtain management approval for 7 (88%) of 8 pharmacy rebate validations totaling \$1.2 billion, which are performed to help ensure that MDHHS received the expected rebate amounts.

Criteria

Federal regulation 2 CFR 200.406 states that allowable costs must be net of applicable credits, including rebates. In addition, Section 1927(a)(1) of the federal Social Security Act requires pharmaceutical companies to enter into rebate agreements with the federal government if the companies intend their drugs to be prescribed for beneficiaries of Medicaid and other programs.

Cause

MDHHS informed us that the Pharmacy Management Division had multiple staffing vacancies that prevented the pharmacy rebate validations from being completed.

Effect

MDHHS could not ensure that all costs were net of applicable credits. 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 complete and obtain management approval for pharmacy rebate validations.

Management Views

MDHHS agrees with the finding.

FINDING 2018-018

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

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	17 01 MI FOST 10/01/2016 - 09/30/2017 18 01 MI FOST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704
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	18 01 MI FOST - \$2,767
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	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	18 01 MISOSR 10/01/2017 - 09/30/2019 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646
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	18 01 MISOSR - \$671

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

Condition

MDHHS made 1 (50%) of 2 sampled foster care maintenance and treatment payments related to the Continuum of Care funding model to an ineligible provider.

We reviewed a sample of 40 Title IV-E foster care maintenance payments, of which 2 also related to Social Services Block Grant (SSBG) payments to child care institutions (CCIs) for treatment, in the Continuum of Care funding model. Our review disclosed that MDHHS made payments to a CCI operating under a numbered provisional license because of a licensing violation.

Criteria

Federal laws 42 USC 672(b) and 42 USC 672(c) require foster care maintenance payments to be made on behalf of a child in a CCI that is licensed by the State. Also, federal regulation 45 CFR 1356.21 states that a provider may receive Title IV-E maintenance payments for a child placed in the provider's care if the CCI is eligible to receive Title IV-E funds. In addition, MDHHS policy states that Title IV-E funds cannot be paid to a child caring institution with a numbered provisional license because of a licensing violation.

Further, 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 foster care maintenance payments.

Federal law 42 USC 1397a(a)(2)(A) indicates that states are entitled to payment for services that meet the goals of SSBG, which include services for children in foster care. The SSBG State Plan states that SSBG will fund foster care services for children in licensed CCIs. Federal regulation 45 CFR 96.30 requires that MDHHS have fiscal controls and accounting procedures that permit the tracing of SSBG funds to document that MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations.

Cause

MDHHS informed us that CCI payments in the Continuum of Care funding model do not follow the same payment process in MiSACWIS as other CCI payments. Continuum of Care CCI payments are manually processed and, therefore, not subject to system edit checks designed to ensure that Title IV-E payments are made to only licensed providers.

Effect

MDHHS made payments to an ineligible provider. 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.

- \$2,767 - Foster Care - Title IV-E federal share.
- \$671 - SSBG federal share.
- \$1,504 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS make foster care maintenance and treatment payments to only eligible providers.

Management Views

MDHHS partially agrees with the finding. The provider is eligible for payment; however, Title IV-E was not an appropriate funding source. MDHHS disagrees that the use of SSBG to fund the treatment portion of the payment was inappropriate, as the provider is still eligible for the treatment portion of the payment with a provisional license.

Auditor's Comments to Management Views

MDHHS's assertion that the use of SSBG is appropriate to fund the treatment portion of this payment is inconsistent with its documented processes. Because this entity had a provisional license and was not eligible for Title IV-E funding, we believe that MDHHS standard practices support that the entity was also not eligible for SSBG funding. Therefore, this finding stands as written.

FINDING 2018-019

MDHHS, Cash Management - Cash Management Process

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	EBT - 2017	10/01/2016 - 09/30/2017
	EBT - 2018	10/01/2017 - 09/30/2018
	182MI100S2514	10/01/2017 - 09/30/2018
	182MI100S2519	10/01/2017 - 09/30/2018
	182MI100S2520	10/01/2017 - 09/30/2018
	182MI100S8026	10/01/2017 - 09/30/2018
	182MI100S8036	10/01/2017 - 09/30/2018
	172MI122Q3903	10/01/2016 - 09/30/2017
	182MI123Q3903	10/01/2017 - 09/30/2019
	182MI122Q7503	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175	
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	

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	H126A170090	10/01/2016 - 09/30/2017
	H126A180090	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$114,863,934	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	

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	Aging Cluster: CFDA 93.044, 93.045, and 93.053
Federal Award Identification Number (FAIN) and Year	18AAMINSIP 10/01/2017 - 09/30/2018 18AAMIT3SS 10/01/2017 - 09/30/2018 18AAMIT3CM 10/01/2017 - 09/30/2018 18AAMIT3HD 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$42,013,294
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
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	Immunization Cooperative Agreements: CFDA 93.268
Federal Award Identification Number (FAIN) and Year	NH23IP000752 04/01/2017 - 06/30/2019 NH23IP000783 04/01/2017 - 06/30/2019 NH23IP000854 09/30/2016 - 06/30/2019
Total Expenditures of Federal Awards	\$101,242,490
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
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	Child Support Enforcement: CFDA 93.563

Federal Award Identification Number (FAIN) and Year	1704MICSES 1804MICSES 1804MICEST	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$143,962,663	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
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	Low-Income Home Energy Assistance: CFDA 93.568	
Federal Award Identification Number (FAIN) and Year	G 17 B1 MI LIEA G 18 B1 MI LIEA G 18 01 MI LIE4	10/01/2016 - 09/30/2018 10/01/2017 - 09/30/2019 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
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	Foster Care - Title IV-E: CFDA 93.658	
Federal Award Identification Number (FAIN) and Year	17 01 MI FOST 18 01 MI FOST	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
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	Adoption Assistance: CFDA 93.659	
Federal Award Identification Number (FAIN) and Year	17 01 MI ADPT 18 01 MI ADPT	10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
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	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	18 01 MI SOSR 10/01/2017 - 09/30/2019 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959
Federal Award Identification Number (FAIN) and Year	TI010026-17 10/01/2016 - 09/30/2018 TI010026-18 10/01/2017 - 09/30/2019 B08TI010026-18 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	Social Security Administration
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Disability Insurance/SSI Cluster: CFDA 96.001
Federal Award Identification Number (FAIN) and Year	1704MID100 10/01/2016 - 09/30/2021 1804MID100 10/01/2017 - 09/30/2022
Total Expenditures of Federal Awards	\$84,650,299
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 design its cash draw process to prepare reimbursement requests in accordance with the Cash Management Improvement Act (CMIA). In addition, MDHHS did not report complete and accurate information to the Michigan Department of Treasury (Treasury) for noncompliant cash draws.

Our results are summarized in the following table:

CFDA Number(s)	Number (and Percentage) of		Treasury's Noncompliant Cash Draw Report	
	Cash Draws Reviewed	Noncompliant Cash Draws	Noncompliant Cash Draws Not Reported	Inaccurate Noncompliant Cash Draw Information Reported
<u>Covered Under CMIA Subpart A</u>				
10.551 and 10.561	52	12 (23%)	3	9
84.126	11	10 (91%)	5	5
93.558	40	18 (45%)	17	1
93.563	8	8 (100%)	0	8
93.568	7	7 (100%)	1	6
93.658	8	2 (25%)	2	0
93.659	8	7 (88%)	7	0
93.667	8	2 (25%)	2	0
93.959	4	4 (100%)	4	0
96.001	9	9 (100%)	7	2
Total of Subpart A	155	79 (51%)	48	31
<u>Covered Under CMIA Subpart B</u>				
93.044, 93.045, and 93.053	7	3 (43%)	N/A	N/A
93.268	21	11 (52%)	N/A	N/A
Total of Subpart B	28	14 (50%)		

N/A These programs are not included in the Treasury State Agreement (TSA) because the programs did not meet the dollar threshold.

We noted:

- a. MDHHS did not prepare reimbursement requests in accordance with CMIA Subparts A or B for 93 (51%) of 183 cash draws reviewed.
- b. MDHHS did not report or reported inaccurate information for all 79 noncompliant Subpart A cash draws to Treasury for inclusion in the State's calculation of interest. The inaccurate information included the dates that funds were disbursed, federal draw amounts, the dates that federal draws were received, and the explanation as to why the draws were not completed in compliance with the CMIA TSA.

Criteria

Federal regulation 31 *CFR* 205 Subpart A 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. The agreement requires that the state be liable for interest on federal funds from the date that federal funds are credited to a state account until the date those funds are paid out for program purposes. For those federal assistance programs that are not included in the agreement, federal regulation 31 *CFR* 205 Subpart B states that the timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs.

Treasury issues an annual memorandum and a CMIA interest calculation template to State agencies requesting the agencies to complete the template to report any noncompliant draws, including an explanation for any deviations with the CMIA TSA.

Cause

For part a., MDHHS informed us that the State did not design the State's accounting system for various existing funding techniques that relied on estimated draws of federal funds and intended to update the applicable funding techniques in the CMIA TSA. MDHHS did not notify Treasury that these funding techniques were no longer correct or applicable and amendments were not made to the fiscal year 2018 CMIA TSA.

For part b., MDHHS informed us that its internal control and monitoring activities were not sufficient to ensure that MDHHS reported complete and accurate information to Treasury.

Effect

MDHHS limited its assurance that it complied with the agreed-upon funding techniques included in the CMIA agreement. Also, an increased risk exists that Treasury's calculation of the amount of interest owed to or due from the federal government is not accurate. We consider this to be a material weakness and material noncompliance when the number of noncompliant cash draws was significant and these draws represented a significant amount of the total reimbursements for the program. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDHHS design its cash draw process to prepare reimbursement requests in accordance with CMIA.

We also recommend that MDHHS report complete and accurate noncompliant cash draw information to Treasury.

Management Views

MDHHS agrees with the finding.

FINDING 2018-020

MDHHS, Subrecipient Monitoring - Subaward Information

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	182MI003W1006	10/01/2017 - 09/30/2018
	182MI003W1003	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$153,247,270	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	

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

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959	
Federal Award Identification Number (FAIN) and Year	TI010026-17	10/01/2016 - 09/30/2018
	TI010026-18	10/01/2017 - 09/30/2019
	B08TI010026-18	10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not report to its subrecipients all subaward information as required by the Uniform Guidance. We noted for the fiscal year 2018 grants:

- a. MDHHS did not report the *CFDA* number, *CFDA* name, FAIN, federal award date, and name of the federal awarding agency to 1 of 6 WIC subrecipients reviewed.
- b. MDHHS provided an incorrect FAIN and incorrect federal award date to 1 of 4 subrecipients reviewed and MDHHS did not report the federal award date to the remaining 3 of 4 subrecipients reviewed for the Block Grants for Prevention and Treatment of Substance Abuse.

Criteria

Federal regulations 2 *CFR* 200.331(a) and 45 *CFR* 75.352(a) require that all pass-through entities ensure that every subaward includes certain information, including the *CFDA* number, *CFDA* name, FAIN, federal award date, and name of the federal awarding agency.

Cause

For part a., MDHHS informed us that the information was not available at the time that MDHHS developed and executed the subaward, and MDHHS did not amend the subaward to include the information once it became known.

For part b., MDHHS informed us that a human error led to providing its subrecipient with incorrect information. Also, MDHHS informed us that the federal award date was not provided to 3 of 4 subrecipients reviewed because the information was not available at the time that MDHHS developed and executed the subaward, and MDHHS did not amend the subaward to include the information once it became known.

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 MDHHS report to its subrecipients all subaward information as required by the Uniform Guidance.

Management Views

MDHHS agrees with the finding.

FINDING 2018-021

MDE, Cash Management - Cash Management Process

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010	
Federal Award Identification Number (FAIN) and Year	S010A150022	07/01/2015 - 09/30/2016
	S010A150022-15A	07/01/2015 - 09/30/2016
	S010A150022-15B	07/01/2015 - 09/30/2016
	S010A160022	07/01/2016 - 09/30/2017
	S010A160022-16A	07/01/2016 - 09/30/2017
	S010A160022-16B	07/01/2016 - 09/30/2017
	S010A170022	07/01/2017 - 09/30/2018
	S010A170022-17A	07/01/2017 - 09/30/2018
	S010A170022-17B	07/01/2017 - 09/30/2018
	S010A180022	07/01/2018 - 09/30/2019
	S010A180022-18A	07/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$480,416,000	
Total ARRA Expenditures	Not Applicable	
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 Education	

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 16 03 MI CCDF	10/01/2015 - 09/30/2016
	G 17 03 MI CCDF	10/01/2016 - 09/30/2017
	G 18 03 MI CCDF	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2017-041	
State Agency	Michigan Department of Education	

Condition

MDE did not draw funds in accordance with the CMIA agreement and did not notify the Michigan Department of Treasury (Treasury) of the noncompliant draws. During our review of Title I and CCDF Cluster draws, we noted:

- a. MDE did not draw benefit funds for 8 weeks for the CCDF Cluster.
- b. MDE did not draw administrative funds for 4 and 5 weeks for Title I and CCDF Cluster, respectively.
- c. MDE overdraw \$3,084,759 in fiscal year 2017 and did not return the funds to the federal agency until September 2018, resulting in estimated interest owed to the federal agency of \$46,623.
- d. MDE did not report these noncompliant draws to Treasury for inclusion in the State's calculation of interest.

Criteria

The CMIA agreement requires MDE to request funds for benefits such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements. The amount of the request shall be the sum of the payments issued in the series of disbursements.

The CMIA agreement also 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 Title I and CCDF Cluster draw amounts. The report calculates the draw amount by comparing the total Title I and CCDF Cluster expenditures with the federal funds drawn to date.

Cause

For part a., MDE stated that because of the timing of the implementation of SIGMA and the processing of fiscal year 2017 year-end transactions, the benefit draws were not completed for 7 weeks at the beginning of fiscal year 2018. Also, MDE did not draw for the last week of fiscal year 2018 because its management report used to calculate the draw had not considered adjusting entries and, as result, the report showed that CCDF was overdrawn.

For part b., MDE indicated that an accounting adjustment caused the management report to identify that the administrative expenses for Title I and CCDF Cluster were overdrawn. In addition, the accounts used to record CCDF expenditures were modified and not reflected in the report used to identify the federal draw amount.

For part c., 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.

For part d., MDE informed us that failure to report the noncompliant draws to Treasury was an oversight.

Effect

The federal funds were consistently overdrawn throughout fiscal year 2018, and we estimate \$46,623 in interest due to the federal government. We consider this to be a material weakness and material noncompliance for the CCDF Cluster because the number of noncompliant cash draws was significant and these draws represented a significant amount of the total reimbursements for the program. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDE draw funds in accordance with the CMIA agreement.

We also recommend that MDE report noncompliant draws to Treasury.

Management Views

MDE agrees with the finding.

FINDING 2018-022

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: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2017 10/01/2016 - 09/30/2017 EBT - 2018 10/01/2017 - 09/30/2018 182MI100S2514 10/01/2017 - 09/30/2018 182MI100S2519 10/01/2017 - 09/30/2018 182MI100S2520 10/01/2017 - 09/30/2018 182MI100S8026 10/01/2017 - 09/30/2018 182MI100S8036 10/01/2017 - 09/30/2018 172MI122Q3903 10/01/2016 - 09/30/2017 182MI123Q3903 10/01/2017 - 09/30/2019 182MI122Q7503 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175
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	2017-019
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	Master Cooperative Agreement and Related Appendices: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2012 - 09/30/2013

FAIN and Year (Continued)	W912JB-10-2-1001	10/01/2013 - 12/31/2014
	W912JB-10-2-1002	10/01/2012 - 09/28/2018
	W912JB-10-2-1002	10/01/2013 - 09/30/2014
	Master Cooperative Agreement and Related Appendices:	
	W912JB-15-2-1000	11/11/2014 - 03/03/2016
	W912JB-15-2-1001	10/01/2014 - 09/30/2015
	W912JB-15-2-1007	10/01/2014 - 09/30/2015
	Master Cooperative Agreement and Related Appendices:	
	W912JB-16-2-1000	10/01/2015 - 09/30/2020
	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 - 12/31/2017
	W912JB-16-2-1002	10/01/2017 - 09/30/2018
	W912JB-16-2-1004	10/01/2015 - 09/30/2017
	W912JB-16-2-1007	10/01/2015 - 09/30/2016
	W912JB-16-2-1007	10/01/2016 - 09/30/2017
	W912JB-16-2-1007	10/01/2017 - 09/30/2018
	W912JB-16-2-1010	10/01/2016 - 04/02/2018
	W912JB-16-2-1010	10/01/2017 - 09/30/2018
	W912JB-16-2-1011	10/01/2016 - 04/02/2018
	W912JB-16-2-1011	10/01/2017 - 09/30/2018
	W912JB-16-2-1021A	10/01/2016 - 09/30/2017
	W912JB-16-2-1021A	10/01/2017 - 09/30/2018
	W912JB-16-2-1021B	10/01/2016 - 09/30/2017
	W912JB-16-2-1021B	10/01/2017 - 09/30/2018
	W912JB-16-2-1021S	10/01/2016 - 09/30/2017
	W912JB-16-2-1021S	10/01/2017 - 09/30/2018
	W912JB-16-2-1022A	10/01/2016 - 04/02/2018
	W912JB-16-2-1022A	10/01/2017 - 09/30/2018
	W912JB-16-2-1022B	10/01/2016 - 04/02/2018
	W912JB-16-2-1022B	10/01/2017 - 09/30/2018
	W912JB-16-2-1022S	10/01/2016 - 07/06/2018
	W912JB-16-2-1022S	10/01/2017 - 09/30/2018
	W912JB-16-2-1023A	10/01/2016 - 07/06/2018
	W912JB-16-2-1023A	10/01/2017 - 09/30/2018
	W912JB-16-2-1023B	10/01/2016 - 09/28/2018
	W912JB-16-2-1023B	10/01/2017 - 09/30/2018
	W912JB-16-2-1023S	10/01/2016 - 07/06/2018
	W912JB-16-2-1023S	10/01/2017 - 09/30/2018
	W912JB-16-2-1024	10/01/2016 - 09/30/2017
	W912JB-16-2-1024	10/01/2017 - 09/30/2018
	W912JB-16-2-1030	10/01/2016 - 09/30/2017
	W912JB-16-2-1030	10/01/2017 - 09/30/2018
	W912JB-16-2-1040	10/01/2015 - 07/06/2018
	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2017 - 09/30/2018
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2017 - 09/30/2018
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2017 - 09/30/2018
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2017 - 09/30/2018
	W912JB-17-2-1005	10/01/2016 - 09/30/2018
	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018

FAIN and Year (Continued)	Special Military Project Cooperative Agreements: W912JB-17-2-3074 10/01/2016 - 07/06/2018 W912JB-17-2-3074 10/01/2017 - 09/30/2018 W912JB-17-2-3076 10/01/2016 - 09/30/2017 W912JB-17-2-3076 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$68,487,513
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	Department of Military and Veterans Affairs and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Transportation
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Highway Planning and Construction Cluster: CFDA 20.205 and 20.219
Federal Award Identification Number (FAIN) and Year	Various
Total Expenditures of Federal Awards	\$917,326,294
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 Transportation 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: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A170090 10/01/2016 - 09/30/2017 H126A180090 10/01/2017 - 09/30/2018 H126A170031 10/01/2016 - 09/30/2017 H126A180031 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$114,863,934
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	2017-019
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	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended

Total Expenditures of Federal Awards	\$697,021,985
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	2017-019
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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-019
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 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G 18 01 MI LIE4 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
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	2017-019
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	17 01 MI FOST 10/01/2016 - 09/30/2017 18 01 MI FOST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704
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	2017-019
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	17 01 MI ADPT 10/01/2016 - 09/30/2017 18 01 MI ADPT 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180
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	2017-019
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	18 01 MISOSR 10/01/2017 - 09/30/2019 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$126,380,646
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	2017-019
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	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	1704MID100 1804MID100	10/01/2016 - 09/30/2021 10/01/2017 - 09/30/2022
Total Expenditures of Federal Awards	\$84,650,299	
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	2017-019	
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 15 (83%) of 18 sampled contracts of federal awards executed during fiscal year 2018.

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.

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. The addendum was first made available to DTMB procurement staff on June 29, 2017. Beginning June 30, 2018, procurement staff were expected to attach the federal addendum to all federally funded contracts.

Cause

DTMB informed us that it relied on State agencies using the contracts to identify if the contracts would be federally funded and need the federal addendum.

Effect

The contractors may not comply with the required federal provisions because the State 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 2018-023

SNAP Cluster, CFDA 10.551 and 10.561, Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Outreach FFP

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	EBT - 2017 10/01/2016 - 09/30/2017 EBT - 2018 10/01/2017 - 09/30/2018 182MI100S2514 10/01/2017 - 09/30/2018 182MI100S2519 10/01/2017 - 09/30/2018 182MI100S2520 10/01/2017 - 09/30/2018 182MI100S8026 10/01/2017 - 09/30/2018 182MI100S8036 10/01/2017 - 09/30/2018 172MI122Q3903 10/01/2016 - 09/30/2017 182MI123Q3903 10/01/2017 - 09/30/2019 182MI122Q7503 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175
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	182MI100S2514 - \$26,687
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not have sufficient controls in place to monitor the total State and vendor match for outreach activities. We determined total SNAP outreach expenditures to be \$2,888,741, of which \$1,457,714 was federally funded and \$1,431,027 was State and vendor funded, resulting in \$26,687 of SNAP outreach expenditures that exceeded the 50% federal financial participation (FFP) rate.

Criteria

Federal regulation 7 *CFR* 277.4 establishes that the FFP is available at 50% of the State's allowable SNAP administrative costs, such as outreach payments. Also, Subpart E of federal regulation 2 *CFR* 200 requires that costs conform to any limitations or exclusions set forth in the cost principles, federal laws, the terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.

Cause

Competing priorities impacted MDHHS completing this monitoring for fiscal year 2018.

Effect

MDHHS received federal reimbursement for expenditures that it was not entitled to receive. The federal grantor agency could issue sanctions or disallowances.

Known Questioned Costs

\$26,687 - federally funded expenditures in excess of the 50% FFP rate.

Recommendation

We recommend that MDHHS implement controls to monitor the total State and vendor match for outreach activities.

Management Views

MDHHS agrees with the finding.

FINDING 2018-024

SNAP Cluster, CFDA 10.551 and 10.561, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - System and Organization Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	SNAP Cluster: CFDA 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2017 10/01/2016 - 09/30/2017 EBT - 2018 10/01/2017 - 09/30/2018 182MI100S2514 10/01/2017 - 09/30/2018 182MI100S2519 10/01/2017 - 09/30/2018 182MI100S2520 10/01/2017 - 09/30/2018 182MI100S8026 10/01/2017 - 09/30/2018 182MI100S8036 10/01/2017 - 09/30/2018 172MI122Q3903 10/01/2016 - 09/30/2017 182MI123Q3903 10/01/2017 - 09/30/2019 182MI122Q7503 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$2,077,952,175
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - EBT Card Security
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 could improve its monitoring effectiveness of general controls, such as security, for the subservice organizations that provide various services to the State's electronic benefits transfer (EBT) service provider. We noted:

- a. MDHHS did not obtain a System and Organization Controls* (SOC) report of the subservice organization that provides information systems services, such as selected change management, physical access, selected logical access, and environmental security, to the State's EBT service provider.
- b. MDHHS did not document its review and evaluation of the SOC report for the subservice organization responsible for the security over the EBT cards.

Criteria

Federal regulation 7 CFR 274.1(i)(1) requires the states to establish procedures to monitor SNAP benefit issuers to ensure their operations comply with SNAP requirements, including the

* See glossary at end of report for definition.

identification and correction of deficiencies and to report any violations to the federal government. Also, federal regulation 7 *CFR* 274.1(i)(2) requires the states to obtain a SOC report by an independent auditor of the state EBT service provider regarding the issuance, redemption, and settlement of benefits under SNAP. The SOC report must follow EBT guidance as indicated in various federal regulations and Appendix VIII of the U.S. Office of Management and Budget (OMB) *Compliance Supplement* to the extent the guidelines relate to SNAP benefits.

Also, federal regulation 7 *CFR* 274.8(b)(3) requires the states to maintain adequate security over EBT cards to prevent theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use.

The State of Michigan Financial Management Guide (FMG) (Part VII, Chapter 1, Section 1000) prescribes guidelines for departments to assess and manage risks associated with third-party relationships. Therefore, the departments need to understand and/or evaluate the controls each service organization designs, implements, and operates for the assigned operation process and how the service organization's internal control system impacts the department's internal control system. Also, the FMG provides suggested SOC report review procedures, including management documenting the relative importance and significance of subservice organizations and if management should obtain the subservice organization's SOC report.

Cause

A review of the operating effectiveness of general controls for the subservice organizations was not included in MDHHS monitoring activities of the State's EBT service provider.

Effect

MDHHS cannot ensure that general controls of vendor-hosted systems are sufficient to ensure the security of the issuance, redemption, and settlement of EBT benefits.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS improve its monitoring of the operating effectiveness of general controls for the subservice organizations that provide various services to the State's EBT service provider.

Management Views

MDHHS agrees with the finding.

FINDING 2018-025

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, *CFDA* 10.557, Allowable Costs/Cost Principles - MI-WIC IT General Controls

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	182MI003W1003	10/01/2017 - 09/30/2018
	182MI003W1006	10/01/2017 - 09/30/2018

Total Expenditures of Federal Awards	\$153,247,270
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-007
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. 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

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.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel.

Cause

For part a., DTMB 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 it has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

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.

* See glossary at end of report for definition.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2018-026

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 CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	182MI003W1003 10/01/2017 - 09/30/2018 182MI003W1006 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$153,247,270
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	182MI003W1003 - \$2,133,081
Repeat Finding	2017-023
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 1 procurement for a new contract and 1 procurement for an amended contract for the WIC Program noted that for the new contract MDHHS:

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

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 Chief Procurement Officer or designee 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 \$2,841,215. 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

MDHHS was not in compliance with federal or State requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

\$2,133,081 - payments made for the contract during fiscal year 2018.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2018-027

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Special Tests and Provisions - Compliance Buys of High-Risk Vendors

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	182MI003W1006 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$153,247,270
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Compliance Investigations of High-Risk Vendors
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not conduct compliance buys on a minimum of 5% of the 1,749 vendors authorized by MDHHS as of October 1, 2017. We determined that MDHHS completed 4 compliance buys during fiscal year 2018, which represents 0.23% of total authorized vendors.

Criteria

In accordance with federal regulation 7 *CFR* 246.4(a)(14)(iv), MDHHS's WIC State Plan required MDHHS to conduct compliance buys on a minimum of 5% of the number of vendors authorized by MDHHS as of October 1 of the current fiscal year. Federal regulation 7 *CFR* 246.2 states that a compliance buy means a covert, on-site investigation in which a representative of the WIC program poses as a participant, parent or caretaker of an infant or child participant, or proxy; transacts one or more food instruments or cash-value vouchers; and does not reveal during the visit that he or she is a program representative.

Cause

MDHHS stated that in fiscal year 2018 it terminated its contract with the compliance buy vendor and was evaluating the feasibility of compliance buys being conducted by MDHHS.

Effect

MDHHS was not in compliance with its WIC State Plan. We consider this to be a material weakness and material noncompliance because MDHHS completed compliance buys of only 0.23% of the authorized vendors rather than the required 5%. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS conduct compliance buys on a minimum of 5% of the number of vendors authorized by MDHHS as of October 1 of the current fiscal year.

Management Views

MDHHS agrees with the finding.

FINDING 2018-028

Child and Adult Care Food Program, *CFDA* 10.558, Subrecipient Monitoring - Subaward Information

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Program Title and <i>CFDA</i> Number	Child and Adult Care Food Program: <i>CFDA</i> 10.558	
Federal Award Identification Number (FAIN) and Year	16152MI030N2020	10/01/2015 - 09/30/2016
	16162MI060N1099	10/01/2015 - 09/30/2016
	16162MI030N2020	10/01/2015 - 09/30/2016
	172MI060N2020	10/01/2016 - 09/30/2017
	172MI060N1099	10/01/2016 - 09/30/2017
	182MI060N2020	10/01/2017 - 09/30/2018
	182MI060N1099	10/01/2017 - 09/30/2018
	192MI060N2020	10/01/2018 - 09/30/2019
	192MI060N1099	10/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$72,877,560	
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 for fiscal year 2018 grants disclosed that MDE did not report the FAIN, federal award date, subaward period, appropriate contact information, identification if the award was for research and development, indirect cost rate, and closeout terms and conditions on subawards of the Child and Adult Care Food Program.

Criteria

Federal regulation 2 *CFR* 200.331(a) requires that all pass-through entities ensure that every subaward includes the FAIN, federal award date, subaward period start and end, contact information for the federal awarding official, identification of whether the award is research and development, indirect cost rate, and closeout terms and conditions.

Cause

MDE informed us that it omitted the required Uniform Guidance information in the subawards because MDE believed the information did not apply to the nutrition reimbursement programs. MDE initiated a data fix to add the missing award information to the subrecipient electronic subawards; however, the project was not completed until December 2018, after the audit period.

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 2018-029

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Period of Performance - Propriety of Expenditures

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: <i>CFDA</i> 12.401
Federal Award Identification Number (FAIN) and Year	Master Cooperative Agreement and Related Appendices: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2012 - 09/30/2013

FAIN and Year (Continued)	W912JB-10-2-1001	10/01/2013 - 12/31/2014
	W912JB-10-2-1002	10/01/2012 - 09/28/2018
	W912JB-10-2-1002	10/01/2013 - 09/30/2014
	Master Cooperative Agreement and Related Appendices:	
	W912JB-15-2-1000	11/11/2014 - 03/03/2016
	W912JB-15-2-1001	10/01/2014 - 09/30/2015
	W912JB-15-2-1007	10/01/2014 - 09/30/2015
	Master Cooperative Agreement and Related Appendices:	
	W912JB-16-2-1000	10/01/2015 - 09/30/2020
	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 - 12/31/2017
	W912JB-16-2-1002	10/01/2017 - 09/30/2018
	W912JB-16-2-1004	10/01/2015 - 09/30/2017
	W912JB-16-2-1007	10/01/2015 - 09/30/2016
	W912JB-16-2-1007	10/01/2016 - 09/30/2017
	W912JB-16-2-1007	10/01/2017 - 09/30/2018
	W912JB-16-2-1010	10/01/2016 - 04/02/2018
	W912JB-16-2-1010	10/01/2017 - 09/30/2018
	W912JB-16-2-1011	10/01/2016 - 04/02/2018
	W912JB-16-2-1011	10/01/2017 - 09/30/2018
	W912JB-16-2-1021A	10/01/2016 - 09/30/2017
	W912JB-16-2-1021A	10/01/2017 - 09/30/2018
	W912JB-16-2-1021B	10/01/2016 - 09/30/2017
	W912JB-16-2-1021B	10/01/2017 - 09/30/2018
	W912JB-16-2-1021S	10/01/2016 - 09/30/2017
	W912JB-16-2-1021S	10/01/2017 - 09/30/2018
	W912JB-16-2-1022A	10/01/2016 - 04/02/2018
	W912JB-16-2-1022A	10/01/2017 - 09/30/2018
	W912JB-16-2-1022B	10/01/2016 - 04/02/2018
	W912JB-16-2-1022B	10/01/2017 - 09/30/2018
	W912JB-16-2-1022S	10/01/2016 - 07/06/2018
	W912JB-16-2-1022S	10/01/2017 - 09/30/2018
	W912JB-16-2-1023A	10/01/2016 - 07/06/2018
	W912JB-16-2-1023A	10/01/2017 - 09/30/2018
	W912JB-16-2-1023B	10/01/2016 - 09/28/2018
	W912JB-16-2-1023B	10/01/2017 - 09/30/2018
	W912JB-16-2-1023S	10/01/2016 - 07/06/2018
	W912JB-16-2-1023S	10/01/2017 - 09/30/2018
	W912JB-16-2-1024	10/01/2016 - 09/30/2017
	W912JB-16-2-1024	10/01/2017 - 09/30/2018
	W912JB-16-2-1030	10/01/2016 - 09/30/2017
	W912JB-16-2-1030	10/01/2017 - 09/30/2018
	W912JB-16-2-1040	10/01/2015 - 07/06/2018
	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2017 - 09/30/2018
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2017 - 09/30/2018
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2017 - 09/30/2018
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2017 - 09/30/2018
	W912JB-17-2-1005	10/01/2016 - 09/30/2018
	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3074	10/01/2016 - 07/06/2018

FAIN and Year (Continued)	W912JB-17-2-3074 W912JB-17-2-3076 W912JB-17-2-3076	10/01/2017 - 09/30/2018 10/01/2016 - 09/30/2017 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$68,487,513	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Period of Performance	
Type of Finding	Material Weakness and Noncompliance	
Known Questioned Costs by FAIN	W912JB-16-2-1007 - \$427	
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

The Department of Military and Veterans Affairs (DMVA) did not ensure that controls for the propriety of expenditures were in place. Our review of 40 federal and 40 matching expenditures noted:

- a. DMVA did not ensure that supervisors approved 11 (38%) of 29 sampled employee time sheets.
- b. DMVA did not maintain documentation to support 1 (10%) of 10 vehicle mileage expenditures.
- c. DMVA did not ensure that employees certified mileage logs for 2 (20%) of 10 vehicle mileage expenditures.

Criteria

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

DMVA's process is to obtain approval of employee time sheets by the employee's supervisor to ensure that expenditures are consistent with the master cooperative agreement and related appendices. DMVA's process also requires the employee to initial and maintain mileage logs to support authorized vehicle usage.

Cause

DMVA informed us that employee time sheets were not always approved because DMVA no longer used paper time sheets and the employee's supervisor either had not been given access to Statewide Integrated Governmental Management Applications (SIGMA) or was not available to approve the electronic time sheet prior to the processing of payroll expenditures.

DMVA also informed us that employees did not follow established procedures to support vehicle usage.

Effect

Lack of proper approval of and supporting documentation for expenditures may result in improper payments. We consider this to be a material weakness because of the high error

rates. 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.

- \$427 - vehicle expenditure that was not supported by a mileage log.

Recommendation

We recommend that DMVA ensure that controls for the propriety of expenditures are in place.

Management Views

DMVA agrees with the finding.

FINDING 2018-030

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

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: <i>CFDA</i> 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 10/01/2012 - 09/30/2013</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2012 - 09/28/2018</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</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-15-2-1007 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-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 - 12/31/2017</p> <p>W912JB-16-2-1002 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2017</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-16-2-1007 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1010 10/01/2016 - 04/02/2018</p> <p>W912JB-16-2-1010 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1011 10/01/2016 - 04/02/2018</p> <p>W912JB-16-2-1011 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1021A 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1021A 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1021B 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1021B 10/01/2017 - 09/30/2018</p>

FAIN and Year (Continued)	W912JB-16-2-1021S	10/01/2016 - 09/30/2017	
	W912JB-16-2-1021S	10/01/2017 - 09/30/2018	
	W912JB-16-2-1022A	10/01/2016 - 04/02/2018	
	W912JB-16-2-1022A	10/01/2017 - 09/30/2018	
	W912JB-16-2-1022B	10/01/2016 - 04/02/2018	
	W912JB-16-2-1022B	10/01/2017 - 09/30/2018	
	W912JB-16-2-1022S	10/01/2016 - 07/06/2018	
	W912JB-16-2-1022S	10/01/2017 - 09/30/2018	
	W912JB-16-2-1023A	10/01/2016 - 07/06/2018	
	W912JB-16-2-1023A	10/01/2017 - 09/30/2018	
	W912JB-16-2-1023B	10/01/2016 - 09/28/2018	
	W912JB-16-2-1023B	10/01/2017 - 09/30/2018	
	W912JB-16-2-1023S	10/01/2016 - 07/06/2018	
	W912JB-16-2-1023S	10/01/2017 - 09/30/2018	
	W912JB-16-2-1024	10/01/2016 - 09/30/2017	
	W912JB-16-2-1024	10/01/2017 - 09/30/2018	
	W912JB-16-2-1030	10/01/2016 - 09/30/2017	
	W912JB-16-2-1030	10/01/2017 - 09/30/2018	
	W912JB-16-2-1040	10/01/2015 - 07/06/2018	
	W912JB-16-2-1040	10/01/2016 - 09/30/2017	
	W912JB-16-2-1040	10/01/2017 - 09/30/2018	
	W912JB-17-2-1001	10/01/2016 - 09/30/2017	
	W912JB-17-2-1001	10/01/2017 - 09/30/2018	
	W912JB-17-2-1003	10/01/2016 - 09/30/2017	
	W912JB-17-2-1003	10/01/2017 - 09/30/2018	
	W912JB-17-2-1004	10/01/2016 - 09/30/2017	
	W912JB-17-2-1004	10/01/2017 - 09/30/2018	
	W912JB-17-2-1005	10/01/2016 - 09/30/2018	
	W912JB-17-2-1005	10/01/2017 - 09/30/2018	
	W912JB-17-2-1014	10/01/2016 - 06/30/2018	
	W912JB-17-2-1014	10/01/2017 - 09/30/2018	
		Special Military Project Cooperative Agreements:	
		W912JB-17-2-3074	10/01/2016 - 07/06/2018
	W912JB-17-2-3074	10/01/2017 - 09/30/2018	
	W912JB-17-2-3076	10/01/2016 - 09/30/2017	
	W912JB-17-2-3076	10/01/2017 - 09/30/2018	
Total Expenditures of Federal Awards	\$68,487,513		
Total ARRA Expenditures	\$0		
Compliance Requirement(s)	Cash Management		
Type of Finding	Material Weakness and Material Noncompliance		
Known Questioned Costs by FAIN	\$0		
Repeat Finding	Not Applicable		
State Agency	Department of Military and Veterans Affairs		

Condition

DMVA did not design its cash draw process to prepare reimbursement requests in accordance with the CMIA agreement. In addition, DMVA did not report complete and accurate information to the Michigan Department of Treasury (Treasury) for noncompliant cash draws. We noted:

- a. DMVA prepared reimbursement requests from 63 to 135 days after the close of the month for 11 (28%) of 40 sampled cash draws.

- b. DMVA did not maintain documentation to support the date for 6 (21%) of 28 expenditure reports for Appendices 1, 2, and 7 that were sent to the Construction and Facilities Management Officer (CFMO) in order to comply with the CMIA.
- c. DMVA did not report 2 (12%) of 17 noncompliant draws to Treasury for inclusion in the State's calculation of interest due to the federal government.

Criteria

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

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

Treasury issues an annual memorandum and a CMIA interest calculation template to State agencies requesting the agencies to complete the template to report any noncompliant draws, including an explanation for any deviations with the CMIA agreement.

Cause

DMVA informed us that other competing priorities resulting from the implementation of SIGMA, reporting difficulties, and delays in the obligation of funds by the federal agency impacted the timeliness of draws.

Effect

DMVA limited its assurance that it complied with the agreed-upon funding techniques included in the CMIA agreement. Also, an increased risk exists that Treasury's calculation of the amount of interest owed to or due from the federal government is not accurate. We consider this to be a material weakness and material noncompliance because of the high error rates noted. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

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

We also recommend that DMVA report noncompliant draws to Treasury.

Management Views

DMVA agrees with the finding.

FINDING 2018-031

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 10/01/2012 - 09/30/2013</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2012 - 09/28/2018</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</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-15-2-1007 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-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 - 12/31/2017</p> <p>W912JB-16-2-1002 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2017</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-16-2-1007 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1010 10/01/2016 - 04/02/2018</p> <p>W912JB-16-2-1010 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1011 10/01/2016 - 04/02/2018</p> <p>W912JB-16-2-1011 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1021A 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1021A 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1021B 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1021B 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1021S 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1021S 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1022A 10/01/2016 - 04/02/2018</p> <p>W912JB-16-2-1022A 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1022B 10/01/2016 - 04/02/2018</p> <p>W912JB-16-2-1022B 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1022S 10/01/2016 - 07/06/2018</p> <p>W912JB-16-2-1022S 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1023A 10/01/2016 - 07/06/2018</p> <p>W912JB-16-2-1023A 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1023B 10/01/2016 - 09/28/2018</p> <p>W912JB-16-2-1023B 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1023S 10/01/2016 - 07/06/2018</p> <p>W912JB-16-2-1023S 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1024 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1024 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1030 10/01/2016 - 09/30/2017</p> <p>W912JB-16-2-1030 10/01/2017 - 09/30/2018</p>

FAIN and Year (Continued)	W912JB-16-2-1040	10/01/2015 - 07/06/2018
	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2017 - 09/30/2018
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2017 - 09/30/2018
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2017 - 09/30/2018
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2017 - 09/30/2018
	W912JB-17-2-1005	10/01/2016 - 09/30/2018
	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3074	10/01/2016 - 07/06/2018
	W912JB-17-2-3074	10/01/2017 - 09/30/2018
	W912JB-17-2-3076	10/01/2016 - 09/30/2017
W912JB-17-2-3076	10/01/2017 - 09/30/2018	
Total Expenditures of Federal Awards	\$68,487,513	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Period of Performance	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$3,988,536	
	W912JB-10-2-1001 - \$574,093	
	W912JB-10-2-1002 - \$12,281	
	W912JB-15-2-1001 - \$203,235	
	W912JB-16-2-1001 - \$652,922	
	W912JB-16-2-1011 - \$15,580	
	W912JB-16-2-1021B - \$157,059	
	W912JB-16-2-1022A - \$5,335	
	W912JB-16-2-1022B - \$3,484	
	W912JB-16-2-1022S - \$12,172	
	W912JB-16-2-1023A - \$488,931	
	W912JB-16-2-1023B - \$180,094	
	W912JB-16-2-1023S - \$778,828	
	W912JB-16-2-1024 - \$708,801	
	W912JB-17-2-1004 - \$76,541	
	W912JB-17-2-1014 - \$3,100	
	W912JB-17-2-3074 - \$51,525	
	W912JB-17-2-3076 - \$64,555	
Repeat Finding	2017-024	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not ensure that it had executed initial cooperative agreement modifications or had sufficient funding before it submitted 143 (15%) of 960 requests for reimbursement of program expenditures totaling \$8,675,876 to the USPFO. In fiscal year 2018, DMVA received reimbursement of \$3,988,536 for these requests.

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

DMVA did not design its reimbursement tracking work sheets for each appendix to identify if reimbursements were requested prior to the execution of cooperative agreement modifications with funding.

Also, the cooperative agreement modifications with initial funding for fiscal year 2017 for W912JB-16-2-1021B and W912JB-16-2-1023B were not executed during fiscal years 2017 or 2018. DMVA informed us that it operated in a good faith relationship with the USPFO until the cooperative agreement modifications were executed. DMVA also informed us that the federal program managers did not submit necessary financial information to the USPFO to generate the cooperative agreement modifications.

Effect

We consider this to be a material weakness and material noncompliance because of the high error rate and the significance of the questioned costs noted. 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

\$3,988,536 - federal reimbursements requested and received prior to execution of or sufficient funds obligated for cooperative agreement modifications.

Recommendation

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

Management Views

DMVA agrees with the finding.

FINDING 2018-032

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Notifications for Appendices Exceeding 90% Threshold

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	Master Cooperative Agreement and Related Appendices: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2012 - 09/30/2013 W912JB-10-2-1001 10/01/2013 - 12/31/2014 W912JB-10-2-1002 10/01/2012 - 09/28/2018 W912JB-10-2-1002 10/01/2013 - 09/30/2014 Master Cooperative Agreement and Related Appendices: W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-15-2-1001 10/01/2014 - 09/30/2015 W912JB-15-2-1007 10/01/2014 - 09/30/2015

FAIN and Year (Continued)	Master Cooperative Agreement and Related Appendices:
	W912JB-16-2-1000 10/01/2015 - 09/30/2020
	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 - 12/31/2017
	W912JB-16-2-1002 10/01/2017 - 09/30/2018
	W912JB-16-2-1004 10/01/2015 - 09/30/2017
	W912JB-16-2-1007 10/01/2015 - 09/30/2016
	W912JB-16-2-1007 10/01/2016 - 09/30/2017
	W912JB-16-2-1007 10/01/2017 - 09/30/2018
	W912JB-16-2-1010 10/01/2016 - 04/02/2018
	W912JB-16-2-1010 10/01/2017 - 09/30/2018
	W912JB-16-2-1011 10/01/2016 - 04/02/2018
	W912JB-16-2-1011 10/01/2017 - 09/30/2018
	W912JB-16-2-1021A 10/01/2016 - 09/30/2017
	W912JB-16-2-1021A 10/01/2017 - 09/30/2018
	W912JB-16-2-1021B 10/01/2016 - 09/30/2017
	W912JB-16-2-1021B 10/01/2017 - 09/30/2018
	W912JB-16-2-1021S 10/01/2016 - 09/30/2017
	W912JB-16-2-1021S 10/01/2017 - 09/30/2018
	W912JB-16-2-1022A 10/01/2016 - 04/02/2018
	W912JB-16-2-1022A 10/01/2017 - 09/30/2018
	W912JB-16-2-1022B 10/01/2016 - 04/02/2018
	W912JB-16-2-1022B 10/01/2017 - 09/30/2018
	W912JB-16-2-1022S 10/01/2016 - 07/06/2018
	W912JB-16-2-1022S 10/01/2017 - 09/30/2018
	W912JB-16-2-1023A 10/01/2016 - 07/06/2018
	W912JB-16-2-1023A 10/01/2017 - 09/30/2018
	W912JB-16-2-1023B 10/01/2016 - 09/28/2018
	W912JB-16-2-1023B 10/01/2017 - 09/30/2018
	W912JB-16-2-1023S 10/01/2016 - 07/06/2018
	W912JB-16-2-1023S 10/01/2017 - 09/30/2018
	W912JB-16-2-1024 10/01/2016 - 09/30/2017
	W912JB-16-2-1024 10/01/2017 - 09/30/2018
	W912JB-16-2-1030 10/01/2016 - 09/30/2017
	W912JB-16-2-1030 10/01/2017 - 09/30/2018
	W912JB-16-2-1040 10/01/2015 - 07/06/2018
	W912JB-16-2-1040 10/01/2016 - 09/30/2017
	W912JB-16-2-1040 10/01/2017 - 09/30/2018
	W912JB-17-2-1001 10/01/2016 - 09/30/2017
	W912JB-17-2-1001 10/01/2017 - 09/30/2018
	W912JB-17-2-1003 10/01/2016 - 09/30/2017
	W912JB-17-2-1003 10/01/2017 - 09/30/2018
	W912JB-17-2-1004 10/01/2016 - 09/30/2017
	W912JB-17-2-1004 10/01/2017 - 09/30/2018
	W912JB-17-2-1005 10/01/2016 - 09/30/2018
	W912JB-17-2-1005 10/01/2017 - 09/30/2018
	W912JB-17-2-1014 10/01/2016 - 06/30/2018
	W912JB-17-2-1014 10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:
	W912JB-17-2-3074 10/01/2016 - 07/06/2018
	W912JB-17-2-3074 10/01/2017 - 09/30/2018
	W912JB-17-2-3076 10/01/2016 - 09/30/2017
	W912JB-17-2-3076 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$68,487,513
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Period of Performance

Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Military and Veterans Affairs

Condition

DMVA did not notify the USPFO when 12 (92%) of 13 fiscal year 2018 appendices exceeded 90% of the Annual Funding Program (AFP) limitation amount.

Criteria

Section 401 of the Master Cooperative Agreement requires DMVA to notify the USPFO in writing if at any time within the fiscal year DMVA determines that it has reached the amount reflected in the appendix or determines that the National Guard Bureau's (NGB's) share of allowable costs exceeds 90% of the AFP amount. Within its discretion, NGB may unilaterally increase the maximum AFP limitation at any time. DMVA shall have no obligation to incur costs which exceed NGB's share of the maximum AFP limitation.

Cause

DMVA did not design its reimbursement tracking work sheets for each appendix to appropriately identify if the requests for reimbursement would exceed 90% of the AFP amount. The tracking work sheets either did not calculate if DMVA exceeded 90% or only calculated if total requests for reimbursements exceeded 90%. DMVA did not use a running balance of the AFP compared to each request for reimbursement or consider outstanding obligations at year-end to determine if NGB's share would exceed 90%.

DMVA informed us that expenditure coding issues and report availability impacted its ability to appropriately track and notify the USPFO of the status of each appendix.

Effect

Because DMVA did not notify the USPFO when it expected to exceed 90% of the AFP amount, DMVA may not receive increases in AFP amounts and federal funding to cover all costs that it incurred for each of these appendices. We consider this to be a material weakness and material noncompliance because of the high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that DMVA notify the USPFO when appendices exceed 90% of the AFP limitation amount.

We also recommend that DMVA design its process to appropriately track if appendices are expected to exceed 90%.

Management Views

DMVA agrees with the finding.

FINDING 2018-033

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: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2012 - 09/30/2013 W912JB-10-2-1001 10/01/2013 - 12/31/2014 W912JB-10-2-1002 10/01/2012 - 09/28/2018 W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-15-2-1001 10/01/2014 - 09/30/2015 W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-16-2-1000 10/01/2015 - 09/30/2020 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 - 12/31/2017 W912JB-16-2-1002 10/01/2017 - 09/30/2018 W912JB-16-2-1004 10/01/2015 - 09/30/2017 W912JB-16-2-1007 10/01/2015 - 09/30/2016 W912JB-16-2-1007 10/01/2016 - 09/30/2017 W912JB-16-2-1007 10/01/2017 - 09/30/2018 W912JB-16-2-1010 10/01/2016 - 04/02/2018 W912JB-16-2-1010 10/01/2017 - 09/30/2018 W912JB-16-2-1011 10/01/2016 - 04/02/2018 W912JB-16-2-1011 10/01/2017 - 09/30/2018 W912JB-16-2-1021A 10/01/2016 - 09/30/2017 W912JB-16-2-1021A 10/01/2017 - 09/30/2018 W912JB-16-2-1021B 10/01/2016 - 09/30/2017 W912JB-16-2-1021B 10/01/2017 - 09/30/2018 W912JB-16-2-1021S 10/01/2016 - 09/30/2017 W912JB-16-2-1021S 10/01/2017 - 09/30/2018 W912JB-16-2-1022A 10/01/2016 - 04/02/2018 W912JB-16-2-1022A 10/01/2017 - 09/30/2018 W912JB-16-2-1022B 10/01/2016 - 04/02/2018 W912JB-16-2-1022B 10/01/2017 - 09/30/2018 W912JB-16-2-1022S 10/01/2016 - 07/06/2018 W912JB-16-2-1022S 10/01/2017 - 09/30/2018 W912JB-16-2-1023A 10/01/2016 - 07/06/2018 W912JB-16-2-1023A 10/01/2017 - 09/30/2018 W912JB-16-2-1023B 10/01/2016 - 09/28/2018 W912JB-16-2-1023B 10/01/2017 - 09/30/2018 W912JB-16-2-1023S 10/01/2016 - 07/06/2018 W912JB-16-2-1023S 10/01/2017 - 09/30/2018 W912JB-16-2-1024 10/01/2016 - 09/30/2017 W912JB-16-2-1024 10/01/2017 - 09/30/2018 W912JB-16-2-1030 10/01/2016 - 09/30/2017 W912JB-16-2-1030 10/01/2017 - 09/30/2018 W912JB-16-2-1040 10/01/2015 - 07/06/2018</p>

FAIN and Year (Continued)	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2017 - 09/30/2018
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2017 - 09/30/2018
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2017 - 09/30/2018
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2017 - 09/30/2018
	W912JB-17-2-1005	10/01/2016 - 09/30/2018
	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3074	10/01/2016 - 07/06/2018
	W912JB-17-2-3074	10/01/2017 - 09/30/2018
	W912JB-17-2-3076	10/01/2016 - 09/30/2017
W912JB-17-2-3076	10/01/2017 - 09/30/2018	
Total Expenditures of Federal Awards	\$68,487,513	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Period of Performance	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$55,516 W912JB-17-2-1001 - \$29,840 W912JB-16-2-1021S - \$4,410 W912JB-16-2-1040 - \$21,266	
Repeat Finding	2017-025	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not properly disclose obligations on extension requests sent to the USPFO. Our review of program expenditures and extension requests noted:

- a. DMVA requested and received reimbursement for \$55,516 of program expenditures that were not disclosed as outstanding obligations on extension requests sent to the USPFO.
- b. DMVA did not include a detailed listing of obligations for 6 (5%) of 110 extension requests submitted for fiscal year 2018 activity.

Criteria

NGR 5-1, Section 11-10(c) 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 the 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

For part a., DMVA informed us that it did not include one of the outstanding purchase orders until the September 30, 2018 extension request and the other was not established as a fiscal year 2017 liability in the accounting records.

For part b., DMVA informed us that it inadvertently excluded the detailed listing of outstanding obligations from extension requests.

Effect

Because DMVA did not report outstanding obligations, it may not receive reimbursement for costs incurred for an appendix. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

\$55,516 - 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 2018-034

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Timeliness of Appendix Final Accounting

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: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2012 - 09/30/2013 W912JB-10-2-1001 10/01/2013 - 12/31/2014 W912JB-10-2-1002 10/01/2012 - 09/28/2018 W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-15-2-1001 10/01/2014 - 09/30/2015 W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-16-2-1000 10/01/2015 - 09/30/2020 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 - 12/31/2017 W912JB-16-2-1002 10/01/2017 - 09/30/2018 W912JB-16-2-1004 10/01/2015 - 09/30/2017 W912JB-16-2-1007 10/01/2015 - 09/30/2016 W912JB-16-2-1007 10/01/2016 - 09/30/2017 W912JB-16-2-1007 10/01/2017 - 09/30/2018 W912JB-16-2-1010 10/01/2016 - 04/02/2018 W912JB-16-2-1010 10/01/2017 - 09/30/2018 W912JB-16-2-1011 10/01/2016 - 04/02/2018 W912JB-16-2-1011 10/01/2017 - 09/30/2018 W912JB-16-2-1021A 10/01/2016 - 09/30/2017</p>

FAIN and Year (Continued)	W912JB-16-2-1021A	10/01/2017 - 09/30/2018
	W912JB-16-2-1021B	10/01/2016 - 09/30/2017
	W912JB-16-2-1021B	10/01/2017 - 09/30/2018
	W912JB-16-2-1021S	10/01/2016 - 09/30/2017
	W912JB-16-2-1021S	10/01/2017 - 09/30/2018
	W912JB-16-2-1022A	10/01/2016 - 04/02/2018
	W912JB-16-2-1022A	10/01/2017 - 09/30/2018
	W912JB-16-2-1022B	10/01/2016 - 04/02/2018
	W912JB-16-2-1022B	10/01/2017 - 09/30/2018
	W912JB-16-2-1022S	10/01/2016 - 07/06/2018
	W912JB-16-2-1022S	10/01/2017 - 09/30/2018
	W912JB-16-2-1023A	10/01/2016 - 07/06/2018
	W912JB-16-2-1023A	10/01/2017 - 09/30/2018
	W912JB-16-2-1023B	10/01/2016 - 09/28/2018
	W912JB-16-2-1023B	10/01/2017 - 09/30/2018
	W912JB-16-2-1023S	10/01/2016 - 07/06/2018
	W912JB-16-2-1023S	10/01/2017 - 09/30/2018
	W912JB-16-2-1024	10/01/2016 - 09/30/2017
	W912JB-16-2-1024	10/01/2017 - 09/30/2018
	W912JB-16-2-1030	10/01/2016 - 09/30/2017
	W912JB-16-2-1030	10/01/2017 - 09/30/2018
	W912JB-16-2-1040	10/01/2015 - 07/06/2018
	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2017 - 09/30/2018
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2017 - 09/30/2018
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2017 - 09/30/2018
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2017 - 09/30/2018
	W912JB-17-2-1005	10/01/2016 - 09/30/2018
	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3074	10/01/2016 - 07/06/2018
	W912JB-17-2-3074	10/01/2017 - 09/30/2018
	W912JB-17-2-3076	10/01/2016 - 09/30/2017
	W912JB-17-2-3076	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$68,487,513	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Period of Performance	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not submit on a timely basis a final accounting of all funding and disbursements for 2 (13%) of 16 appendix agreements that closed during fiscal year 2018.

Criteria

NGR 5-1, Section 11-10(b) requires DMVA to provide to the USPFO a final accounting of all funding and disbursements under an agreement within 90 days of the end of the fiscal year, or upon termination or closeout of an agreement, whichever is earlier.

Cause

DMVA relies on communications with federal program managers and agreement from the Grants Officer Representative to identify when it is acceptable to close out an appendix agreement.

Effect

DMVA may have diminished the U.S. Department of Defense's ability to ensure appropriate oversight and monitoring of the appendix agreements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that DMVA submit on a timely basis a final accounting of all funding and disbursements for appendix agreements.

Management Views

DMVA agrees with the finding.

FINDING 2018-035

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

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-10-2-1000 06/28/2010 - 09/30/2014</p> <p>W912JB-10-2-1001 10/01/2012 - 09/30/2013</p> <p>W912JB-10-2-1001 10/01/2013 - 12/31/2014</p> <p>W912JB-10-2-1002 10/01/2012 - 09/28/2018</p> <p>W912JB-10-2-1002 10/01/2013 - 09/30/2014</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-15-2-1007 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-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 - 12/31/2017</p> <p>W912JB-16-2-1002 10/01/2017 - 09/30/2018</p> <p>W912JB-16-2-1004 10/01/2015 - 09/30/2017</p>

FAIN and Year (Continued)	W912JB-16-2-1007	10/01/2015 - 09/30/2016	
	W912JB-16-2-1007	10/01/2016 - 09/30/2017	
	W912JB-16-2-1007	10/01/2017 - 09/30/2018	
	W912JB-16-2-1010	10/01/2016 - 04/02/2018	
	W912JB-16-2-1010	10/01/2017 - 09/30/2018	
	W912JB-16-2-1011	10/01/2016 - 04/02/2018	
	W912JB-16-2-1011	10/01/2017 - 09/30/2018	
	W912JB-16-2-1021A	10/01/2016 - 09/30/2017	
	W912JB-16-2-1021A	10/01/2017 - 09/30/2018	
	W912JB-16-2-1021B	10/01/2016 - 09/30/2017	
	W912JB-16-2-1021B	10/01/2017 - 09/30/2018	
	W912JB-16-2-1021S	10/01/2016 - 09/30/2017	
	W912JB-16-2-1021S	10/01/2017 - 09/30/2018	
	W912JB-16-2-1022A	10/01/2016 - 04/02/2018	
	W912JB-16-2-1022A	10/01/2017 - 09/30/2018	
	W912JB-16-2-1022B	10/01/2016 - 04/02/2018	
	W912JB-16-2-1022B	10/01/2017 - 09/30/2018	
	W912JB-16-2-1022S	10/01/2016 - 07/06/2018	
	W912JB-16-2-1022S	10/01/2017 - 09/30/2018	
	W912JB-16-2-1023A	10/01/2016 - 07/06/2018	
	W912JB-16-2-1023A	10/01/2017 - 09/30/2018	
	W912JB-16-2-1023B	10/01/2016 - 09/28/2018	
	W912JB-16-2-1023B	10/01/2017 - 09/30/2018	
	W912JB-16-2-1023S	10/01/2016 - 07/06/2018	
	W912JB-16-2-1023S	10/01/2017 - 09/30/2018	
	W912JB-16-2-1024	10/01/2016 - 09/30/2017	
	W912JB-16-2-1024	10/01/2017 - 09/30/2018	
	W912JB-16-2-1030	10/01/2016 - 09/30/2017	
	W912JB-16-2-1030	10/01/2017 - 09/30/2018	
	W912JB-16-2-1040	10/01/2015 - 07/06/2018	
	W912JB-16-2-1040	10/01/2016 - 09/30/2017	
	W912JB-16-2-1040	10/01/2017 - 09/30/2018	
	W912JB-17-2-1001	10/01/2016 - 09/30/2017	
	W912JB-17-2-1001	10/01/2017 - 09/30/2018	
	W912JB-17-2-1003	10/01/2016 - 09/30/2017	
	W912JB-17-2-1003	10/01/2017 - 09/30/2018	
	W912JB-17-2-1004	10/01/2016 - 09/30/2017	
	W912JB-17-2-1004	10/01/2017 - 09/30/2018	
	W912JB-17-2-1005	10/01/2016 - 09/30/2018	
	W912JB-17-2-1005	10/01/2017 - 09/30/2018	
	W912JB-17-2-1014	10/01/2016 - 06/30/2018	
	W912JB-17-2-1014	10/01/2017 - 09/30/2018	
		Special Military Project Cooperative Agreements:	
		W912JB-17-2-3074	10/01/2016 - 07/06/2018
		W912JB-17-2-3074	10/01/2017 - 09/30/2018
		W912JB-17-2-3076	10/01/2016 - 09/30/2017
		W912JB-17-2-3076	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$68,487,513		
Total ARRA Expenditures	\$0		
Compliance Requirement(s)	Procurement and Suspension and Debarment		
Type of Finding	Significant Deficiency		
Known Questioned Costs by FAIN	\$0		
Repeat Finding	Not Applicable		
State Agency	Department of Military and Veterans Affairs		

Condition

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

Our review of 40 procurements noted:

- a. DMVA did not complete or approve the required Request for Purchase and/or Service (DMVA 6-1) for 3 (13%) of 23 procurements prior to contract execution or purchase order approval.
- b. DMVA did not maintain documentation to support that it used due diligence to obtain the best pricing for 2 (14%) of 14 procurements under \$5,000.

Criteria

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

DMVA's process requires the DMVA 6-1 to be completed by the requestor and approved by the supervisor and buyer manager. The DMVA 6-1 is used to initiate a purchase order or contract for the procurement of products or services. The Michigan Procurement Policy Manual (Chapter 5) states that for purchases less than or equal to \$5,000, due diligence must be made to ensure that the best pricing is obtained.

Cause

DMVA informed us that not completing and maintaining the required documentation was an oversight.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

DMVA agrees with the finding.

FINDING 2018-036

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

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401

Federal Award Identification Number (FAIN) and Year	Master Cooperative Agreement and Related Appendices:
	W912JB-10-2-1000 06/28/2010 - 09/30/2014
	W912JB-10-2-1001 10/01/2012 - 09/30/2013
	W912JB-10-2-1001 10/01/2013 - 12/31/2014
	W912JB-10-2-1002 10/01/2012 - 09/28/2018
	W912JB-10-2-1002 10/01/2013 - 09/30/2014
	Master Cooperative Agreement and Related Appendices:
	W912JB-15-2-1000 11/11/2014 - 03/03/2016
	W912JB-15-2-1001 10/01/2014 - 09/30/2015
	W912JB-15-2-1007 10/01/2014 - 09/30/2015
	Master Cooperative Agreement and Related Appendices:
	W912JB-16-2-1000 10/01/2015 - 09/30/2020
	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 - 12/31/2017
	W912JB-16-2-1002 10/01/2017 - 09/30/2018
	W912JB-16-2-1004 10/01/2015 - 09/30/2017
	W912JB-16-2-1007 10/01/2015 - 09/30/2016
	W912JB-16-2-1007 10/01/2016 - 09/30/2017
	W912JB-16-2-1007 10/01/2017 - 09/30/2018
	W912JB-16-2-1010 10/01/2016 - 04/02/2018
	W912JB-16-2-1010 10/01/2017 - 09/30/2018
	W912JB-16-2-1011 10/01/2016 - 04/02/2018
	W912JB-16-2-1011 10/01/2017 - 09/30/2018
	W912JB-16-2-1021A 10/01/2016 - 09/30/2017
	W912JB-16-2-1021A 10/01/2017 - 09/30/2018
	W912JB-16-2-1021B 10/01/2016 - 09/30/2017
	W912JB-16-2-1021B 10/01/2017 - 09/30/2018
	W912JB-16-2-1021S 10/01/2016 - 09/30/2017
	W912JB-16-2-1021S 10/01/2017 - 09/30/2018
	W912JB-16-2-1022A 10/01/2016 - 04/02/2018
	W912JB-16-2-1022A 10/01/2017 - 09/30/2018
	W912JB-16-2-1022B 10/01/2016 - 04/02/2018
	W912JB-16-2-1022B 10/01/2017 - 09/30/2018
	W912JB-16-2-1022S 10/01/2016 - 07/06/2018
	W912JB-16-2-1022S 10/01/2017 - 09/30/2018
	W912JB-16-2-1023A 10/01/2016 - 07/06/2018
	W912JB-16-2-1023A 10/01/2017 - 09/30/2018
	W912JB-16-2-1023B 10/01/2016 - 09/28/2018
	W912JB-16-2-1023B 10/01/2017 - 09/30/2018
	W912JB-16-2-1023S 10/01/2016 - 07/06/2018
	W912JB-16-2-1023S 10/01/2017 - 09/30/2018
	W912JB-16-2-1024 10/01/2016 - 09/30/2017
	W912JB-16-2-1024 10/01/2017 - 09/30/2018
	W912JB-16-2-1030 10/01/2016 - 09/30/2017
	W912JB-16-2-1030 10/01/2017 - 09/30/2018
	W912JB-16-2-1040 10/01/2015 - 07/06/2018
	W912JB-16-2-1040 10/01/2016 - 09/30/2017
	W912JB-16-2-1040 10/01/2017 - 09/30/2018
	W912JB-17-2-1001 10/01/2016 - 09/30/2017
	W912JB-17-2-1001 10/01/2017 - 09/30/2018
	W912JB-17-2-1003 10/01/2016 - 09/30/2017
	W912JB-17-2-1003 10/01/2017 - 09/30/2018
	W912JB-17-2-1004 10/01/2016 - 09/30/2017
	W912JB-17-2-1004 10/01/2017 - 09/30/2018
	W912JB-17-2-1005 10/01/2016 - 09/30/2018

FAIN and Year (Continued)	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3074	10/01/2016 - 07/06/2018
	W912JB-17-2-3074	10/01/2017 - 09/30/2018
	W912JB-17-2-3076	10/01/2016 - 09/30/2017
W912JB-17-2-3076	10/01/2017 - 09/30/2018	
Total Expenditures of Federal Awards	\$68,487,513	
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	Department of Military and Veterans Affairs and Department of Technology, Management, and Budget	

Condition

DMVA and DTMB did not maintain documentation to substantiate that 4 (57%) of 7 sampled contractors expected to receive more than \$25,000 were not suspended or debarred prior to contract execution or purchase order approval.

Criteria

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

Cause

For 2 contractors, DMVA worked with DTMB to procure services from the contractors. Neither department maintained documentation that EPLS was reviewed for these contractors.

For the 2 other contractors, DMVA reviewed EPLS after the contracts were executed.

Effect

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

Known Questioned Costs

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

Recommendation

We recommend that DMVA and DTMB maintain documentation to substantiate that contractors are not suspended or debarred prior to contract execution or purchase order approval.

Management Views

DMVA and DTMB agree with the finding.

FINDING 2018-037

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Required Provisions

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	National Guard Military Operations and Maintenance (O&M) Projects: CFDA 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and Related Appendices: W912JB-10-2-1000 06/28/2010 - 09/30/2014 W912JB-10-2-1001 10/01/2012 - 09/30/2013 W912JB-10-2-1001 10/01/2013 - 12/31/2014 W912JB-10-2-1002 10/01/2012 - 09/28/2018 W912JB-10-2-1002 10/01/2013 - 09/30/2014</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-15-2-1000 11/11/2014 - 03/03/2016 W912JB-15-2-1001 10/01/2014 - 09/30/2015 W912JB-15-2-1007 10/01/2014 - 09/30/2015</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-16-2-1000 10/01/2015 - 09/30/2020 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 - 12/31/2017 W912JB-16-2-1002 10/01/2017 - 09/30/2018 W912JB-16-2-1004 10/01/2015 - 09/30/2017 W912JB-16-2-1007 10/01/2015 - 09/30/2016 W912JB-16-2-1007 10/01/2016 - 09/30/2017 W912JB-16-2-1007 10/01/2017 - 09/30/2018 W912JB-16-2-1010 10/01/2016 - 04/02/2018 W912JB-16-2-1010 10/01/2017 - 09/30/2018 W912JB-16-2-1011 10/01/2016 - 04/02/2018 W912JB-16-2-1011 10/01/2017 - 09/30/2018 W912JB-16-2-1021A 10/01/2016 - 09/30/2017 W912JB-16-2-1021A 10/01/2017 - 09/30/2018 W912JB-16-2-1021B 10/01/2016 - 09/30/2017 W912JB-16-2-1021B 10/01/2017 - 09/30/2018 W912JB-16-2-1021S 10/01/2016 - 09/30/2017 W912JB-16-2-1021S 10/01/2017 - 09/30/2018 W912JB-16-2-1022A 10/01/2016 - 04/02/2018 W912JB-16-2-1022A 10/01/2017 - 09/30/2018 W912JB-16-2-1022B 10/01/2016 - 04/02/2018 W912JB-16-2-1022B 10/01/2017 - 09/30/2018 W912JB-16-2-1022S 10/01/2016 - 07/06/2018 W912JB-16-2-1022S 10/01/2017 - 09/30/2018 W912JB-16-2-1023A 10/01/2016 - 07/06/2018 W912JB-16-2-1023A 10/01/2017 - 09/30/2018 W912JB-16-2-1023B 10/01/2016 - 09/28/2018 W912JB-16-2-1023B 10/01/2017 - 09/30/2018 W912JB-16-2-1023S 10/01/2016 - 07/06/2018 W912JB-16-2-1023S 10/01/2017 - 09/30/2018 W912JB-16-2-1024 10/01/2016 - 09/30/2017 W912JB-16-2-1024 10/01/2017 - 09/30/2018 W912JB-16-2-1030 10/01/2016 - 09/30/2017 W912JB-16-2-1030 10/01/2017 - 09/30/2018 W912JB-16-2-1040 10/01/2015 - 07/06/2018</p>

FAIN and Year (Continued)	W912JB-16-2-1040	10/01/2016 - 09/30/2017
	W912JB-16-2-1040	10/01/2017 - 09/30/2018
	W912JB-17-2-1001	10/01/2016 - 09/30/2017
	W912JB-17-2-1001	10/01/2017 - 09/30/2018
	W912JB-17-2-1003	10/01/2016 - 09/30/2017
	W912JB-17-2-1003	10/01/2017 - 09/30/2018
	W912JB-17-2-1004	10/01/2016 - 09/30/2017
	W912JB-17-2-1004	10/01/2017 - 09/30/2018
	W912JB-17-2-1005	10/01/2016 - 09/30/2017
	W912JB-17-2-1005	10/01/2017 - 09/30/2018
	W912JB-17-2-1014	10/01/2016 - 06/30/2018
	W912JB-17-2-1014	10/01/2017 - 09/30/2018
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3074	10/01/2016 - 07/06/2018
	W912JB-17-2-3074	10/01/2017 - 09/30/2018
	W912JB-17-2-3076	10/01/2016 - 09/30/2017
W912JB-17-2-3076	10/01/2017 - 09/30/2018	
Total Expenditures of Federal Awards	\$68,487,513	
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	Department of Military and Veterans Affairs and Department of Technology, Management, and Budget	

Condition

DMVA and DTMB did not include all applicable required provisions in 2 (20%) of 10 contracts and purchase orders executed during fiscal year 2018.

Criteria

Federal regulations 2 *CFR* 200.317 and 2 *CFR* 200.326 state that the nonfederal entity's contracts and purchase orders 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.

Cause

For these 2 contracts and purchase orders, DMVA worked with DTMB's Office of Design and Construction to establish the contracts. The Office of Design and Construction informed us that it did not consider the federal addendum developed by DTMB's Office of Purchasing when establishing these contracts and purchase orders.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

DMVA and DTMB agree with the finding.

FINDING 2018-038

Highway Planning and Construction Cluster, CFDA 20.205 and 20.219, Cash Management - Timeliness of Cash Draws

Federal Agency	U.S. Department of Transportation
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Highway Planning and Construction Cluster: CFDA 20.205 and 20.219
Federal Award Identification Number (FAIN) and Year	Various
Total Expenditures of Federal Awards	\$917,326,294
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 Transportation

Condition

The Michigan Department of Transportation (MDOT) did not request vendor and construction payment cash draws in accordance with the CMIA agreement. In addition, MDOT did not report complete and accurate information to the Michigan Department of Treasury (Treasury) for noncompliant cash draws. We noted:

- a. MDOT did not perform all fiscal year 2018 vendor payment cash draws in accordance with the funding technique required in the CMIA agreement.
- b. MDOT did not ensure timely construction payment cash draws for 1 (17%) of 6 draws.

Criteria

For vendor payments, the CMIA agreement requires MDOT to request funds no later than the second business day of the week for receipt no later than the third business day of the week. The amount of the request shall be based on the amount of the actual funds expended in the prior week.

For construction payments, the CMIA agreement requires MDOT to request funds such that they are deposited by the Automated Clearing House on the dollar-weighted average day of clearance for the disbursement, in accordance with the zero day clearance pattern. The amount of the request shall be for the exact amount of that disbursement.

Treasury issues an annual memorandum and a CMIA interest calculation template to State agencies requesting the agencies to complete the template to report any noncompliant draws, including an explanation for any deviations with the CMIA agreement.

Cause

MDOT informed us that the fiscal year 2018 SIGMA billing files that were needed to generate its vendor payment reimbursement requests were not available until the third business day of the week. MDOT informed Treasury on October 4, 2017 that it could not comply with the required funding technique; however, MDOT did not propose an alternative funding technique that complied with federal guidelines for Treasury to consider.

MDOT also informed us that it did not approve the construction payment in a timely manner, resulting in a draw that was made one day later than the expenditure paid out.

Effect

MDOT limited its assurance that it complied with the agreed-upon funding techniques included in the CMIA agreement. Also, an increased risk exists that Treasury's calculation of the amount of interest owed to or due from the federal government is not accurate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDOT request vendor and construction payment cash draws in accordance with the CMIA agreement.

We also recommend that MDOT report noncompliant draws to Treasury.

Management Views

MDOT agrees with the finding.

FINDING 2018-039

Title I Grants to Local Educational Agencies, CFDA 84.010, Matching, Level of Effort, and Earmarking - Allocation of Funds to Local Educational Agencies

Federal Agency	U.S Department of Education	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010	
Federal Award Identification Number (FAIN) and Year	S010A150022	07/01/2015 - 09/30/2016
	S010A150022-15A	07/01/2015 - 09/30/2016
	S010A150022-15B	07/01/2015 - 09/30/2016
	S010A160022	07/01/2016 - 09/30/2017
	S010A160022-16A	07/01/2016 - 09/30/2017
	S010A160022-16B	07/01/2016 - 09/30/2017
	S010A170022	07/01/2017 - 09/30/2018
	S010A170022-17A	07/01/2017 - 09/30/2018
	S010A170022-17B	07/01/2017 - 09/30/2018
	S010A180022	07/01/2018 - 09/30/2019
	S010A180022-18A	07/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$480,416,000	

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

During the allocation process for school year 2017-18, MDE did not properly calculate the hold-harmless base amount for the prior year to reflect the estimated enrollment count for all 7 of the significantly expanded charter schools.

The hold-harmless calculation limits the maximum reduction of an allocation compared with the allocations for the preceding year. To ensure that each charter school's hold-harmless calculation is sufficient, MDE must determine, for a significantly expanded charter school, a hold-harmless base that reflects the significantly expanded enrollment of the charter school.

Criteria

Federal law 20 USC 7221e(a) requires MDE to take measures as are necessary to ensure that every charter school expanding its enrollment in any subsequent year receives the federal funding for which the charter school is eligible, notwithstanding the fact that the identity and characteristics of the students enrolling in the charter school are not fully and completely determined. Also, federal law 20 USC 7221e(c) requires MDE to calculate a hold-harmless base for the prior year that reflects the new or significantly expanded enrollment of the charter school.

Cause

Because of the potential of inaccurate counts provided by schools, MDE stated that it would have to reclaim funds two-thirds of the way through the school year if the estimated counts provided by the charter schools were used.

Effect

MDE limited its assurance that significantly expanded charter schools would receive sufficient funds to meet the needs of eligible Title I participants. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE properly calculate the hold-harmless base amounts to reflect the estimated enrollment counts of significantly expanded charter schools.

Management Views

MDE agrees with the finding.

FINDING 2018-040

Title I Grants to Local Educational Agencies, CFDA 84.010, Subrecipient Monitoring - Management Decisions

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Title I Grants to Local Educational Agencies: CFDA 84.010
Federal Award Identification Number (FAIN) and Year	S010A150022 07/01/2015 - 09/30/2016 S010A150022-15A 07/01/2015 - 09/30/2016 S010A150022-15B 07/01/2015 - 09/30/2016 S010A160022 07/01/2016 - 09/30/2017 S010A160022-16A 07/01/2016 - 09/30/2017 S010A160022-16B 07/01/2016 - 09/30/2017 S010A170022 07/01/2017 - 09/30/2018 S010A170022-17A 07/01/2017 - 09/30/2018 S010A170022-17B 07/01/2017 - 09/30/2018 S010A180022 07/01/2018 - 09/30/2019 S010A180022-18A 07/01/2018 - 09/30/2019
Total Expenditures of Federal Awards	\$480,416,000
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 issue the required management decisions in a timely manner for 1 (13%) of 8 subrecipient single audit reports with findings selected for review.

We reviewed 8 subrecipient single audit reports with findings, 2 of which had findings related to Title I Grants to Local Educational Agencies.

Criteria

Federal regulation 2 *CFR* 200.521 requires MDE to issue management decisions for subrecipient audit findings that relate to federal awards. Management decisions are required to be issued within six months of acceptance of the audit report by the federal audit clearinghouse. Management decisions must state whether the finding was sustained; the reasons for the decision; and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.

MDE's Audits Unit performs a desk review of all subrecipient single audits and forwards the results of the review to the applicable MDE program area. The MDE program area is responsible for making management decisions on any findings noted in the single audits. The Audits Unit issues the management decision to the subrecipient when it is received from the program area.

Cause

MDE informed us that the final management decision was delayed because of MDE's evaluation of the significance of the questioned costs noted within several findings of the subrecipient's audit report.

Effect

The untimely issuance of management decisions increases the risk of the subrecipient's continued noncompliance with grant requirements and expenditure of federal awards. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE issue required management decisions in a timely manner for subrecipient single audit reports with findings.

Management Views

MDE agrees with the finding.

FINDING 2018-041

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management - Cash Management Process

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	H126A170031	10/01/2016 - 09/30/2017
	H126A180031	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$114,863,934	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Licensing and Regulatory Affairs	

Condition

The Department of Licensing and Regulatory Affairs (LARA) did not follow its established cash draw process to prepare reimbursement requests in accordance with the CMIA TSA. In addition, LARA did not report complete and accurate information to the Michigan Department of Treasury (Treasury) for these noncompliant cash draws. Our review of the cash draws disclosed:

- a. LARA did not prepare reimbursement requests biweekly in accordance with the CMIA TSA for 6 of 6 cash draws reviewed.
- b. LARA reported inaccurate or incomplete information for 6 of 6 noncompliant cash draws in part a. to Treasury for inclusion in the State's calculation of interest. The inaccurate or incomplete information included the date funds were disbursed and the explanation as to why the draws were not completed in compliance with the CMIA TSA.

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. 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.

Treasury issues an annual memorandum and a CMIA interest calculation template to State agencies requesting the agencies to complete the template to report any noncompliant draws, including an explanation for any deviations with the CMIA TSA. .

Cause

For part a., LARA informed us that the implementation of the State's new accounting system and the lack of reliance on the accuracy of data from the system due to coding and system issues caused its use of estimated expenditures and delays in requesting federal reimbursement.

For part b., LARA's internal control was not sufficient to ensure that LARA reported complete and accurate information to Treasury.

Effect

LARA limited its assurance that it complied with the agreed-upon funding techniques between the State and the federal government included in the CMIA TSA. Also, an increased risk exists that Treasury's calculation of the amount of interest owed to or due from the federal government is not accurate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

We consider this to be to be a material weakness and material noncompliance because all draws reviewed were not in compliance with the CMIA TSA and Treasury was not notified of the noncompliant draws as required.

Known Questioned Costs

None.

Recommendations

We recommend that LARA follow its established cash draw process to prepare reimbursement requests in accordance with the CMIA TSA.

We also recommend that LARA report complete and accurate noncompliant cash draw information to Treasury.

Management Views

LARA agrees with the finding.

FINDING 2018-042

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Eligibility - Eligibility Determinations

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	H126A170031 10/01/2016 - 09/30/2017 H126A180031 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$114,863,934
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 Health and Human Services

Condition

MDHHS did not complete eligibility determinations in a timely manner for 6 (16%) of 38 case records reviewed. On average, the 6 eligibility determinations were completed 26 days after the 60-day requirement or the agreed-upon extension date.

Criteria

Federal law 29 USC 722(a)(6) requires MDHHS to make an eligibility determination within a reasonable period of time, but no later than 60 days, unless the designated state unit and the individual agree to an extension of that deadline to a specific date or the designated state unit explores an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences.

MDHHS policy states that, in the event that more than 60 days is required to complete the eligibility determination, an extension date shall be agreed to by both the counselor and the individual that reflects the time needed to complete the activities to determine eligibility.

Cause

MDHHS informed us that it did not utilize eligibility determination extensions when unforeseen circumstances existed and that it did not utilize activity due indicators available in its system which would alert it of upcoming due dates.

Effect

Access to rehabilitation services for eligible individuals may be impacted by untimely eligibility determinations. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS complete eligibility determinations in a timely manner.

Management Views
MDHHS agrees with the finding.

FINDING 2018-043

Aging Cluster, CFDA 93.044, 93.045, and 93.053, Subrecipient Monitoring - AIS FIRST User Access

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	18AAMINSIP 10/01/2017 - 09/30/2018 18AAMIT3SS 10/01/2017 - 09/30/2018 18AAMIT3CM 10/01/2017 - 09/30/2018 18AAMIT3HD 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$42,013,294
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not establish effective access controls over Aging Information System (AIS) Financial Information Reporting System Tool (FIRST) application users. FIRST is utilized by Aging Cluster subrecipients to submit data, payment requests, and financial status reports to MDHHS. We noted:

- a. 1 of 9 selected application security agreements was not located.
- b. 1 of 8 selected completed application security agreements did not have appropriate approval.
- c. 3 of 8 selected users with completed application security agreements had access rights that were in excess of the most recently approved application security agreement.
- d. MDHHS did not monitor AIS FIRST user accounts for compliance with account management requirements every 120 days.

Criteria

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.

SOM 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 agencies to review user accounts for compliance with account management requirements every 120 days.

Cause

For part a., MDHHS informed us that the missing application security agreement was likely misfiled.

For part b., MDHHS informed us that the user was the system administrator and, as the system administrator, the user did not obtain approval.

For part c., MDHHS informed us that users were given access to new AIS FIRST functionality but were not required to complete updated application security agreements.

For part d., MDHHS informed us that it did not have an established process to review and update user access.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS establish effective user access controls over AIS FIRST.

Management Views

MDHHS agrees with the finding.

FINDING 2018-044

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	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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: \$376 17 01 MI TANF - \$231 18 01 MI TANF - \$145
Repeat Finding	2017-035
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient case record documentation to support client eligibility for 9 (41%) of 22 sampled TANF Cluster assistance case records.

MDHHS did not maintain documentation such as support for completion of the Family Self-Sufficiency Plan (FSSP), 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 9 families were in need of TANF Cluster assistance.

In addition, we noted that MDHHS counted all 9 of the case records that did not have documentation to support client eligibility toward the State's maintenance of effort (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)(3) 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 of the high error rate noted. 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.

- \$376 - federal share.
- \$300 - 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 2018-045

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	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	18 01 MI TANF - \$6 (unduplicated amount – \$45 included in Finding 2018-044)
Repeat Finding	2017-034
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 5 (23%) of 22 sampled TANF Cluster assistance case records.

In addition, we noted that MDHHS counted all 5 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 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 the 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 of the high error rate noted. 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.

- \$51 - federal share of payments made to recipients, of which \$45 is questioned in Finding 2018-044.
- \$41 - State share of costs that MDHHS inappropriately used as State MOE, of which \$36 is questioned in Finding 2018-044.

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 2018-046

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

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 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	18 01 MI TANF - \$23,393
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately consider a child's household circumstances to ensure that the child met eligibility requirements for 1 (8%) of 13 sampled TANF Cluster-funded emergency foster care case records.

Criteria

Federal law 42 USC 604(a)(2) allows MDHHS to use TANF Cluster funds in any manner that MDHHS was authorized to use amounts received under the State's Aid to Families with Dependent Children (AFDC) Plan in effect on September 30, 1995, or at the State's option, August 21, 1996. The prior AFDC Plan included emergency foster care assistance for a child who lived with a relative within the six months prior to the emergency application or removal from home.

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, 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 the correct data elements in MiSACWIS were used to determine whether the child was living with a relative within the six months prior to being removed from the home.

Effect

MDHHS may have made emergency foster care payments on behalf of a child who did not qualify for TANF Cluster federal reimbursement. 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.

- \$23,393 - federally funded.

Recommendation

We recommend that MDHHS appropriately consider a child's household circumstances to ensure that the child meets TANF Cluster eligibility requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2018-047

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	17 01 MI TANF 18 01 MI TANF	10/01/2016 - Until Expended 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985	
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	18 01 MI TANF - \$542	
Repeat Finding	2017-036	
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 1 (5%) of 19 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 controls were not sufficient to ensure that the required documentation was obtained prior to issuing benefit payments.

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.

- \$542 - 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 2018-048

TANF Cluster, CFDA 93.558, Reporting - Accuracy of 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 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-037
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 4 financial reports and 1 special report disclosed:

- a. In the fourth quarter Federal Financial Report (SF-425), MDHHS understated cumulative cash disbursements by \$255.3 million. Also, we estimated that MDHHS understated the cumulative cash disbursements by \$144.6 million in the second quarter SF-425.
- b. In the fourth quarter TANF Financial Report (ACF-196R), MDHHS overstated the total federal expenditures by \$40.1 million and overstated the total State MOE expenditures by \$10.0 million.
- c. In the revised Annual Report on State Maintenance of Effort Programs (ACF-204), MDHHS overstated total annual State MOE expenditures by \$10.1 million. Also, in the originally submitted ACF-204, MDHHS incorrectly calculated the total annual MOE expenditures for its case management services by \$31.5 million. After we brought this calculation error to its attention, MDHHS submitted a revised ACF-204 in April 2019.

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 state's MOE programs for that year. The 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.

In addition, federal regulation 2 *CFR* 200.302(b)(2) requires states to file accurate and complete financial data in accordance with a grant program's reporting requirements.

Cause

MDHHS informed us that the errors were caused by inaccurate query parameters that incorrectly excluded transfers out from TANF and interagency transfers in the SF-425 and included fiscal year 2019 expenditures in the ACF-196R and ACF-204.

Effect

MDHHS may have diminished ACF's ability to ensure appropriate oversight and monitoring of TANF Cluster funds. We consider this to be a material weakness and material noncompliance because 4 of 5 reports reviewed contained large errors in the amounts reported. 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 2018-049

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	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	2017-038
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 10 (17%) of the 60 case records we reviewed. MDHHS uses an automated interface between the Michigan Child Support Enforcement System (MiCSES) and Bridges to identify and sanction TANF Cluster families not cooperating with establishing paternity and child support orders. Our review noted:

- a. In 9 (90%) of the 10 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.

- b. In 1 (10%) of the 10 cases, the automated interface failed to identify that a TANF Cluster family was not cooperating and, therefore, the benefits were not 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 ensure that all child support non-cooperation data interfaced between MiCSES and Bridges.

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.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2018-050

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	TANF Cluster: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	17 01 MI TANF 10/01/2016 - Until Expended 18 01 MI TANF 10/01/2017 - Until Expended
Total Expenditures of Federal Awards	\$697,021,985
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	2017-039
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately sanction 3 (5%) 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 that 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 and up to a lifetime sanction.

Cause

For the 3 cases, the penalty counter in Bridges was not accurate and, therefore, did not apply the appropriate sanction periods for the employment-related non-cooperation. MDHHS informed us that it cannot sanction these recipients because the recipients did not receive the correct sanction notification letter because of 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 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 2018-051

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

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	CCDF Cluster: <i>CFDA</i> 93.575 and 93.596	
Federal Award Identification Number (FAIN) and Year	G 16 03 MI CCDF	10/01/2015 - 09/30/2016
	G 17 03 MI CCDF	10/01/2016 - 09/30/2017
	G 18 03 MI CCDF	10/01/2017 - 09/30/2018

Total Expenditures of Federal Awards	\$197,847,318
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	Undeterminable
Repeat Finding	2017-040, part b.
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 for CCDF Cluster child care payments.

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 the Temporary Assistance for Needy Families (TANF) - Family Independence Program (FIP). We noted that 16% of the total CCDF Cluster child care payments MDE made during fiscal year 2018 were on behalf of TANF - FIP eligible clients or children. During our review of the TANF Program, we noted that MDHHS did not maintain sufficient case record documentation to support client eligibility for 11 (50%) of 22 TANF - FIP payments sampled for fiscal year 2018. 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.

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 provides specific requirements for client, child, and provider eligibility. Also, CCDF program policy deems clients to be categorically eligible if they participate in certain other programs such as TANF.

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 federal Social Security Act as these sections were in effect before October 1, 1995, and the expenditures must be for allowable services or activities, as described in the approved state plan.

Cause

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

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 because of the high error

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

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDE and MDHHS maintain sufficient documentation to support client and/or child eligibility for CCDF Cluster child care payments.

Management Views

MDE and MDHHS agree with the finding.

FINDING 2018-052

CCDF Cluster, CFDA 93.575 and 93.596, Period of Performance and Reporting - Identification of Obligations

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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
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	2017-042
State Agency	Michigan Department of Education

Condition

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

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

<u>Award Number</u>	<u>Period of Performance</u>	<u>Quarterly Report Ended</u>	<u>Overstated Unliquidated Obligations</u>	<u>Understated Unobligated Balance</u>
2017G996005	10/01/2016 - 09/30/2018	09/30/2018	\$64,823,877	(\$64,823,877)
2018G996005	10/01/2017 - 09/30/2019	09/30/2018	\$43,321,497	(\$43,321,497)

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) states that discretionary funds shall be obligated by the end of the fiscal year succeeding the year the funds were awarded. Also, federal regulation 45 *CFR* 75.2 states that obligated means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the nonfederal entity during the same or a future period. In addition, 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 it believed that the State's appropriation for the program in the fiscal year succeeding the year the federal funds were awarded constituted an obligation on the ACF-696. Also, MDE believed that it should include the remaining balance of the grant award in the unliquidated obligations line when appropriated amounts were still available.

Effect

By overstating unliquidated obligations at the end of the period of performance, the federal grantor agency would be unaware of the unused grant award that could be recaptured. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE agrees with the finding.

FINDING 2018-053

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 16 03 MI CCDF 10/01/2015 - 09/30/2016 G 17 03 MI CCDF 10/01/2016 - 09/30/2017 G 18 03 MI CCDF 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$197,847,318
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Fraud Detection and Repayment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

Repeat Finding	2017-043
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 2018, 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 and MDHHS had not developed 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 informed us that Bridges work requests were reprioritized for the changes required to be implemented by September 30, 2018 under the reauthorized Child Care and Development Block Grant Act of 2014; therefore, the delinquency date for collections had not been programmed into the Bridges Benefit Recovery System to allow for automated tracking of delinquent claims. In the interim, MDE had not established a manual recoupment policy for MDHHS's collection and referral of claims to the Michigan Department of Treasury.

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 2018-054

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$603,404
Repeat Finding	2017-044
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 medical assistance Medicaid coverage.

Our query of 13,399 beneficiaries receiving transitional Medicaid benefits for more than 12 months disclosed that 4,430 (33%) continued to receive benefit payments after the transitional eligibility period ended.

Criteria

In accordance with federal regulation 42 *CFR* 435.10, MDHHS's Medicaid State Plan specifies that it provides extended medical coverage up to 12 months 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 federal law 42 *USC* 1396r-6). Also, MDHHS developed policies and procedures related to the "transitional medical assistance" Medicaid coverage eligibility group that provides coverage for up to 12 months.

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 \$931,466 during fiscal year 2018 on behalf of 4,430 beneficiaries in the transitional Medicaid eligibility group for medical services provided after the allowed 12-month transitional period had expired. The 4,430 beneficiaries received an average of 80 additional transitional Medicaid coverage days, ranging from 28 to 791 days. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$603,404 - federal share of payments made to providers on behalf of beneficiaries.
- \$328,062 - 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 medical assistance Medicaid coverage.

Management Views

MDHHS partially agrees with the finding. MDHHS acknowledges timely termination did not always occur for beneficiaries receiving transitional Medicaid coverage. Timely termination did not always occur because MDHHS believes they have an obligation to comply with federal requirements regarding negative action and due to other worker actions. In addition, although these beneficiaries may no longer be 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.

Auditor's Comments to Management Views

Federal law 42 *USC* 1396r-6 and MDHHS's Medicaid State Plan specify that extended medical coverage is available for **up to 12 months**. Obligations related to negative actions and any redetermination to determine if the beneficiary qualifies under another Medicaid eligibility aid category should take place prior to the expiration of the 12-month period. Therefore, the finding stands as written.

FINDING 2018-055

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$21,987
Repeat Finding	2017-045
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not timely update CHAMPS for paper death records received. As a result, MDHHS issued \$32,782 for all 15 beneficiaries sampled from a \$791,705 population of beneficiary

payments with a paper death record received but not processed. MDHHS continued to issue capitated payments for more than six months after the date of death for 4 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 changes in the manual upload process, MDHHS inadvertently missed uploading some paper death records during the fiscal year.

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.

- \$21,987 - federal share of payments made to providers on behalf of beneficiaries.
- \$10,795 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2018-056

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: <i>CFDA</i> 93.775, 93.777, 93.778, and 93.778 (ARRA)
Federal Award Identification Number (FAIN) and Year	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$7,690
Repeat Finding	2017-046, 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 13 (22%) of 60 Medicaid cases. Our review disclosed:

- a. MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 10 (17%) of 60 cases reviewed.
- b. MDHHS did not maintain case file documentation to support beneficiary eligibility for 2 (3%) of 60 cases reviewed.
- c. MDHHS did not ensure that Bridges and CHAMPS contained the appropriate transitional medical assistance Medicaid coverage termination date for 1 (2%) of the 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 42 *CFR* 435.914 requires that case record documentation be maintained to support the eligibility decision. Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups.

Cause

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

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

For part c., MDHHS indicated that there was a breakdown of internal processes that caused the delay in timely termination of the beneficiary within the transitional medical assistance Medicaid eligibility group.

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 MDHHS may have made payments on behalf of ineligible beneficiaries and because of the 22% error rate. 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.

- \$7,690 - federal share of payments made to providers on behalf of beneficiaries for the sampled eligibility month.
- \$4,180 - 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.

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

Management Views

MDHHS agrees with the finding.

FINDING 2018-057

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

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$7,030
Repeat Finding	2017-047
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 \$10,520 for 39 (87%) of 45 payments sampled from a \$6,548,779 population of 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.

- \$7,030 - federal share of payments made to providers on behalf of ineligible beneficiaries.
- \$3,490 - State share of 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 2018-058

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 - MiAIMS User Access

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; 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

Condition

MDHHS did not establish effective access controls over Michigan Adult Integrated Management System (MiAIMS) users. MiAIMS is utilized to record Home Help Program (HHP) case management activities and process payment authorizations. HHP payments totaled \$313.2 million in fiscal year 2018. We noted:

- MDHHS did not require application security agreements to be completed at the inception of MiAIMS for those users who had access to the previous system. In addition, MDHHS did not document a recertification process to ensure that users being transferred had access assigned in accordance with their job responsibilities.

- b. MDHHS did not monitor MiAIMS user accounts for compliance with account management requirements every 120 days. Our review of MDHHS's user report noted that 108 (14%) of the 753 active users had not accessed MiAIMS in 120 days or more.

Criteria

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.

SOM 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 agencies to review user accounts for compliance with account management requirements every 120 days.

Cause

MDHHS informed us that verification of user roles was done informally for those users transferred from the previous system. Also, MDHHS informed us that central office staff have not had access to accurate MiAIMS user reports in order to review access for appropriateness.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS establish effective user access controls over MiAIMS.

Management Views

MDHHS agrees with the finding.

FINDING 2018-059

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible HHP 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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$1,259
Repeat Finding	2017-048
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that HHP clients met HHP eligibility criteria prior to paying for HHP services. We noted:

- a. MDHHS overpaid for 8 (53%) of 15 sampled clients who were hospitalized. The overpayments for the 8 hospitalized clients totaled \$1,130.
- b. MDHHS overpaid for 2 (14%) of 14 sampled clients who were in a nursing facility. The overpayments for the 2 clients totaled \$814.

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 or nursing home and for all subsequent days of hospitalization, excluding the day of discharge. Effective July 1, 2018, ASM 135 also prohibits payment for HHP services on the day of discharge.

Cause

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

Effect

MDHHS paid a total of \$1,944 for ineligible services from October 1, 2017 through September 30, 2018 for individuals who did not qualify for them because they were hospitalized or were in a nursing facility. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$1,259 - federal share of amounts paid for HHP services for clients from October 1, 2017 through September 30, 2018 who were either hospitalized or in a nursing facility during that same time period.
- \$685 - 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 2018-060

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$21,572
Repeat Finding	2017-050
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 HHAs' documentation of services provided to 15 beneficiaries disclosed that beneficiaries' plans of care did not include all required elements for 13 (87%) of 15 beneficiaries reviewed. Some of the missing elements included the date of most recent hospitalization, date of the physician's last contact, and verbal order obtained prior to services being provided.

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 process to update HHAs on policy updates or changes was not sufficient.

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.

- \$21,572 - federal share of payments made during fiscal year 2018 on behalf of sampled beneficiaries without approval and documentation to support services received.
- \$11,729 - 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 2018-061

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$13,017
Repeat Finding	2017-054
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 \$8.90 to \$11.00 per hour, whereas agency provider rates ranged from \$13.50 to \$15.50 per hour. Our review disclosed:

- MDHHS did not obtain the required supporting documentation to meet fiscal year 2018 policy requirements for 1 (8%) of 13 agencies that were on MDHHS's list of approved agencies. We estimate that MDHHS paid this agency \$49,961 at the agency rate during fiscal year 2018, an amount that exceeded the individual pay rates by \$17,773.

- b. MDHHS did not ensure that providers paid at the agency rate were on MDHHS's list of approved agencies. MDHHS paid 2 (18%) of 11 providers \$5,424 at the agency rate during fiscal year 2018, an amount that exceeded the individual rates by \$1,848.

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 adult services worker (ASW) can authorize payment to the agency at the applicable agency pay rate. Prior to appearing on the approved provider list, ASWs can authorize agencies to be paid at only the applicable individual provider pay rate.

Cause

MDHHS informed us that ASWs may have used an outdated Adult Home Help Approved Agency List to check payment eligibility or relied on previous experience with the agency rather than using the current list. In addition, MDHHS informed us that there was some confusion among ASWs regarding the agency approval process.

Effect

MDHHS overpaid agencies \$19,621 during fiscal year 2018. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulations 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.

- \$13,017 - federal share of the payments made to providers that exceeded the individual rates.
- \$6,604 - 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 2018-062

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

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$1,059
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that final cost settlements were accurately calculated for 3 (21%) of 14 sampled long-term care providers.

Criteria

Federal regulation 42 *CFR* 447.253(i) indicates that MDHHS must pay for long-term care services using rates determined in accordance with methods and standards specified in the Medicaid State Plan. MDHHS's Medicaid State Plan specifies that rates are established based on a provider's unaudited cost report and that final cost settlement calculations will be completed using the provider's audited cost report to determine if additional payment is due to the State, federal government, or the provider.

Cause

MDHHS informed us that the miscalculations were caused by manual data entry errors.

Effect

MDHHS overpaid 2 long-term care providers and underpaid 1 long-term care provider. 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.

- \$1,059 - federal share of net overpayments made to providers on behalf of beneficiaries.
- \$576 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure accurate final cost settlement calculations.

Management Views
MDHHS agrees with the finding.

FINDING 2018-063

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Dental 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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$765,778
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that supplemental payment adjustments to dental providers were accurately calculated in accordance with its Medicaid State Plan.

Criteria

MDHHS's Medicaid State Plan allows for qualifying dental providers to receive quarterly supplemental payment adjustments equal to the difference between the Medicaid fee for service rate and the average commercial rate. Also, it states that the data used to determine the average commercial rate will be derived either from dates of service from the most recently completed fiscal year or the current period, depending on the availability of data.

Cause

MDHHS informed us that formula errors resulted in the miscalculations identified in the overpayment amounts. In addition, MDHHS informed us that commercial rates from dental providers were requested; however, providers were not responsive or indicated that there were no substantive changes in commercial rates from the prior year.

Effect

MDHHS overpaid dental providers \$1,131,216 during fiscal year 2018. In addition, since MDHHS did not receive updated commercial rates from dental providers, we were unable to determine if additional noncompliance existed because of the impact of using outdated data. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$765,778 - federal share of overpayments made to dental providers.
- \$365,438 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that supplemental payment adjustments to dental providers are accurately calculated in accordance with its Medicaid State Plan.

Management Views

MDHHS agrees with the finding.

FINDING 2018-064

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - 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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
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	1805MI5MAP - \$999,592
Repeat Finding	2017-052
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in our performance audit of Medicaid Practitioner Fee-for-Service Reimbursement, Department of Community Health (391-0713-13), located at audgen.michigan.gov/finalpdfs/13_14/r391071313.pdf, MDHHS did not ensure proper payment of practitioner fee-for-service claims. We conducted follow-up procedures during the fiscal year 2018 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 service and payment; however, subsequent to those payments, eligibility was retroactively modified in Bridges, which resulted in retroactive changes to CHAMPS benefit plans. This resulted in monthly capitation payments to MHPs for the same months in which fee-for-service payments were made.

Effect

Based on follow-up procedures conducted during the fiscal year 2018 single audit, we determined that MDHHS made improper fee-for-service practitioner payments of \$1,249,516 from October 1, 2017 through September 30, 2018. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$999,592 - federal share of improper payments made to providers from October 1, 2017 through September 30, 2018.
- \$249,924 - 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 2018-065

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Special Tests and Provisions - Long-Term Care Facility Audits

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	1805MI5MAP 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$12,662,453,840
Total ARRA Expenditures	\$19,657,689
Compliance Requirement(s)	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that audits of long-term care providers were completed timely and accurately. We noted:

- a. MDHHS did not complete on-site audits every 4 years for 11 (55%) of the 20 long-term care providers reviewed. Also, we noted that 12 (60%) of the 20 sampled audits took MDHHS over 3 years to complete after the cost report was received.
- b. MDHHS identified and did not disallow \$12,964 of unallowable costs from long-term care providers' cost reports for 2 (13%) of the 15 audits sampled.

Criteria

In accordance with federal regulation 42 *CFR* 447.253, MDHHS's Medicaid State Plan requires that an on-site audit will be conducted no less than once every four years. Also, MDHHS's policy contained in its Medicaid Provider Manual requires MDHHS to audit the records of each participating long-term care provider to ensure that the expenses are attributable to allowable cost items and accurately reported in accordance with established principles and guidelines. If it is determined that a cost report contains incorrect data, MDHHS shall use the corrected data to compute future rates and will retroactively change a previously applied rate.

Cause

MDHHS indicated that it did not have a tracking mechanism that identified when it last physically visited the facilities and informed us that it interpreted "on-site" to mean the location at which the financial records were maintained. Also, MDHHS indicated that staffing limitations, scheduling conflicts with the providers, and auditing multiple cost report years during the on-site visits contributed to the delays. In addition, MDHHS indicated that it was lenient with providers that expressed confusion with the Medicaid Provider Manual requirements and, therefore, did not disallow the cost but rather allowed the provider to correct the issue prospectively.

Effect

Untimely cost report audits causes delays in identification and resolution of items that could affect final cost settlements and prospective rate determinations. Also, including unallowable costs may result in an overstatement of the long-term care provider reimbursement rates. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS ensure that audits of long-term care providers are completed timely and accurately.

Management Views

MDHHS agrees with the finding.

FINDING 2018-066

Immunization Cooperative Agreements, CFDA 93.268, 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	Immunization Cooperative Agreements: <i>CFDA</i> 93.268	
Federal Award Identification Number (FAIN) and Year	NH23IP000752	04/01/2017 - 06/30/2019
	NH23IP000783	04/01/2017 - 06/30/2019
	NH23IP000854	09/30/2016 - 06/30/2019

Total Expenditures of Federal Awards	\$101,242,490
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 expenditures and federal cash receipts by \$1.3 million on 1 of 2 reviewed annual federal financial reports.

Criteria

Federal regulation 45 *CFR* 75.341 requires grantees to submit financial reports no less frequently than annually using the OMB-approved standard form. Also, federal regulation 45 *CFR* 75.302(b)(2) requires grantees to submit accurate financial data in accordance with a grant program's reporting requirements.

Cause

MDHHS informed us that it is difficult identifying the service period of program activity for Immunization Cooperative Agreements due to shortcomings of an underlying payment system. Further, MDHHS stated that payments can be made up to 90 days after the end of the budget period for services earned during the budget period, but with ongoing grants, payments for the current budget period are also made during that time frame.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS submit accurate financial reports for Immunization Cooperative Agreements.

Management Views

MDHHS agrees with the finding.

FINDING 2018-067

Immunization Cooperative Agreements, CFDA 93.268, Special Tests and Provisions - MCIR General Controls

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Program Title and CFDA Number	Immunization Cooperative Agreements: <i>CFDA</i> 93.268	
Federal Award Identification Number (FAIN) and Year	NH231P000752	04/01/2017 - 06/30/2019
	NH231P000783	04/01/2017 - 06/30/2019
	NH231P000854	09/30/2016 - 06/30/2019

Total Expenditures of Federal Awards	\$101,242,490
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine
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 Care Improvement Registry (MCIR). MCIR serves as the central registry for immunization records in the State, as well as the vaccine inventory management system for providers enrolled in the Vaccines for Children program. Our review of selected general controls disclosed:

- a. DTMB did not fully establish and implement effective security configurations for the MCIR database. The MCIR 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 MCIR servers. 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

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.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel.

Cause

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

For part b., DTMB informed us that it has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB fully establish effective general controls over MCIR.

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2018-068

Immunization Cooperative Agreements, CFDA 93.268, Special Tests and Provisions - MCIR User Access Controls

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Immunization Cooperative Agreements: CFDA 93.268
Federal Award Identification Number (FAIN) and Year	NH23IP000752 04/01/2017 - 06/30/2019 NH23IP000783 04/01/2017 - 06/30/2019 NH23IP000854 09/30/2016 - 06/30/2019
Total Expenditures of Federal Awards	\$101,242,490
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine
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 establish effective access controls over MCIR users. We noted:

- a. MDHHS did not maintain application security agreements for users who are State employees.
- b. MDHHS did not monitor MCIR user accounts for compliance with account management requirements every 120 days.

Criteria

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.

SOM 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 agencies to review user accounts for compliance with account management requirements every 120 days.

Cause

MDHHS informed us that it was documenting State employee approval for MCIR access through e-mail instead of using a security agreement. In addition, MDHHS was placing reliance on site administrators to add/remove site users in a timely fashion, as well as relying on a system process in MCIR to auto-expire access.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS establish effective user access controls over MCIR.

Management Views

MDHHS agrees with the finding.

FINDING 2018-069

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568
Federal Award Identification Number (FAIN) and Year	G 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G-18 01 MI LIE 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	G 18 B1 MI LIEA - \$4,806
Repeat Finding	2017-059
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client eligibility, verify income and assets, and properly authorize payments and did not document results in accordance with policy for 5 (29%) of 17 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 during intake in order to determine eligibility for SER energy services. Also, MDHHS policy requires caseworkers to complete and authorize the Authorization/Invoice (DHS-849) before providing payment to vendors.

In addition, 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

We consider this to be a material weakness and material noncompliance because MDHHS may have made payments on behalf of ineligible recipients and because of the high error rate. 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.

- \$4,806 - 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 2018-070

Low-Income Home Energy Assistance, CFDA 93.568, Matching, Level of Effort, and Earmarking - Administrative Expenditures in Excess of the Earmark Threshold

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 17 B1 MI LIEA 10/01/2016 - 09/30/2018 G 18 B1 MI LIEA 10/01/2017 - 09/30/2019 G 18 01 MI LIE4 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$169,179,378
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	G 18 B1 MI LIEA - \$10,667,550
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Background

MDHHS expenditures for costs associated with eligibility determinations were \$365.8 million in fiscal year 2018. These costs include expenditures for eligibility specialists, their supervisors, and support staff such as those at the central call center. In accordance with its approved PACAP, MDHHS allocated these expenditures to various programs, such as LIHEAP, TANF, SNAP, Medicaid, and CCDF, as administrative expenditures. For LIHEAP, MDHHS originally allocated \$2.7 million as federally funded administrative expenditures and \$11.9 million as State-funded administrative expenditures.

Condition

MDHHS did not appropriately record LIHEAP expenditures as administrative costs in SIGMA. In addition, MDHHS drew down federal funds of \$10.7 million for administrative expenditures that were in excess of the allowable federal amount.

During its year-end closing procedures, MDHHS reclassified \$10.6 million of administrative expenditures related to eligibility determinations, which were allocated through the PACAP, to a federally funded non-administrative expenditure category. We calculated total LIHEAP federally funded administrative expenditures (including the \$10.6 million that was reclassified to a non-administrative category) to be \$26.8 million in fiscal year 2018. This exceeds the federal 10% planning and administrative earmark threshold by \$10.7 million.

Criteria

Federal regulation 45 *CFR* 96.50(e) allows the states to develop their own administrative cost definition, consistent with the statute and regulations, and defer to the state's definition unless it is based on an interpretation of the statute that HHS determines is "clearly erroneous." *Federal Register* 52:197 (13 Oct. 1987) p. 37962 states that administrative costs typically include expenditures, such as eligibility determination, associated with the administration of a public assistance program.

Also, federal regulation 45 *CFR* 96.88(a) indicates that any expenditures normally associated with administration in a public assistance program, such as TANF, must be included in administrative cost. HHS's Office of Community Services LIHEAP Information Memorandum 2000-12 indicates that the state should consider whether TANF regulations affect its interpretation of what constitutes administrative costs for LIHEAP.

In addition, MDHHS's PACAP submitted to HHS's DCA indicates that the PACAP reflects how MDHHS identifies, measures, and allocates indirect and administrative costs incurred in support of all programs administered or supervised by MDHHS.

Federal law 42 *USC* 8624(b)(9) requires that a grantee use not more than 10% of the total amount of the federal funds provided for planning and administrative purposes and the grantee will use nonfederal sources for the remaining costs that exceed the planning and administrative earmark threshold.

Cause

MDHHS determined that the cost associated with eligibility determinations, previously reported as administrative expenditures in prior fiscal years, could be reported as nonadministrative expenditures; therefore, MDHHS classified the over-the-cap LIHEAP administrative expenditures to federally funded nonadministrative expenditures.

Effect

MDHHS reduced the amount of funding available for heating, crisis, and weather assistance to clients by allowing more of the LIHEAP funds to be used for administrative purposes than allowed by federal regulations. We consider this to be a material weakness and material noncompliance because the total administrative costs charged to the program were 16.6%, which exceeded the 10% limit. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

\$10,667,550 - administrative expenditures that were in excess of the allowable federal amount.

Recommendations

We recommend that MDHHS appropriately record LIHEAP expenditures as administrative costs in SIGMA.

We also recommend that MDHHS limit its draws of federal funds to allowable administrative expenditures.

Management Views

MDHHS disagrees with the finding. Representatives from HHS ACF advised MDHHS that the agency can include the cost associated with eligibility determinations, previously reported as administrative expenditures in prior fiscal years, as non-administrative expenditures as long as it is not in conflict with existing rules and definitions for administrative costs. ACF staff provided MDHHS with a LIHEAP Clearinghouse Issue Brief (brief), which encourages states and details ways to save on administrative costs and thereby allow more funding to be used to assist clients with their home energy needs. The brief clearly gives states the flexibility with planning and administrative expenditures. The brief further goes on to state that given the flexibility of TANF and LIHEAP regulations, states vary as to how they classify the costs of providing energy assistance benefits and services such as program intake functions and eligibility functions (determining eligibility). The brief then provides examples as to how different states have defined administration versus program expenditures. MDHHS uses its PACAP to define how indirect and administrative costs will be allocated in support of all MDHHS programs. Historically, MDHHS had treated the LIHEAP eligibility determination costs as administrative, until their federal partners encouraged MDHHS to review these costs because some states do consider these same costs as programmatic. The PACAP defines the methodology used for allocating field staff's time across all MDHHS programs. As recommended by ACF, MDHHS will further define administrative costs in its LIHEAP state plan to clarify how LIHEAP programmatic intake functions and eligibility functions are classified.

Auditor's Comments to Management Views

The June 2014 brief mentioned by MDHHS was provided by ACF as guidance for states in developing their definition for administrative costs. This brief contains a disclaimer stating that the content of this publication does not necessarily reflect the views or policies of the U.S. Department of Health and Human Services, nor does the mention of program activities imply compliance with HHS regulations. MDHHS did not take the necessary steps to amend its PACAP and LIHEAP State Plan or modify the collection of the LIHEAP eligibility determination costs in its PACAP. MDHHS has defined eligibility determination costs as administrative costs in its approved PACAP.

Also, the classification of the \$10.7 million PACAP allocated expenditures is inconsistent with federal regulation 45 CFR 96.88(a) as a portion of these expenditures were classified as

administrative expenditures for the LIHEAP program and other public assistance programs, including TANF. Consequently, the nature of these underlying expenditures remains unchanged and should be considered administrative costs. Therefore, the finding stands as written.

FINDING 2018-071

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	17 01 MI FOST 10/01/2016 - 09/30/2017 18 01 MI FOST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704
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	18 01 MI FOST - \$200
Repeat Finding	2017-060
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that criminal records checks and child abuse and neglect registry checks on prospective tribal foster parents were completed prior to issuing foster care payments for 1 sampled maintenance payment to a tribally licensed provider.

We randomly selected and reviewed 40 foster care maintenance payments. MDHHS made maintenance payments to tribally licensed providers in 2 of the 40 payments. Our review disclosed that the criminal records checks and child abuse and neglect registry checks on prospective tribal foster parents were not completed prior to issuing 1 maintenance payment and associated tribal foster care license.

Criteria

Federal laws 42 USC 671(a)(20)(A) and 42 USC 671(a)(20)(B)(i) require the state to perform criminal records checks and to check any child abuse and neglect registry maintained by the state for any prospective foster parent before the 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 criminal records checks and 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.

- \$200 - federal share.
- \$41 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that criminal records checks and child abuse and neglect registry checks on prospective tribal foster parents are completed prior to issuing foster care maintenance payments.

Management Views

MDHHS agrees with the finding.

FINDING 2018-072

Foster Care - Title IV-E, CFDA 93.658, 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	Foster Care - Title IV-E: CFDA 93.658
Federal Award Identification Number (FAIN) and Year	17 01 MI FOST 10/01/2016 - 09/30/2017 18 01 MI FOST 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$138,928,704
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 reports to ACF. Our review of 2 Foster Care - Title IV-E Program quarterly financial reports disclosed:

- MDHHS overstated the Average Number of Children in Placement - Any Payments or Administrative Costs (Line 43) by 2,686 on the first quarter report and by 2,153 on the third quarter report.

- b. MDHHS understated the Average Number of Children Pre-Placement Title IV-E Funded Candidate Administrative Costs (Line 44a) by 545 on the first quarter report and by 559 on the third quarter report.
- c. MDHHS understated the current quarter claims and the federal share of current quarter claims by \$771,777 and \$385,888, respectively, for the first quarter and by \$645,564 and \$322,782, respectively, for the third quarter.

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. The reporting instructions include specific details for reporting information, such as expenditures and information on children assisted for the quarter that has just ended.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure that financial reports were accurate.

Effect

MDHHS may have diminished the federal grantor's ability to ensure appropriate oversight and monitoring of Foster Care - Title IV-E 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 Foster Care - Title IV-E Program financial reports.

Management Views

MDHHS partially agrees with the finding. For part b. of the finding, MDHHS and the Office of the Auditor General (OAG) disagree on the interpretation of federal instructions. MDHHS has consistently performed the calculation using caseloads since 2011 and both federal and state auditors have not noted any issues with this interpretation. The federal instructions appear to use caseload, candidate cases, and children interchangeably, so MDHHS has reached to its federal partners for additional clarification.

Auditor's Comments to Management Views

In regard to part b., the reporting instructions state that this line should consist of "the average monthly number of children on whose behalf Title IV-E candidate pre-placement administrative costs were incurred." The reporting instructions further state "if pre-placement costs claims are derived through application of an allocation statistic such as the foster care eligibility rate to a pool of candidate cases, the number to be reported on this line is the average monthly number of children in that pool multiplied by the applicable allocation statistic." MDHHS reported the average monthly number of cases instead of the required average monthly number of children. Regardless of prior audit conclusions, MDHHS should have reported numbers based on the average monthly number of children and not the average monthly number of cases. Therefore, the finding stands as written.

FINDING 2018-073

Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Payments to Ineligible Participants

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	17 01 MI ADPT 10/01/2016 - 09/30/2017 18 01 MI ADPT 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180
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	18 01 MI ADPT - \$100,393
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that adoption assistance payments were made to eligible adoptive parents for 18 (21%) of 86 cases reviewed.

Criteria

Federal law 42 *USC* 673(a)(3) states that the payments made shall be determined through agreements between the adoptive parents and the state.

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 when these cases were converted to MiSACWIS in May 2014, the Adoption Assistance Program was improperly coded as the funding source. The adoption assistance agreements completed by MDHHS specifically indicated that the adoptive parents were not eligible for the adoption federal program and were to be funded through another funding source. Prior to the system conversion, the adoptive parents were paid by the other funding source. In addition, MDHHS informed us that worker error caused some of the cases to be coded incorrectly.

Effect

MDHHS paid ineligible adoptive parents \$100,393 during fiscal year 2018. 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.

- \$100,393 - federal share
- \$54,510 - 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 are made to eligible adoptive parents.

Management Views

MDHHS agrees with the finding.

FINDING 2018-074

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	17 01 MI ADPT 10/01/2016 - 09/30/2017 18 01 MI ADPT 10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180
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	2017-063
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure the accuracy of the savings reported to HHS on the Annual Adoption Savings Calculation and Accounting Report.

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. Ten (33%) of the 30 cases determined by MDHHS to be applicable only status were actually non-applicable status. MDHHS inappropriately reported savings associated with these 10 cases.
- b. Five (17%) of the 30 cases determined by MDHHS to be non-applicable status were actually applicable only status. MDHHS did not report the savings associated with these 5 cases.

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 federal Social Security Act.

Federal laws 42 USC 673(a)(8)(B)(ii) and 42 USC 673(a)(8)(B)(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 of the high error rates noted. 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 on the Annual Adoption Savings Calculation and Accounting Report.

Management Views

MDHHS agrees with the finding.

FINDING 2018-075

Adoption Assistance, CFDA 93.659, Reporting - Accuracy of Financial 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	17 01 MI ADPT	10/01/2016 - 09/30/2017
	18 01 MI ADPT	10/01/2017 - 09/30/2018
Total Expenditures of Federal Awards	\$103,682,180	
Total ARRA Expenditures	\$0	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2017-064	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS understated 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 2018 first 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. MDHHS processed the correcting entry after submitting the fiscal year 2018 first quarter 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 sanction 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 2018-076

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

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	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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	1805MI5021 - \$432
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS was unable to obtain medical records from CHIP providers to support 2 of 3 reviewed CHIP fee-for-service claims.

Criteria

Section 2107(a)(e)(1)(C) of the federal Social Security Act incorporates Section 1902(a)(78) of the same Act, which requires providers to be enrolled with the state before providing medical assistance on a fee-for-service basis. When enrolling in CHIP, providers agree to keep any records necessary to disclose the extent of services the provider furnishes to beneficiaries.

Also, State law requires licensed providers to keep and maintain medical records for a minimum of seven years.

Cause

MDHHS informed us that it places heavy reliance on the provider maintaining appropriate documentation for services provided because post-payment review processes completed by MDHHS cannot validate all provider documentation requirements.

Effect

Without medical records, MDHHS is unable to demonstrate that the services actually occurred or were medically necessary. 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.

- \$432 - Federal share of CHIP payments for unsupported fee-for-service claims.
- \$7 - State share of costs that MDHHS inappropriately used as matching expenditures for CHIP funds.

Recommendation

We recommend that MDHHS ensure that CHIP providers maintain medical records to support CHIP fee-for-service claims.

Management Views

MDHHS agrees with the finding.

FINDING 2018-077

Children's Health Insurance Program, *CFDA* 93.767, Reporting - Classification of Expenditures

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and <i>CFDA</i> Number	Children's Health Insurance Program: <i>CFDA</i> 93.767
Federal Award Identification Number (FAIN) and Year	1805MI5021 10/01/2017 - 09/30/2019 1705MI5021 10/01/2016 - 09/30/2018
Total Expenditures of Federal Awards	\$256,764,116
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 misclassified amounts between CHIP expenditure line items on its fiscal year 2018 second and third quarter federal financial reports totaling \$4,228,890 and \$4,305,931, respectively.

Condition

MDHHS was unable to provide sufficient documentation to demonstrate that it complied with the 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.

In November 2018 and January 2019, MDHHS provided us with two different calculations documenting its State MOE expenditures for fiscal year 2017. Both of MDHHS's calculations showed that MDHHS did not comply with the MOE requirement; however, neither of the versions were submitted to the federal awarding agency.

Also, our review of MDHHS's calculations noted inconsistent inclusion and/or exclusion of State expenditures. For example, co-occurring disorder expenditures were included in the calculation for one subrecipient but were not included in the calculation for three other subrecipients.

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 2017 State MOE expenditures should have been calculated and reported in June 2018.

Cause

MDHHS informed us that it did not have formalized written policies or procedures regarding calculation of the MOE requirement for State expenditures.

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 that MDHHS implement controls to ensure compliance with the MOE requirement for State expenditures.

Management Views

MDHHS agrees with the finding.

FINDING 2018-080

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Subrecipient Monitoring - Risk Assessments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Block Grants for Prevention and Treatment of Substance Abuse: CFDA 93.959
Federal Award Identification Number (FAIN) and Year	TI010026-17 10/01/2016 - 09/30/2018 TI010026-18 10/01/2017 - 09/30/2019 B08TI010026-18 10/01/2017 - 09/30/2019
Total Expenditures of Federal Awards	\$66,776,367
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2017-066
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not evaluate 2 (11%) of 19 subrecipients' risk of noncompliance with program requirements. In addition, MDHHS did not consider subrecipient risk assessment scores when determining appropriate monitoring activities. Our review noted that MDHHS's highest-risk subrecipient underwent less monitoring than 3 sampled lower-risk subrecipients.

Criteria

Federal regulation 45 *CFR* 75.352(b) requires MDHHS to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Cause

MDHHS did not evaluate risk of noncompliance for the 2 subrecipients because of staff oversight. In addition, MDHHS informed us that monitoring of its highest risk subrecipient was reduced as a result of transferring monitoring responsibilities to a different MDHHS division.

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.

FINDING 2018-081

Homeland Security Biowatch Program, CFDA 97.091, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Improper Employee Activity Charged

Federal Agency	U.S. Department of Homeland Security
Pass-Through Entity	Not Applicable
Program Title and CFDA Number	Homeland Security Biowatch Program: CFDA 97.091
Federal Award Identification Number (FAIN) and Year	06OHBIO00021 08/01/2006 - 07/31/2021
Total Expenditures of Federal Awards	\$1,777,995
Total ARRA Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Noncompliance
Known Questioned Costs by FAIN	06OHBIO00021 - \$4,565
Repeat Finding	Not Applicable
State Agency	Department of Environment, Great Lakes, and Energy

Background

The OAG's Fraud Investigative Services Team investigated the work-related activities of four BioWatch Unit employees in the Department of Environmental Quality (DEQ), now the Department of Environment, Great Lakes, and Energy (EGLE), after receiving allegations that, since at least late 2016, some Unit employees routinely took extended lunches and left early without recording their time off in the State's timekeeping system. The OAG's report covered the period from January 2017 through June 2018 and the OAG concluded:

- Four employees regularly overstated and falsely certified their work hours, including overtime.
- Three employees did not accurately complete some of their daily travel logs and regularly misused their State vehicles by doing one or more of the following:
 - Driving them for personal use during their normal work shifts.
 - Parking them overnight at their personal residences.
- At least one Unit employee had a commuting arrangement that did not reflect sound business practice.

Additional information can be found in the investigative audit report of the BioWatch Unit's Selected Employees' Time Reporting and Use of State Vehicles, Department of Environmental Quality (917-MDEQ-01), located at <http://audgen.michigan.gov/wp-content/uploads/2019/01/r917MDEQ01-886.pdf> >.

Condition

EGLE internal control over travel and personnel costs were not effective and resulted in the issuance of disciplinary action for 4 employees and 1 supervisor, including the dismissal of 2 employees.

Criteria

According to the Michigan BioWatch project narrative, travel and personnel costs are permitted if associated with maintaining, equipping, and training program-dedicated staff for daily field operations and transporting filters to the laboratory.

State of Michigan Administrative Guide to State Government procedure 0410.03 prohibits the non-duty use of State vehicles.

Cause

Program employees deliberately misreported cited work time and personal use of State vehicles. Poor internal control and lax supervisory oversight allowed the cited work time and payroll abuse to occur and either go undetected or be ignored.

Effect

EGLE made payments to staff for work that was not performed. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516a(6) requires the auditor to report known or likely fraud affecting a federal award. These four employees incurred total payroll costs of \$372,963 from October 1, 2017 through September 30, 2018.

- \$12,666 - known and likely questioned costs incurred between October 1, 2017 through June 30, 2018.

Recommendation

We recommend that EGLE improve internal control to ensure that only travel and personnel costs directly related to administering the program are charged to the federal program.

Management Views

EGLE agrees with the finding. EGLE takes misuse of State resources seriously. Upon receiving the referral of issues identified by the Office of Auditor General's Fraud Investigative Services Team, EGLE requested Civil Service conduct an investigation. Civil Service completed an investigation for payroll fraud and violations of State policies for the employees in question.

Findings Identified by Other Auditors

FINDING 2018-082

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, 2018, Finding 2018-001.

FINDING 2018-083

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, 2018, Finding 2018-002.

FINDING 2018-084

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, 2018, Finding 2018-003.

FINDING 2018-085

Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Administration Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2018, Finding 2018-001.

AUDITEE SECTION



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

CHRIS KOLB
DIRECTOR

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2018

Prior Audit Findings Related to Financial Statements

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2017
Finding Title: Significant improvements needed to MDHHS financial accounting practices.

Finding: The Michigan Department of Health and Human Services (MDHHS) did not ensure that sufficient internal control and procedures existed for the preparation and approval of accounting transactions primarily involving year-end accruals.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected parts a. through c. of the finding.

Reason(s) For Recurrence: MDHHS's business process is for managers to approve some transactions outside of the Statewide Integrated Governmental Management Applications (SIGMA) system prior to their entry.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2017
Finding Title: Improvements needed to transaction processing and documentation retention procedures.

Finding: MDHHS did not always ensure that accounts receivable and accounts payable transactions were derived using approved methodologies and that it maintained sufficient documentation to support year-end accruals.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected parts a. through h. of the finding.

Reason(s) For Recurrence: The current system does not have the

capability of tracking services based on Electronic Visit Verification. System modifications have been delayed due to the information technology (IT) shortfall.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 7, part h.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: Finding 3
Initial Year Written: Fiscal Year 2013
Finding Title: Continued improvements needed to processes for establishing and monitoring tax receivables and payables.

Finding: The Department of Treasury (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 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., the underlying report for comparing year-end business accruals to subsequent payments from SAP did not exist making the comparison not feasible. The methodology for individual income tax (IIT) comparisons from the legacy system continue to be evaluated if this is feasible in the current platform. The legacy IIT system is currently being bid out for replacement. The replacement system will have the reporting platform to allow for this comparison to be completed, as appropriate.

For part c., Treasury continues to evaluate how it uses the year-end SAP reports and further evaluates what return information, including estimates, should be included or excluded from tax accruals.

For part d., Treasury acknowledges that the legacy IIT system does not provide the reporting platform that would ideally be used to estimate IIT collections. The IIT system is currently being bid out for replacement. The replacement system will have the reporting platform to allow estimated collections to be evaluated and booked, as appropriate.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 6, parts a., b., and d.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: Finding 4
Initial Year Written: Fiscal Year 2017
Finding Title: Improvements need to Treasury's controls to ensure accurate and complete balances in the offset fund.

Finding: Treasury should improve internal control over the offset fund to ensure that balances are accurate and complete.

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

Reason(s) For Recurrence: During fiscal year 2018, Treasury submitted the annual request consideration for programming changes and report creation to remediate this finding along with the required budgetary approvals to fund the technology hours necessary. The request was approved in April 2019. Treasury has been working with the Department of Technology, Management, and Budget (DTMB) and the appropriate vendor to create the reporting platform and has put together a cross functional team working with all impacted areas of Treasury to have a process in place by September 30, 2019.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 8, part a.2.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: Finding 5
Initial Year Written: Fiscal Year 2012
Finding Title: Improvements needed to MDOT 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.

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 9.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: Finding 6
Initial Year Written: Fiscal Year 2017
Finding Title: Improvements needed to DTMB financial accounting practices.

Finding: DTMB did not have sufficient internal control in place to ensure the accuracy and completeness of accounting information recorded in the State of Michigan Comprehensive Annual Financial Report related to intangible and capital assets.

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

Prior Audit Findings Related to Federal Awards

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 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, SWSS, and ASCAP 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 ASCAP system was decommissioned on June 2, 2018. Prior to decommissioning the ASCAP system, MDHHS had implemented some corrective actions to mitigate the deficiencies identified for ASCAP in parts b. and c. of the finding. Because they planned to decommission the ASCAP system, the departments decided to limit the use of resources to mitigating critical items only and did not take further corrective actions.

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 parts a., b., and d. of the finding

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 moved the process for accessing the Children's Special Health Care Services system into the Database Security Application during March 2019.

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 for 2017; however, the report did not include the review of the operating effectiveness of general controls. DNR has awarded a contract to a new vendor and will be implementing a new system in January of 2020. The new vendor is required to supply and comply with the SOC 1, type 2 requirements.

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 review of operating effectiveness in the SOC report. 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 March 31, 2020.

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: The deficiencies noted are no longer applicable. Beginning with fiscal year 2018, the MFOS and PAB systems were replaced by 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 corrected the deficiencies noted in the finding.

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 did not ensure that supervisors had access to approve employee timesheets in SIGMA. DMVA staff and supervisors did not follow established procedures to certify and/or approve expenditures.

Corrective Action: See corrective action for Finding 2018-029.

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: The State implemented SIGMA for fiscal year 2018 and DMVA encountered reporting difficulties and issues with payroll coding and reconciliation of converted documents.

Corrective Action: See corrective action for Finding 2018-030.

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: DMVA's process for the Request for Purchase and/or Service (DMVA 6-1) form was not followed due to staff oversight.

Corrective Action: See corrective action for Finding 2018-035.

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 construction related contracts and purchase orders, and the required provisions had not yet been incorporated into the templates for this type of procurement.

Corrective Action: See corrective action for Finding 2018-037.

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 reviews for the contracts were not properly documented.

Corrective Action: See corrective action for Finding 2018-036.

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 the Bridges Integrated Automated Eligibility Determination System (Bridges) and CHAMPS contained the appropriate termination date for beneficiaries in the "under age 21" Medicaid eligibility group.

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

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 the Children's Health Insurance Program (CHIP).

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

Reason(s) For Recurrence: Limited IT resources and funding limitations have delayed implementation of all corrective actions.

Corrective Action: MDHHS has submitted a work request to ensure correct eligibility classifications in Bridges at the time of payment; however, due to funding limitations and competing IT priorities, this enhancement has not yet been prioritized for development.

MDHHS will continue its manual process of transferring expenditures from the Medicaid Cluster to CHIP, on a quarterly basis, by completing an adjustment determined by analyzing CHAMPS payment data and Bridges eligibility data.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-001
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 Bridges related to eligibility and benefit level for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Child Care and Development Fund (CCDF) Cluster, Medicaid Cluster, Low-Income Home Energy Assistance Program (LIHEAP), and CHIP.

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

Reason(s) For Recurrence: For parts a. and b., MDHHS and DTMB determined that consistent design requirements were not in place when the Bridges interfaces were designed and implemented.

For part c, MDHHS's 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.

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

For part e., DTMB focused its limited resources on establishing policies and procedures governing user roles, user management reviews, and properly restricting privileged access to ensure effective controls over new development tools.

For part f., there is only one role capable of checking files into ClearQuest and, because of limitations with the development tools' capabilities, additional segregation of duties is not feasible at this point in time.

Corrective Action: See corrective action for Finding 2018-002.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-002
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: For part a., MDHHS determined 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 determined 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., database-specific configuration standards had not been fully implemented at the time of our review.

For part d., MDHHS has not been able to update processes appropriately and the Bridges security agreement form timely for the Bridges Universal Case Load (UCL) implementation that would assist requestors with adequately documenting UCL approvals and security administrators with appropriately granting Bridges UCL access due to constant UCL changes.

For part e., DTMB has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

Corrective Action: See corrective action for Finding 2018-003.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-003
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: For parts a. through d., 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. For part e., DTMB focused its limited resources on establishing policies and procedures governing user roles, user management reviews, and properly restricting privileged access to ensure effective controls over new development tools. For parts f. and g., additional audit requirements have delayed obtaining access to some federal files.

Corrective Action: See corrective action for Finding 2018-004.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-004
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 partially corrected the deficiencies noted in the finding. MDHHS has completed a business continuity plan for three systems cited in the finding and another system is no longer in operation.

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 2018-005.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-005
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 over the MiSACWIS.

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

Reason(s) For Recurrence: For parts a. and b., the MDHHS local office security coordinators and security administrators did not follow established policies and procedures regarding granting of MiSACWIS access.

For part c., DTMB had not fully implemented database configuration standards.

For part d., DTMB has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

For part e., MDHHS maintains logs of all user transactions; however, due to limited staff resources, it does not monitor the logs unless an issue or potential misuse is noted.

For part f., MDHHS was in the process of establishing a quarterly monitoring process; however, due to limited staff resources this process was not in place during fiscal year 2018.

Corrective Action: See corrective action for Finding 2018-006.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-006
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: DTMB implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

Corrective Action: See corrective action for Finding 2018-007.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-007
Initial Year Written: Fiscal Year 2015
Finding Title: MI-WIC IT General Controls

Finding: MDHHS and DTMB did not fully establish effective general controls over the Michigan Women, Infants, and Children Information System.

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

Reason(s) For Recurrence: DTMB had not fully implemented all database specific configuration standards at the time of review. Also, DTMB has implemented many new operating system standards; however, it is still in the process of operationalizing and updating some remaining processes.

Corrective Action: See corrective action for finding 2018-025.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-008
Initial Year Written: Fiscal Year 2013
Finding Title: MDE, IT General Controls

Finding: 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).

Current Status: MDE and DTMB partially corrected the deficiencies noted in the finding. DTMB corrected parts a. and c. of the finding.

Reason(s) For Recurrence: The State has adopted higher level standards for IT projects, and recurring findings are due to the increased standards. DTMB and MDE are revising their procedures to reflect current DTMB standards. Staffing constraints contributed to the repeat finding.

Corrective Action: See corrective action for Finding 2018-009.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-009
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, IT Security Management and Access Controls

Finding: 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.

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

Reason(s) For Recurrence: DTMB Technical Standard 1340.00.020.01 that required more frequent (every 120 days) administrative account reviews was changed on December 7, 2018 to require biannual reviews. MDE followed the biannual review guidance for the audit period.

Corrective Action: See corrective action for Finding 2018-010.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-010
Initial Year Written: Fiscal Year 2017
Finding Title: TED, MARS User Access Reviews

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

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-011
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: MDHHS transitioned cost allocation from an outside vendor to the new statewide accounting system, SIGMA, in fiscal year 2018. This transition was complicated by the many intricacies of integrating the cost allocation process within SIGMA and the delay in availability of reports. Also, the conversion of accounting data to SIGMA from the 20-year-old legacy system provided substantial challenges to the transition process. Due to the many unknown factors with the SIGMA transition, its monitoring procedures could not anticipate all scenarios for which to capture inconsistencies and did not establish an appropriate materiality threshold for follow-up.

Corrective Action: See corrective action for Finding 2018-011.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-012
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Inappropriate PACAP Allocation

Finding: MDHHS did not ensure that it and its contractor used the appropriate PACAP data and account codes to allocate expenditures to its federal programs.

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

Reason(s) For Recurrence: MDHHS transitioned cost allocation from an outside vendor to the new statewide accounting system, SIGMA, in fiscal year 2018. This transition was complicated by the many intricacies of integrating the cost allocation process within SIGMA and the delay in availability of reports. Also, the conversion of accounting data to SIGMA from the 20-year-old legacy system provided substantial challenges to the transition process. Due to the many unknown factors with the SIGMA transition, its monitoring procedures could not anticipate all scenarios for which to capture inconsistencies and did not establish an appropriate materiality threshold for follow-up.

Corrective Action: See corrective action for Finding 2018-012.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-013
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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-014
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 for 1 (6%) of the 18 sampled cost pools.

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

Reason(s) For Recurrence: MDHHS transitioned cost allocation from an outside vendor to the new statewide accounting system, SIGMA, in fiscal year 2018. This transition was complicated by the many intricacies of integrating the cost allocation process within SIGMA and the delay in availability of reports. Also, the conversion of accounting data to SIGMA from the 20-year-old legacy system provided substantial challenges to the transition process. Due to the many unknown factors with the SIGMA transition, its monitoring procedures could not anticipate all scenarios for which to capture inconsistencies and did not establish an appropriate materiality threshold for follow-up.

Corrective Action: See corrective action for Finding 2018-013.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-015
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS, PACAP - System and 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: The deficiencies noted are no longer applicable. MDHHS is no longer using AlloCAP effective October 1, 2017.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-016
Initial Year Written: Fiscal Year 2017
Finding Title: MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Eligibility Interface Errors

Finding: 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.

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

Reason(s) For Recurrence: Detailed monitoring procedures were not sufficient to ensure that all potential errors were timely reviewed.

Corrective Action: See corrective action for Finding 2018-015.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-017
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 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 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.

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 during fiscal year 2018. 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 during fiscal year 2018, 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 2018-016.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-018
Initial Year Written: Fiscal Year 2016
Finding Title: MDHHS, Cash Management - Overdrawn Funds

Finding: MDHHS did not report overdrafts on its noncompliant draw report to the Michigan Department of Treasury.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-019
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 4 of 10 sampled contracts of federal awards executed during fiscal year 2017.

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

Reason(s) For Recurrence: DTMB Central Procurement Services relied on agencies to provide funding sources for new contracts and all funding sources may not have been disclosed during the solicitation development for a contract.

Corrective Action: See corrective action for Finding 2018-022.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-020
Initial Year Written: Fiscal Year 2017
Finding Title: TED, Procurement and Suspension and Debarment - Lack of Documentation

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

Current Status: TED corrected the deficiencies noted in the finding as of August 21, 2018.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-021
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, Subrecipient Monitoring - Subaward Information

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

Current Status: MDE partially corrected the deficiencies noted in the finding. MDE corrected part b. of the finding.

Reason(s) For Recurrence: MDE listed internal MDE account identification numbers on the subrecipient grant award notifications instead of the Federal Award Identification Numbers.

Corrective Action: The MDE Food Distribution Unit household agencies were given access to required Grant Award Notification information as part of the data fix that has added the missing information to the electronic subaward in the Michigan Nutrition Data System. MDE anticipates having all of the correct data in the system by September 30, 2019.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-022
Initial Year Written: Fiscal Year 2017
Finding Title: Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569, Subrecipient Monitoring - On-Site Reviews of Local Agencies

Finding: MDE did not complete 2 (10%) of 21 required on-site reviews for the Commodity Supplemental Food Program local agencies.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-023
Initial Year Written: Fiscal Year 2017

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

Finding: MDHHS did not procure services in accordance with State policies and procedures.

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

Reason(s) For Recurrence: Limited available options and contractual deadlines delayed implementation.

Corrective Action: See corrective action for Finding 2018-026.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-024
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 \$9,516,294 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 did not design its reimbursement tracking worksheets for each appendix to identify if reimbursements were requested prior to the execution of cooperative agreement modifications with funding. Also, federal program managers did not submit necessary financial information to the USPFO to generate the cooperative agreement modifications.

Corrective Action: See corrective action for Finding 2018-031.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-025
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 \$118,542 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 did not include one of the outstanding purchase orders until the September 30, 2018 extension request because of staff oversight and the other was not established as a fiscal year 2017 liability in the accounting records.

Corrective Action: See corrective action for Finding 2018-033.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-026
Initial Year Written: Fiscal Year 2017
Finding Title: Highway Safety Cluster, CFDA 20.600 and 20.616, Matching, Level of Effort, and Earmarking - Lack of Maintenance of Effort Documentation

Finding: 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.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-027
Initial Year Written: Fiscal Year 2017
Finding Title: Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Matching, Level of Effort, and Earmarking - Lack of Local Educational Agency (LEA) Budget Documentation

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

Current Status: MDE corrected the deficiencies noted in the finding in May 2018.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-028
Initial Year Written: Fiscal Year 2017
Finding Title: Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Risk Assessments

Finding: 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.

Current Status: MDE corrected the deficiencies noted in the finding in May 2018.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-029

Initial Year Written: Fiscal Year 2017
Finding Title: Career and Technical Education - Basic Grants to States, CFDA 84.048, Eligibility - Allocation of Funds to Secondary Eligible Recipients

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

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-030

Initial Year Written: Fiscal Year 2017

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

Finding: 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.

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-031

Initial Year Written: Fiscal Year 2017

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

Finding: 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.

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-032

Initial Year Written: Fiscal Year 2017

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

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

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-033
Initial Year Written: Fiscal Year 2017
Finding Title: Rehabilitation Services - Vocational Rehabilitation Grant to States, CFDA 84.126, Special Tests and Provisions - Completion of IPEs

Finding: MDHHS did not complete the Individualized Plan for Employment in a timely manner for 2 (8%) of 26 cases reviewed.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-034
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 2018-045.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-035
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 10 (53%) of 19 sampled TANF Cluster assistance case records.

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.

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 2018-044.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-036
Initial Year Written: Fiscal Year 2017
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

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

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

Reason(s) For Recurrence: Controls were not sufficient to ensure that an annual redetermination was made prior to issuing benefit payments.

Corrective Action: See corrective action for Finding 2018-047.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-037
Initial Year Written: Fiscal Year 2017
Finding Title: TANF Cluster, CFDA 93.558, Reporting - Accuracy of Financial and Special Reports

Finding: MDHHS did not submit accurate financial and special reports to U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF).

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

Reason(s) For Recurrence: Inaccurate query parameters incorrectly excluded transfers out from TANF and interagency transfers in the SF-425 report and included fiscal year 2019 expenditures in the ACF-196R and ACF-204 reports.

Corrective Action: See corrective action for Finding 2018-048.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-038
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 in 6 (10%) of the 60 case records we tested.

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

Reason(s) For Recurrence: MDHHS's internal control did not prevent county/district office caseworkers from inappropriately reinstating benefits before clients serve the one-month sanction period.

Corrective Action: See corrective action for Finding 2018-049.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-039
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 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.

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

Reason(s) For Recurrence: The penalty counter in Bridges was not accurate and, therefore, did not apply the appropriate sanction periods for the employment-related noncooperation. The recipients could not be sanctioned because they did not receive the correct sanction letter due to system errors.

Corrective Action: See corrective action for Finding 2018-050.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-040
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; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Lack of Documentation

Finding: 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.

Current Status: MDE and MDHHS partially corrected the deficiencies noted in the finding. The departments corrected parts a., c., d., and e. of 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, four counties remained on a corrective action plan during fiscal year 2018.

Corrective Action: See corrective action for Finding 2018-051.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-041
Initial Year Written: Fiscal Year 2017
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Cash Management - Inappropriate Administrative Draws

Finding: 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.

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

Reason(s) For Recurrence: The corrective actions were not completed by September 30, 2018.

Corrective Action: See corrective action for Finding 2018-021.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-042
Initial Year Written: Fiscal Year 2017
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Period of Performance and Reporting - Understatement of Expenditures

Finding: 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.

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

Reason(s) For Recurrence: MDE misunderstood the prior year Office of the Auditor General recommendation.

Corrective Action: See corrective action for Finding 2018-052.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-043
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: 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.

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 had not established a manual recoupment policy for MDHHS's collection and referral of claims to the Michigan Department of Treasury.

Corrective Action: See corrective action for Finding 2018-053.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-044

Initial Year Written: Fiscal Year 2015

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

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

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

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

Corrective Action: See corrective action for Finding 2018-054.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-045

Initial Year Written: Fiscal Year 2017

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 - Payments After Date of Death

Finding: MDHHS did not timely update CHAMPS for paper death records received for all 26 sampled beneficiaries.

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

Reason(s) For Recurrence: Due to changes in the manual upload process, MDHHS inadvertently missed uploading some paper death records during the fiscal year.

Corrective Action: See corrective action for Finding 2018-055.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-046
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 9 (15%) of 60 Medicaid cases.

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

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

Corrective Action: See corrective action for Finding 2018-056.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-047
Initial Year Written: Fiscal Year 2017
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 Prepaid Inpatient Health Plan Payments

Finding: MDHHS did not ensure that beneficiary eligibility was updated in CHAMPS.

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

Reason(s) For Recurrence: System and interface issues in both Bridges and CHAMPS caused eligibility information to not always properly update, resulting in beneficiaries appearing eligible in CHAMPS and payments being processed based on that eligibility.

Corrective Action: See corrective action for Finding 2018-057.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-048
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster: CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - 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: MDHHS 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.

Corrective Action: See corrective action for Finding 2018-059.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-049

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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-050

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 did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: The process to update HHAs on policy updates or changes was not sufficient.

Corrective Action: See corrective action for Finding 2018-060.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-051

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 6 (40%) of 15 of undocumented aliens reviewed.

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-052

Initial Year Written: Fiscal Year 2013

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

Finding: MDHHS did not ensure proper payment of practitioner fee-for-service claims.

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

Reason(s) For Recurrence: CHAMPS correctly made payments to Medicaid providers based on the beneficiary's eligibility at the time of service and payment; however, subsequent to those payments, eligibility was retroactively modified in Bridges which resulted in retroactive changes to CHAMPS benefit plans.

Corrective Action: See corrective action for Finding 2018-064.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-053

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.

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-054

Initial Year Written: Fiscal Year 2013

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

Finding: MDHHS did not ensure that agency providers met the requirements to receive the higher agency pay rate.

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

Reason(s) For Recurrence: ASWs may have used an outdated Adult Home Help Approved Agency List to check payment eligibility or relied on previous experience with the agency rather than the using the current list. Also, there was some confusion among ASWs regarding agency approval process.

Corrective Action: See corrective action for Finding 2018-061.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-055

Initial Year Written: Fiscal Year 2017

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 - HHP Provider Overpayments

Finding: 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.

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

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

Corrective Action: MDHHS has developed the new computer application, the Michigan Adult Information Management System (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.

MiAIMS Statewide rollout was completed in October 2017. MDHHS anticipates the defects will be remediated by October 2019.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-056

Initial Year Written: Fiscal Year 2017

Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA) - Procurement and Suspension and Debarment - Lack of Required Contract Provisions

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

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-057

Initial Year Written: Fiscal Year 2017

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

Finding: 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.

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

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-058

Initial Year Written: Fiscal Year 2017

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

Finding: MDHHS did not retain, track, and analyze undeliverable explanation of benefit (EOB) letters from October 1, 2016 through September 30, 2017.

Current Status: The finding is no longer valid. MDHHS concluded that it would not be cost effective to retain, track, and analyze returned EOBs.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-059

Initial Year Written: Fiscal Year 2016

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

Finding: 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 energy payments.

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

Reason(s) For Recurrence: MDHHS's internal control and monitoring activities were not sufficient to ensure that staff adhered to established policies and procedures.

Corrective Action: See corrective action for Finding 2018-069.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-060
Initial Year Written: Fiscal Year 2017
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 Background Checks

Finding: 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.

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

Reason(s) For Recurrence: MDHHS determined that new agreements would impact background checks and needed to obtain guidance from MSP/Federal Bureau of Investigation on confidentiality regulations before proceeding.

Corrective Action: See corrective action for Finding 2018-071.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-061
Initial Year Written: Fiscal Year 2017
Finding Title: Foster Care - Title IV-E, CFDA 93.658, Reporting - Foster Care Demonstration Projects Report

Finding: MDHHS did not ensure the accuracy of the cost neutrality calculations reported on its fiscal year 2017 quarterly federal financial demonstration projects reports.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-062
Initial Year Written: Fiscal Year 2017
Finding Title: 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.

Finding: 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.

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

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-063
Initial Year Written: Fiscal Year 2015

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

Finding: MDHHS did not ensure the accuracy of the savings reported to HHS on the Annual Adoption Savings Calculation and Accounting Report.

Current Status: MDHHS 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 2018-074.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-064

Initial Year Written: Fiscal Year 2017

Finding Title: Adoption Assistance, CFDA 93.659, Reporting - Accuracy of Financial Reports

Finding: 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.

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

Reason(s) For Recurrence: 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. MDHHS processed the correcting entry after submitting the first quarter fiscal year 2018 financial report.

Corrective Action: See corrective action for Finding 2018-075.

Audit Period: October 1, 2016 through September 30, 2017

Finding Number: 2017-065

Initial Year Written: Fiscal Year 2017

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

Finding: MDHHS was unable to provide sufficient documentation to demonstrate that it complied with the 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.

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

Reason(s) For Recurrence: MDHHS did not have formalized written policies or procedures regarding calculation of the MOE requirement for State expenditures.

Corrective Action: See corrective action for Finding 2018-079.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-066
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 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.

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

Reason(s) For Recurrence: MDHHS did not evaluate risk of noncompliance for two subrecipients because of staff oversight. Also, monitoring of the highest risk subrecipient was reduced as a result of transferring monitoring responsibilities to a different MDHHS division.

Corrective Action: See corrective action for Finding 2018-080.

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-067
Initial Year Written: Fiscal Year 2017
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, 2017, Finding 2017-001

Current Status: The Unemployment Insurance Agency (UIA) did not correct 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, 2018, Summary Schedule of Prior Audit Findings, Finding 2017-001

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-068
Initial Year Written: Fiscal Year 2017
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, 2017, Finding 2017-002

Current Status: UIA did not correct 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, 2018, Summary Schedule of Prior Audit Findings, Finding 2017-002

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-069
Initial Year Written: Fiscal Year 2017
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, 2017, Finding 2017-003

Current Status: UIA did not correct 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, 2018, Summary Schedule of Prior Audit Findings, Finding 2017-003

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-070
Initial Year Written: Fiscal Year 2017
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, 2017, Finding 2017-001

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, 2018, Summary Schedule of Prior Audit Findings, Finding 2017-001



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

CHRIS KOLB
DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 1

Third party service organization monitoring

Management Views

State agencies, the Office of Internal Audit Services (OIAS), and the Office of Financial Management (OFM) agree that oversight of third-party service organizations should be enhanced.

Regarding part b., as noted in the Office of the Auditor General (OAG) report on its information technology (IT) performance audit of the Statewide Integrated Governmental Management Applications (SIGMA) system, the State Budget Office (SBO) agrees with the need to continually assess the level of coverage obtained in the annual security review service level requirement, but does not agree with the assertion that the level of coverage obtained was not sufficiently assessed.

Planned Corrective Action

OIAS will continue to enhance the Financial Management Guide (FMG) Part VII, Chapter 1, Section 1000, which addresses Service Organizations. Additional guidance, such as addressing bridge letters and service organization risk assessments will also be enhanced. In addition, the "SOC Report Review Template" will be improved to better enable the agency user to review the System and Organization Controls (SOC) report for relevant information, including reporting periods, user complementary controls, and relevant control objectives and testing. In addition, OIAS will facilitate discussions between key stakeholders including the Michigan Cyber Security, agency business process/procurement personnel, and Department of Technology, Management, and Budget (DTMB) Central Procurement personnel to identify opportunities for improved guidance and oversight that will improve practices to obtain proper assurances from third-party service organizations.

Anticipated Completion Date

Guidance will be improved by December 31, 2019. Implementation of enhanced oversight procedures is to be determined based on an assessment to be completed by December 31, 2019.

Responsible Individual(s)

Rick Lowe, SBO

Finding 2
Cash deposits and reconciliations

Management Views

The Michigan Department of Treasury (Treasury) and OFM agree that standardizing the completion of the deposit ticket and deposit date fields would make the cash reconciliation process more efficient. Currently, both of these fields are required in SIGMA, but there are not edits for content of the deposit ticket field. Treasury is in the process of updating the FMG to include more detailed instructions for agencies and has submitted a request to SIGMA Operations and Support (SOS) to determine if there are additional system configurations that can be modified to enhance the edits on the deposit ticket field.

Treasury and OFM would like to note that the existing procedures enabled Treasury to reconcile cash activity to the bank statement in an accurate and timely manner. The corrective action contemplated by Treasury is intended to improve the efficiency of the process, while maintaining the accuracy and timeliness of the existing process.

Planned Corrective Action

Treasury is in the process of updating the FMG to include more detailed instructions for agencies and has submitted a request to SOS to determine if there are additional system configurations that can be modified to enhance the edits on the deposit ticket field.

Anticipated Completion Date

FMG Updates: July 2019

Potential SIGMA Configuration Change: September 2019

Responsible Individual(s)

Andrew Boettcher, Treasury

Finding 3
Access limitations for confidential information in SIGMA

Management Views

The Michigan Department of Health and Human Services (MDHHS), Treasury, and OFM agree that access to confidential information should be limited to appropriate users of the information.

Planned Corrective Action

For part a.1., Treasury is in the process of modifying the Garnishment and Levies (GAL) interface to exclude confidential information.

For part a.2., MDHHS is actively working with DTMB to identify potential interface design changes to eliminate sending confidential information to fields in SIGMA that have widespread access and evaluating the cost and impacts on MDHHS business process needs.

For part b., MDHHS stopped disclosing transaction support with confidential information in fiscal year 2018.

Anticipated Completion Date

a.1. July 2019

a.2. Completion date will be determined once a solution is identified.

b. Completed

Responsible Individual(s)

- a.1. Lynn Boyes, Treasury
- a.2. Steve Bendele and Robin Keene, MDHHS
- b. Steve Bendele, MDHHS

Finding 4

Financial accounting practices related to capital assets

Management Views

OFM and the State agencies agree that internal controls related to the accuracy and completeness of the accounting for capital assets should be enhanced and will work to implement needed improvements.

Planned Corrective Action

For part a., the Michigan Department of Transportation (MDOT) procedures have changed with the implementation of SIGMA and program expenditure data is now maintained in SIGMA.

For part b., MDOT will update its procedures to ensure that any changes in accrued expenditures during the year end process related to construction in progress (CIP) are appropriately captured as CIP. SOS will also pursue whether SIGMA can systematically capture these expenditures.

For part c., OFM will develop procedures to help ensure depreciation is recognized in the correct fiscal year.

For part d., OFM will work to configure SIGMA so that the interest reversal is systematically completed.

Anticipated Completion Date

- a. Complete
- b. September 2019
- c. September 2019
- d. September 2019

Responsible Individual(s)

- a. Adam Feldpausch, MDOT
- b. Adam Feldpausch, MDOT, and Melanie Oudsema, SBO
- c. Tony Thelen, SBO
- d. Heather Boyd, SBO

Finding 5

Internal control improvements

Management Views

OFM and the State agencies agree that internal controls should be enhanced and will work to implement the needed improvements.

Planned Corrective Action

For part a.1., OFM will work with the State agencies to determine the impact on business operations and determine if correcting entries are necessary.

For part a.2., Treasury and MDHHS will ensure that their year-end closing processes include a step to complete the necessary reclassification entries.

For part b.1., the Department of Licensing and Regulatory Affairs (LARA) implemented a reconciliation process for the Corporations Online Filing System for fiscal year 2019.

For part b.2., MDOT has implemented a reconciliation process and log.

For part b.3., DTMB has implemented more reconciliations and increased the supporting documentation to ensure accuracy and completeness.

For part b.4., the Michigan Department of State Police (MSP) will update procedures to perform reconciliations between the Michigan Cashiering and Receivable System and MSP source systems to ensure accuracy and completeness.

For part b.5., the Department of Natural Resources (DNR) will work with the MDOT Accounting Service Center to improve communications and understanding of the roles, processes, and responsibilities of revenue reconciliations to ensure appropriate documentation is completed and provided to auditors upon request.

For part c.1., MDOT will look into the need for automated workflow when purchases are requested from their central warehouse.

For part c.2., MDHHS will develop and implement compensating internal controls.

For part d., OFM will update its year-end closing procedures.

Anticipated Completion Date

a.1. September 2019

a.2. November 2019

b.1. Completed

b.2. Completed

b.3. Completed

b.4. September 2019

b.5. September 2019

c.1. September 2019

c.2. September 2019

d. September 2019

Responsible Individual(s)

a.1. Heather Boyd, SBO

a.2. Tim Johnson, Treasury, and Steve Bendele, MDHHS

b.1. Lora MacKay, LARA

b.2. Carol Rademacher, MDOT

b.3. Rob Feguer, DTMB

b.4. Doug Spitzley, MSP

b.5. Sharon Schafer, DNR, and Chris Mergener, MDOT

c.1. Adam Feldpausch, MDOT

c.2. Steve Bendele, MDHHS

d. Heather Boyd, SBO

Finding 6
Establishment and monitoring of tax receivables and payables

Management Views

Treasury and OFM agree that internal control related to tax accruals should be enhanced. Treasury will continue to improve tax accruals by developing an evaluation process of individual income tax (IIT) estimates to subsequent payables activity and by reviewing the tax accrual methodologies to continue to improve the accuracy of the business tax collections and liabilities recorded.

Planned Corrective Action

Treasury will continue to improve tax accruals by developing an evaluation process of IIT estimates to subsequent payables activity and by reviewing the tax accrual methodologies to continue to improve the accuracy of the business tax collections and liabilities recorded. Treasury will also review and update tax accrual procedures, as necessary.

Anticipated Completion Date

December 2019

Responsible Individual(s)

Tim Johnson, Treasury

Finding 7
MDHHS procedures and communications improvements

Management Views

MDHHS and OFM agree that there are areas where procedures and communications should be improved.

Planned Corrective Action

For part a., MDHHS will continue to document new procedures needed due to the implementation of SIGMA.

For part b., MDHHS will continue to document new procedures needed due to the implementation of SIGMA.

For part c., MDHHS will work with OFM to establish a methodology to estimate the payable amount.

For part d., MDHHS will work with DTMB to ensure an accurate query is developed that will provide the appropriate child support data.

For part e., MDHHS will update their estimated accrual methodology to ensure changes in expenditures are reviewed to determine if they material and whether an adjusting entry should be recorded.

For part f., MDHHS will continue to update procedures to reflect changes necessary due to SIGMA implementation.

For part g., MDHHS will continue to document new procedures needed due to the implementation of SIGMA.

For part h., MDHHS will include phase 2 in its IT proposals for fiscal year 2020, which includes enhanced time tracking for services performed.

Anticipated Completion Date

- a. through g. September 2019
- h. September 2020

Responsible Individual(s)

Steve Bendele, MDHHS

Finding 8

Various departments financial accounting practices

Management Views

State agencies and OFM agree that internal controls should be enhanced and will work to implement the needed improvements.

Planned Corrective Action

For part a.1., Treasury has updated its procedure for the Tobacco Settlement accrual methodology to include allocations to the Community District Education Fund and the General Fund.

For part a.2., Treasury has submitted a request to create a system generated report in the GAL system to provide the information necessary to reconcile the balances in the Offset Fund in SIGMA. Collections staff will use this report to create a procedure, with the help of Accounting Services, to reconcile the fund balance.

For part a.3., Treasury will work with major business areas in the department to further enhance the communication process as it relates to information required to be provided for contingent liabilities. Treasury will also update its procedures to include manual payments made after September 30 to be included in the liability calculation.

For part b., MDOT will reassess the design of current control procedures and, as appropriate, will work with OFM to modify and implement applicable control procedures, including accounting elements that will help ensure proper classification of transactions.

For part c.1., the Michigan Department of Education (MDE) will set up an allowance for doubtful accounts as needed and will update procedures accordingly.

For part c. 2., MDE is in the process of reconciling the revenue and expenditures for the Child Care and Development Fund (CCDF) programs to validate the receivable amounts. If necessary, receivables not supported will be written off. In addition, MDE will update related procedures.

Anticipated Completion Date

- a.1. Completed
- a.2. October 2019
- a.3. October 2019
- b. September 2019
- c.1. November 2019
- c.2. September 2019

Responsible Individual(s)

- a.1. Lisa Harry, Treasury
- a.2. Tyler Kemp, Treasury
- a.3. Ben Brewer, Treasury
- b. Adam Feldpausch, MDOT
- c. Rose Zuker and Brandon Reed, MDE

Finding 9

MDOT accounts payable

Management Views

MDOT and OFM agree that comprehensive consideration of the dates of service when processing contractor payments might lead to accounts payable transactions that are more accurate. However, the service dates mentioned in the recommendation are not readily available to central office contractor payment staff and efficient access would require system changes. MDOT will review the methodology used to estimate and track contractor payables and determine if there are opportunities for improvements where the cost to implement the improvements do not significantly exceed the benefits derived.

Planned Corrective Action

Regarding consultant contract payables, MDOT has started analyzing the payable over and understatements to identify areas that may need additional counseling on how to estimate payable amounts. MDOT will continue to stress the importance of this in our year end preparation meetings.

Regarding construction contract payables, MDOT is not able to change our methodology for evaluating service dates based on the system limitations of the American Association of State Highway and Transportation Officials software (AASHTOWare) MDOT uses. Last year, MDOT queried other states using the software to determine their methodology and did not receive any responses. MDOT will directly contact finance staff within those states using AASHTOWare for their assistance in identifying potential process improvements. Until a more viable solution is developed, MDOT will continue to use the first in, first out approach of applying payments to contractor payment payables. MDOT does not have the resources to invest the time to research each payment to make decisions regarding the costs being applicable to the payable.

Anticipated Completion Date

Construction contract payables: September 2019

Consultant contract payables: Completion date will be determined once a solution is identified.

Responsible Individual(s)

Patrick McCarthy, MDOT

Finding 10

State compliance with revenue allocations

Management Views

Treasury, MDOT, and OFM agree with the finding.

Planned Corrective Action

For parts a. and b., Treasury will update procedures related to the Statutory Allocations for Sales and Use Tax, and the regular School Aid Fund Income Tax Transfers. The procedure for Statutory Allocations for Sales and Use Tax will be updated to include the current distribution amount for local community stabilization authority, as well as ensure appropriate monitoring for the change in distribution per Michigan Compiled Laws Section 205.93. Treasury will also update the School Aid Fund Income Tax Transfers and Year End Earmarking procedures to include language to run revenue queries after appropriate closing transactions have posted and, at year end, when OFM cuts off the ability to post cash transactions in SIGMA. Also, the School Aid Fund Income Tax Transfers and Year End Earmarking procedure will be updated to re-run SIGMA revenue queries prior to final cutoff of all SIGMA activity by OFM to ensure the School Aid Fund has received the correct percentage distribution in total.

For part c., MDOT will make applicable changes in its allocation calculation.

Anticipated Completion Date

- a. and b. August 2019
- c. September 2019

Responsible Individual(s)

- a. and b. Ben Brewer, Treasury
- c. Adam Feldpausch, MDOT

Finding 11

Residual utility sales tax revenue

Management Views

Treasury and OFM agree that Treasury should further establish a process to ensure the accuracy of the sales tax revenue allocations. Treasury will review the estimation methodology in comparison to the actual residential utility amounts received by August 31, 2019. If Treasury determines any changes need to be made to the estimation methodology based off this review, these changes will be implemented within the fiscal year 2019 year-end sales tax revenue allocation.

Planned Corrective Action

Treasury will review the estimation methodology in comparison to the actual residential utility amounts and will make any needed changes to the estimation methodology.

Anticipated Completion Date

- Comparison of estimate to actual: August 2019
- Potential changes to estimation methodology: December 2019

Responsible Individual(s)

Tim Johnson, Treasury

Findings Related to Federal Awards

Finding 2018-001

Access Limitations for Confidential Information in SIGMA

Management Views

MDHHS, MDE, and OFM agree that access to confidential information should be limited to appropriate users of the information.

Planned Corrective Action

See planned corrective action for Findings Related to the Financial Statements, Finding 3, parts a.2. and b.

Finding 2018-002

Bridges Interface and Change Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., DTMB started work on this process as part of the now paused Bridges Integrated Automated Eligibility Determination System (Bridges) Modernization project. When authorized to do so by MDHHS, DTMB will work to ensure that the file control and batch summary tables used to reconcile Bridges interfaces consistently account for header and trailer records, represent control totals of information processed, and indicate whether the interface processed with or without exceptions.

For part b., when work is recommenced on part a., DTMB, in conjunction with MDHHS, will establish procedures to account for all interfaced records and to ensure that all records identified with errors and excluded from interface processing are investigated, corrected, and resubmitted for processing as appropriate.

For part c., MDHHS's Compliance and Data Governance Bureau has developed improved data sharing processes and roles. The Bureau is currently in the process of identifying outstanding sharing agreements and will be creating a plan for remediation once that process has been completed. Prioritization for completion of missing sharing agreements will be based on risk to the programs and agency.

For part d., DTMB has migrated to new application lifecycle management (ALM) tools and has updated relevant configuration policies. DTMB is developing an internal method to audit Bridges change control processes following each release and will continue to comply with Change Management Center of Excellence biannual change management audits. The use of AppScan will continue to be enhanced in order to scan for malicious code.

For part e., DTMB created a policy to identify user roles and specificity of access and created a process to review users on a quarterly basis to ensure access is removed for those that no longer require access. This was created for the new configuration management tools that were implemented (ALM). The tool itself gives much more control over roles so that the departments can ensure privileged access is properly restricted as it is role based and not group based as ClearQuest was.

For part f., the new ALM tools have greater capabilities which, in coordination with the associated configuration of firewalls, safeguards that all duties are being appropriately segregated.

Anticipated Completion Date

- a. and b. July 31, 2021, subject to MDHHS Projects Prioritization
- c. August 31, 2019
- d. August 31, 2019
- e. and f. Completed

Responsible Individual(s)

- a., b., d., e., f. Change Management Center of Excellence, DTMB
- c. Compliance and Data Governance Bureau, MDHHS

Finding 2018-003

Bridges Security Management and Access Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., MDHHS will regularly provide audit reminders to local office security coordinators (LOSCs) of the need to document incompatible roles on the appropriate form and retain it for audit purposes. In addition, MDHHS will implement a Database Security Application (DSA) solution that will automate the incompatible roles approval and review process.

For part b., MDHHS will continue to remind LOSCs of policies and procedures in the policy manual. The policy manual contains updated procedures that emphasize signing, dating, and storing reviews for audit purposes. During 2018, the policy was updated to require review within 30 days of the transaction.

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 (SOM) standards.

For parts d. and f., MDHHS will implement a DSA solution that will automate the Bridges access approval and review process.

For part e., DTMB is formalizing and implementing additional internal standards and procedures for access and security management over the operating system.

For part g., MDHHS will provide reminders to LOSCs on the need to monitor high-risk transactions and document that review. MDHHS developed an ad-hoc high-risk transaction monitoring report for non-local office Bridges users. In addition, MDHHS has shared a revised business process for reconciling and documenting the review of the report with appropriate central office management of identified users of the report during September 2018.

Anticipated Completion Date

- a. October 2020
- b. Completed
- c. September 2019
- d. June 2021

- e. September 2019
- f. June 2021
- g. Completed

Responsible Individual(s)

- a., b., d., f., and g. James Bowen and Deon Nelson, MDHHS
- c. Jeff Haskell, DTMB
- e. David Tremblay, Tina Person, and Darlene Dawley, DTMB

Finding 2018-004
Income Eligibility and Verification System

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., MDHHS and DTMB will 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 recipients' eligibility when applicable. FOA will be reviewing policy for direct assistance benefits that simplify the verification process while maintaining State and federal compliance. In addition, FOA will continue the process of implementing the Integrated Service Delivery portal, Universal Case Load tool within the Bridges system. FOA will continue to work with its business partners with the development of Bridges Modernization.

For part e., MDHHS executed a data sharing agreement between the Division for Vital Records and Health Statistics and the Children's Services Agency in October 2018.

For part f., MDHHS is in the process of obtaining a third-party audit for the Community Health Automated Medicaid Processing System (CHAMPS), which will be used for the purpose of providing evidence to the National Technical Information Service, the federal organization that provides access to the Federal Death Match file. MDHHS anticipates a security assessment report by the end of July 2019 and will submit the report shortly thereafter. MDHHS will also develop a process going forward to help ensure that the subscription does not lapse in the future.

For part g., related to SNAP, FOA has worked with the MDHHS Bureau of Finance and Accounting and established a process for timely submission of payment for the National Directory of New Hire interface. Both the fiscal year 2018 and fiscal year 2019 payments were complete as of February 26, 2019.

For part h., DTMB has set up an email alert from the File Transfer Service that will be triggered when the Prisoner Match file is sent to the Social Security Administration (SSA) and shows the file size. If the file size is zero, DTMB will investigate to ensure the file going to the SSA has data and is complete.

Anticipated Completion Date

- a. July 31, 2021, subject to MDHHS Projects Prioritization
- b., c. and d. ongoing
- e. Completed
- f. September 30, 2019
- g. Completed
- h. July 31, 2019

Responsible Individual(s)

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

Finding 2018-005

ADP Security Program

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., DTMB will work with MDHHS to develop business continuity plan (BCP) policies and procedures that require critical elements and to develop a comprehensive BCP template to be used for each system listed in this finding. MDHHS will provide training to each impacted business area, and work with the business area, to help ensure that BCPs are properly created using the template. MDHHS will work with the program areas to remediate the exceptions noted in the finding for BCPs.

For part b., DTMB will work with MDHHS to update disaster recovery plan (DRP) policies and procedures to ensure critical elements are required. DTMB will work with MDHHS to remediate the exceptions noted in the finding for DRPs.

For part c., MDHHS is currently in the process of prioritizing all agency applications for system security plan (SSP) completion. MDHHS expects to have a completed SSP for the system noted in the finding by March 2020.

Anticipated Completion Date

- a. April 2020
- b. December 2020
- c. March 2020

Responsible Individual(s)

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

Finding 2018-006
MiSACWIS Security Management and Access Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., MDHHS staff provided training in April 2019 for private agency authorized requestors (ARs) and are currently developing training for LOSCs to be delivered during the summer of 2019. Both trainings explain security access procedures and will be recorded so new staff have the information available to assist in learning security processes and procedures. In addition, the Compliance Office continues to have quarterly meetings with LOSCs to communicate proper procedures for granting access and address questions. Finally, MDHHS is developing internal monitoring protocols for private agency and local office review.

For part b., MDHHS will establish a method to more completely monitor users with incompatible roles and is reviewing current users that were provided access prior to the system changes in May 2016. MDHHS will review the security forms and add additional details as well as update job aids to help users easily understand what user groups conflict. In addition, MDHHS will continue with DSA development, which will help to enforce review and approval when user groups conflict and track those approvals.

For part c., DTMB has completed all required and applicable security configuration changes within the Michigan Statewide Automated Child Welfare Information System (MiSACWIS) database. In addition, DTMB has started implementing database compliance scanning, which will notify DTMB if any security configuration settings fall out of compliance. This scanning will be implemented in MiSACWIS by December 2019.

For part d., DTMB is formalizing and implementing additional internal standards and procedures for access and security management over the operating system.

For part e., MDHHS and DTMB have started to document the high-risk transactions within the MiSACWIS application and develop procedures for properly monitoring those transactions.

For part f., MDHHS has started work to establish and implement a process to monitor users' access every 120 days. Starting in August 2019, MiSACWIS changes are scheduled to automatically deactivate any end users who have not been active in the application for 120 days. A quarterly monitoring process will be established for ARs and LOSCs and they will be trained on the process.

Anticipated Completion Date

- a. January 2020
- b. October 2019
- c. December 2019
- d. September 2019
- e. July 2020
- f. January 2020

Responsible Individual(s)

- a. Kim Chapin and Jim Bowen, MDHHS
- b. Kim Chapin and Jim Bowen, MDHHS
- c. Liam Day and Jeff Lowe, DTMB
- d. David Tremblay, Tina Person, and Darlene Dawley, DTMB

- e. Kim Chapin, MDHHS, and Agency Services supporting MiSACWIS, DTMB
- f. Kim Chapin and Jim Bowen, MDHHS

Finding 2018-007
CHAMPS Security Management and Access Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., DTMB will review and ensure all required and applicable security configuration changes are applied within the CHAMPS database. In addition, DTMB has started implementing database compliance scanning, which will notify DTMB if any security configuration settings fall out of compliance.

For part b., DTMB is formalizing and implementing additional internal standards and procedures for access and security management over the operating system.

For part c., the error noted was an anomaly that occurred during a review of privileged user access. Going forward, MDHHS will continue to monitor privileged user access roles to help ensure access is appropriately approved.

Anticipated Completion Date

- a. December 1, 2019
- b. September 30, 2019
- c. Completed

Responsible Individual(s)

- a. John Moore and Liam Day, DTMB
- b. David Tremblay Tina Person, and Darlene Dawley, DTMB
- c. Jim Bowen, MDHHS

Finding 2018-008
EGrAMS Security Management and Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS management will implement sufficient internal control to ensure certification of user accounts are completed in compliance with policy 1340.00.020.01 Access Control Standards.

Anticipated Completion Date

August 30, 2019

Responsible Individual(s)

Jeanette Hensler, MDHHS

Finding 2018-009

MDE, IT General Controls

Management Views

MDE and DTMB agree with the findings.

Planned Corrective Action

For part a., MDE and DTMB will continue planned remediation efforts to align the change control process for each of the systems to reflect DTMB standards. MDE will implement processes for testing and post-implementation approvals, which will help ensure adequate documentation.

For part b., DTMB is formalizing internal standards and procedures for the security management over the operating system for the Michigan Electronic Grants System Plus, Cash Management System, Food Nutrition System - Fiscal Reporting System, and the Grant Electronic Management System/Michigan Administrative Review System (GEMS/MARS) servers.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

- a. Louis Burgess, MDE, and Maria Thomas, DTMB
- b. David Tremblay, Tina Person, and Darlene Dawley, DTMB

Finding 2018-010

MDE, IT Security Management and Access Controls

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE updated the security access policy for users of electronic financial systems on December 20, 2018. The updated procedure is aligned with current DTMB Technical Standard 1340.00.020.01. MDE will review the access control process for each system with office directors and designated business owners.

Anticipated Completion Date

August 31, 2019

Responsible Individual(s)

Louis Burgess, MDE

Finding 2018-011

MDHHS, PACAP - Completeness and Accuracy of the PACAP

Management Views

MDHHS partially agrees with the finding.

With the implementation of SIGMA, meeting Statewide deadlines and converting the Public Assistance Cost Allocation Plan (PACAP) to SIGMA provided many challenges. MDHHS anticipated there would be a need to address coding errors in line with the implementation of a new, large, and complex accounting system. MDHHS identified and corrected many of the coding errors and has processed correcting entries to resolve these issues. Many of the transactions identified in this finding as being excluded from our PACAP narrative were initially miscoded and have since been corrected.

In accordance with federal regulation 2 *CFR* 200.302 (b)(2), the non-federal entity is required to have financial management systems that provides for “accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 2 *CFR* 200.327 Financial reporting and 200.328 Monitoring and reporting program performance.” MDHHS uses a combination of chart of account codes in SIGMA based on Task Order and Sub Unit to map costs to the department-wide PACAP. If one of these codes is incorrect in accordance with the PACAP narrative, it does not mean the expenditure is missing from the PACAP, it means the expenditure must be corrected in SIGMA.

Due to the challenges in implementation and conversion of data to SIGMA, there were instances where expenditures were posted with incorrect codes. For example, there were instances where expenditures were coded using Sub Units that were blank or entitled “FIX”. These names indicated corrections were needed by MDHHS to match to our PACAP narrative. The PACAP narrative should not have been amended to reflect these expenditures coded incorrectly. To address these issues, there was a concerted effort by MDHHS to correct all miscoded expenditures and ensure proper federal claiming. MDHHS is in agreement that its PACAP should outline the materiality threshold and prior quarter adjustment process.

Planned Corrective Action

MDHHS has undertaken a massive effort to correct SIGMA coding in general and specifically coding related to the PACAP (Task Order and Sub Unit). Prior to the start of each quarter, cost allocation plan staff communicate the changes that will be included in that quarter’s PACAP amendment with the appropriate staff so that the correct coding can be created or modified, and employees can be accurately tied to the new corrected coding. Subsequent to the start of the new quarter, MDHHS runs a report that compares the Task Order and Sub Unit combinations across the expenditures in SIGMA and the PACAP narrative to see if the posted expenditures are following the PACAP. Expenditures that are not included in the PACAP narrative are identified and the staff responsible for making coding changes or correcting entries are notified. Finally, prior to the end of the quarter, the previous step is done again to ensure that the issues identified were corrected prior to the quarter closing and the SIGMA cost allocation run.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)

Suzanne Kyes, MDHHS
Matt McCool, MDHHS

Finding 2018-012

MDHHS, PACAP - Inappropriate PACAP Allocation

Management Views

MDHHS partially agrees with the finding. MDHHS agrees with part a.

For part b., the issue of incomplete data relates to a new activity showing up on the Family Independence Specialists/Eligibility Specialists Random Moment Time Study (RMTS) results in the second quarter. This activity did not appear in any other quarter for fiscal year 2018. This single activity had 1.6 hits out of 2,270.04 RMTS hits in total (or .07%). The impact of the missing statistical unit was extremely immaterial to the overall PACAP results.

Planned Corrective Action

MDHHS has implemented additional quality control processes to ensure the accuracy of the statistical data used in the SIGMA cost allocation process.

The Cost Allocation Validation Report database has also been updated to include reporting that allows the comparison of statistical values between quarters as another tool to ensure statistical anomalies are identified and addressed, if warranted.

Anticipated Completion Date

July 1, 2019

Responsible Individual(s)

Suzanne Kyes, MDHHS
Matt McCool, MDHHS

Finding 2018-013

MDHHS, PACAP - Inappropriate PACAP Allocation Basis

Management Views

MDHHS partially agrees with the finding. MDHHS anticipated there would be a need to address expenditure coding errors in line with the implementation of a new, large, and complex accounting system. MDHHS identified and worked with various areas within MDHHS to assess expenditure coding errors that were not in line with the PACAP and determine if the expenditures were coded incorrectly or if the PACAP needed to be revised. MDHHS corrected many of the coding errors and processed correcting entries to resolve these issues during fiscal year 2018. MDHHS configured the Cost Allocation module to allocate expenditures in accordance with the department's federally approved PACAP. Thus, the configuration files loaded into SIGMA accurately reflected the PACAP and expenditures posted using those combinations were accurately allocated.

Planned Corrective Action

MDHHS has undertaken a massive effort to correct SIGMA coding in general and specifically coding related to the PACAP (Task Order and Sub Unit). Subsequent to the start of the new quarter, MDHHS runs a report that compares the Task Order and Sub Unit combinations across the expenditures in SIGMA and the PACAP narrative to see if the posted expenditures are following the PACAP. Expenditures that are not included in the PACAP narrative are identified and the staff responsible for making coding changes or correcting entries are notified. Staff assess the expenditures and determine if correcting entries are needed or if the PACAP needs to be amended. This step is repeated prior to the end of the quarter to ensure that the issues identified were corrected prior to the quarter closing and the SIGMA cost allocation run.

Anticipated Completion Date

July 1, 2019

Responsible Individual(s)
Suzanne Kyes, MDHHS
Matt McCool, MDHHS

Finding 2018-014
MDHHS, Expenditure Processing for Medical Payments

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
MDHHS followed the Medicaid Cash Management Improvement Act (CMIA) funding technique for the Children's Health Insurance Program (CHIP) expenditures charged to Medicaid at the time the Medicaid draw occurred; however, these expenditures were later reclassified to CHIP when the expenditures were identified during MDHHS's normal quarterly reclassification process. MDHHS has submitted a work request to ensure correct eligibility classifications in Bridges at the time of payment; however, due to funding limitations and competing IT priorities, this enhancement has not yet been prioritized for development. MDHHS will continue its manual process of transferring expenditures from the Medicaid Cluster to CHIP, on a quarterly basis, until the Bridges work request is completed. In addition, MDHHS will retain the detailed expenditure level transactions for audit purposes.

Anticipated Completion Date
December 2020

Responsible Individual(s)
Erin Emerson, MDHHS
Logan Dreasky, MDHHS

Finding 2018-015
MDHHS, Eligibility Interface Errors

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
MDHHS will continue to track all necessary data pertaining to errors identified in the Member Level Error Report (MLER) utilizing an excel spreadsheet. This document will also track all remediation efforts. MDHHS is pursuing adding new or existing staff to assist with this process to ensure remediation is timelier.

Anticipated Completion Date
Identification of additional resources: September 30, 2019
Monitoring of the MLER: ongoing

Responsible Individual(s)
Jamy Hengesbach, MDHHS

Finding 2018-016
MDHHS, Provider Eligibility

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The disclosure information was not updated timely due to a system error, resulting from a CHAMPS release during fiscal year 2018. CHAMPS allows any update to be viewed only by State staff with select user roles until the update is approved. Until the system defect is fixed in a September 2019 release, all updates must be manually approved by State staff. MDHHS is in the process of manually approving any outstanding/pending updates on providers due to system limitations.

MDHHS currently monitors MI Choice Waiver Program entities' network of providers and its Dental Health Plan entity's network of providers and ensures these providers enter into provider agreements and make all required disclosures. These documents were collected and stored; however, MDHHS has not yet manually approved all submissions.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Ashiya Brown, MDHHS
Samantha Rutledge-Wolf, MDHHS

Finding 2018-017
MDHHS, Pharmacy Rebate Validations

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS performed a reasonableness review prior to approving the invoices for payment, to ensure the overall amounts and percentage of rebates invoiced aligned with historical trends. During fiscal year 2019, the Pharmacy Management Division staffing resources were increased, which will help ensure timely pharmacy rebate validations.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Trish Bouck, MDHHS
Matthew Giering, MDHHS
Tina Villarreal, MDHHS

Finding 2018-018
MDHHS, Provider Eligibility

Management Views

MDHHS partially agrees with the finding. The provider is eligible for payment; however, Title IV-E was not an appropriate funding source. MDHHS disagrees that the use of the Social Services Block Grant to fund the treatment portion of the payment was inappropriate, as the provider is still eligible for the treatment portion of the payment with a provisional license.

Planned Corrective Action

The Children's Services Administration (CSA) will work with the Division of Child Welfare Licensing (DCWL) to stay up to date on changes to licensure types for Child Caring Institutions to ensure Title IV-E is the appropriate funding source. The Performance Based Funding Unit, who provides oversight of the Consortium procedures, will establish a process to check payment dates against licensure status prior to including them in the IV-E claim. Additionally, CSA has requested some enhancements in MiSACWIS that could produce automatic triggers for both central office and local office staff for license changes. This will enable MDHHS to make timely fund source changes to ensure that payments are not claimed as IV-E when ineligible.

Anticipated Completion Date

Coordination with DCWL and process establishment: October 1, 2019
Completion of MiSACWIS changes: September 30, 2020

Responsible Individual(s)

Theodore Jay, MDHHS
Nancy Rostoni, MDHHS
Patricia Neitman, MDHHS

Finding 2018-019
MDHHS, Cash Management Process

Management Views

MDHHS agrees with the finding. The State designed SIGMA's automated reimbursement processes to follow a method of drawing federal revenue to match recorded federal expenditures when they were incurred. Information was reported to the Michigan Department of Treasury (Treasury) on CMIA non-compliance to the best of the ability of the staff, and MDHHS noted that some of the data requested did not appear applicable to estimated draw schedules. MDHHS made efforts to draw funds as soon as administratively feasible; however, draws covered under CMIA Subpart B were delayed due to issues with the conversion to SIGMA, payment processing, and program office interpretation of federal grant rules.

Planned Corrective Action

MDHHS has already provided updates to Treasury for the fiscal year 2019 CMIA Treasury State Agreement (TSA) and the updated funding techniques have been approved in the 2019 TSA. The new funding techniques more accurately reflect how the SIGMA automated processes function. Better internal controls have been applied to federal draws by noting any CMIA deviations on the draw cover sheet and the grant summary. A grant draw tracking database is under development to track the funding technique timing and any deviations.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)
Carol O'Callaghan, MDHHS
Rebecca Jones, MDHHS

Finding 2018-020
MDHHS, Subaward Information

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
For part a., MDHHS did not have all available information at the time the subaward was executed, so MDHHS included the best information available. MDHHS issued similar grant agreements to this entity in prior periods, so the entity was aware of the Catalog of Federal Domestic Assistance (*CFDA*). MDHHS interpreted the regulations to require the updated information only to be reported if an amendment was necessary for some other purpose, therefore, MDHHS did not amend this agreement solely to provide the additional information. MDHHS will implement sufficient internal control to identify information not initially available and verify that the subaward information conforms with federal regulations 2 *CFR* 200.331(a) and 45 *CFR* 75.352(a).

For part b., MDHHS agrees it provided the incorrect Federal Award Identification Number and federal award date for one of the subrecipients reviewed. However, the other fields required in federal regulations 2 *CFR* 200.331(a) and 45 *CFR* 75.352(a) that MDHHS provided were correct, including the *CFDA* number, which is the basis for the subrecipients tracking. MDHHS will implement sufficient internal control to identify and verify the subaward information conforms with federal regulations 2 *CFR* 200.331(a) and 45 *CFR* 75.352(a).

Anticipated Completion Date
August 30, 2019

Responsible Individual(s)
Jeanette Hensler, MDHHS

Finding 2018-021
MDE, Cash Management Process

Management Views
MDE agrees with the finding.

Planned Corrective Action
For parts a. and b., MDE implemented new procedures to identify overspent federal awards in the management reports. MDE will also eliminate the manual draw calculation and begin automatically calculating CCDF provider payroll on Fridays, in addition to the other regularly scheduled draw days.

For part c., during fiscal year 2018, MDE corrected the draw system to ensure that all federal funds would be recorded in the federal appropriation. The federal funds recorded in the general fund incorrectly were recaptured during the fiscal year 2018 close process on November 30, 2018. In future years, MDE will report any adjustments on the CMIA annual report.

For part d., MDE will update the CMIA tracking spreadsheets detailing every federal draw with explanations when deviations from the TSA occur. In future years, MDE will report all draws that deviate from the TSA on the CMIA annual report to Treasury.

Anticipated Completion Date

- a. and b. December 31, 2019
- c. Completed
- d. November 30, 2019

Responsible Individual(s)

Rose Zuker, MDE
Brandon Reed, MDE
Becki Gresh, MDE

Finding 2018-022
DTMB, Lack of Required Contract Provisions

Management Views

DTMB agrees with the finding.

Planned Corrective Action

DTMB Central Procurement Services (CPS) will include the Federal Provisions Addendum provision on all Statewide contracts. DTMB CPS will add language to the State Administrative Board Contract Award Bid Tabulation form to ensure the Federal Provisions Addendum is included if federal funds are being utilized.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Chenoa Reyes, DTMB

Finding 2018-023
SNAP Cluster, CFDA 10.551 and 10.561, Outreach FFP

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS's Federal Reporting, Food Assistance Program, and Bureau of Finance and Accounting will develop a business process that ensures there are documented checks and balances at each step of payment approval, to ensure that the appropriate payments are made and are attributed correctly to the funding source.

Anticipated Completion Date

August 1, 2019

Responsible Individual(s)

Rebecca Jones, MDHHS
Tiffany Clarke, MDHHS

Tim Hoover, MDHHS
Dawn Sweeney, MDHHS
Teresa Schneider, MDHHS

Finding 2018-024

SNAP Cluster, CFDA 10.551 and 10.561, System and Organization Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., the MDHHS SNAP Administrator and electronic benefits transfer (EBT) coordinator will research, per SNAP regulations and the FMG, SOC report requirements for contractors and subservice organizations. Once research is completed, MDHHS will ensure appropriate regulations are followed.

For part b., the MDHHS SNAP Administrator and EBT coordinator will develop a formal documented process for review of EBT contractors annual SOC reports.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Dawn Sweeney, MDHHS
Andrew Piper, MDHHS

Finding 2018-025

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, MI-WIC IT General Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., DTMB will review and ensure all required and applicable security configuration changes are applied within the database. In addition, DTMB has started implementing database compliance scanning, which will notify DTMB if any security configuration settings fall out of compliance. This scanning will be implemented in the database prior to December 2019.

For part b., DTMB is formalizing and implementing additional internal standards and procedures for access and security management over the operating system.

Anticipated Completion Date

- a. December 2019
- b. September 2019

Responsible Individual(s)

- a. Kimberly Koppsch-Woods and Liam Day, DTMB
- b. David Tremblay, Tina Person, and Darlene Dawley, DTMB

Finding 2018-026

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Procurement Procedures

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS's Women, Infants and Children (WIC) Division has worked with the Bureau of Grants and Purchasing (BGP) to remediate any noncompliant contractual arrangements. However, because of contractual deadlines each fiscal year, and the timing of the statewide single audit, WIC continues to work with BGP to address appropriate alternatives for the remaining services. 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.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Christine Sanches, MDHHS

Brittney LaRue, MDHHS

Finding 2018-027

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Compliance Buys of High-Risk Vendors

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The WIC Program is in the process of revamping and restructuring its Program Integrity Unit to have the capacity to conduct undercover investigations and oversee inventory audits. The expectation is that undercover compliance investigations will be conducted in-house as well as by outside contractors. MDHHS submitted a State Plan amendment to the U.S. Department of Agriculture (USDA) in December 2018 that is still under review by USDA.

Anticipated Completion Date

October 2019, dependent on USDA approval of the State Plan amendment.

Responsible Individual(s)

Christina Herring, MDHHS

Kim Keilen, MDHHS

Finding 2018-028

Child and Adult Care Food Program, CFDA 10.558, Subaward Information

Management Views

MDE agrees with the finding.

Planned Corrective Action

In December 2018, MDE began providing a portion of the Grant Award Notification (GAN) information to subrecipients as required in federal regulation 2 *CFR* 200.331(a). MDE is in the process of implementing a system change to include indirect cost rate tracking to ensure that all subaward information is reported to subrecipients as required by the Uniform Guidance.

Anticipated Completion Date

A portion of the GAN information was provided to subrecipients in December 2018. All aspects are expected to be incorporated by September 30, 2020.

Responsible Individual(s)

Lynn Cavett, MDE
Alyssa Sagolla, MDE

Finding 2018-029

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Propriety of Expenditures

Management Views

The Department of Military and Veterans Affairs (DMVA) agrees with the finding. For part a., DMVA standardized its payroll processing with the implementation of SIGMA and started requiring all employees to enter their own time and supervisors to approve the time entry within the system. Prior to this change, time entry within DMVA varied (e.g. paper submissions; time clock interface, etc.). As staff learned the new system and time entry requirements, there were instances where human resources (HR) staff were required to bypass supervisor approval in order to meet payroll processing deadlines. For parts b. and c., DMVA has begun to take action against drivers who have failed to make submittals.

Planned Corrective Action

For part a., to address instances where federal, non-State employee supervisors were blocked from access to the SIGMA website from a federal computer, the HR Director has initiated steps with the Army Chief of Staff to have the SIGMA website identified as a trusted site to enable federal staff to access and approve within the system.

To address an issue with incompatible email systems and emails to federal supervisors that were blocked by the military email account, DMVA has implemented a one pay period deadline for supervisory approval before the issue is escalated to the HR Director for intervention and resolution at a higher level. This will readily identify blocked emails verses non-response and/or non-compliance. Those staff identified as non-compliant and/or unresponsive will be subject to appropriate corrective intervention to bring performance to an acceptable level.

DMVA affirms that the preferred method for payroll processing is employee entry and supervisor approval within SIGMA; however, situations will arise in which the need to bypass approvals will occur (e.g. vacant supervisor position; supervisor on extended leave) to meet payroll deadlines. DMVA will proactively identify surrogate approvers in these instances to ensure compliance. In situations that bypass approval is required, DMVA will require certification of the time entry in SIGMA and/or approval via email for placement in the personnel file prior to the next pay period.

For parts b. and c., DMVA has established policies and procedures for vehicle usage and vehicle user responsibility.

Anticipated Completion Date

- a. Completed
- b. and c. DMVA policy and procedure will be distributed by July 1, 2019.

Responsible Individual(s)

- a. Noelle Rouse, DMVA
- b. and c. Tara Premoe, DMVA

Finding 2018-030

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

Management Views

DMVA agrees with the finding and will revise the cash draw process to prepare reimbursement requests in accordance with the CMIA TSA. DMVA agrees that noncompliant draws should be reported to Treasury.

Planned Corrective Action

For part a., the United States Property Fiscal Officer (USPFO)/Grants Officer Representative (GOR) will provide modification training to the program managers (PMs) in addition to the National Guard Bureau Cooperative Agreement training that is already required. The USPFO/GOR will coordinate reconciliations between all involved parties and the Deputy USPFO will participate when available. Modifications will be discussed during the reconciliations. Modifications will also be added to the agenda for discussion at the quarterly Senior Management Council meeting. The GOR will aggressively track modifications and funding with follow-up through the USPFO and leadership.

For part b., DMVA will add a tracker to each expenditure report workbook for Appendices 1, 2 and 7 to show dates and responsible individuals.

For part c., DMVA will update its internal spreadsheets timely in order to capture all data that is used for CMIA reporting.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)

Colonel Stephen Ward, USPFO for Michigan
Christine Apostol, DMVA
Julie Mullins, DMVA

Finding 2018-031

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

Management Views

DMVA agrees with the finding and will implement controls to ensure that Cooperative Agreements have sufficient funds obligated prior to submitting requests for reimbursement.

Planned Corrective Action

DMVA will revise its tracking sheet for each appendix to show the amount of funds obligated and remaining federal authorization available in comparison to the cumulative amount due from the federal government for each reimbursement request.

DMVA has requested the aid of the USPFO for Michigan to assist with ensuring sufficient funds are obligated timely.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)

Julie Mullins, DMVA

Finding 2018-032

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Notifications for Appendices Exceeding 90% Threshold

Management Views

DMVA agrees with the finding and the USPFO will be notified when appendices exceed 90% of the Annual Funding Plan (AFP) amount.

Planned Corrective Action

DMVA will revise the tracking sheets for each appendix to show the remaining AFP available and the percent obligated (actual expenditures and open purchase orders).

DMVA will include a checklist with the reimbursement requests that will include verifying the AFP available.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Julie Mullins, DMVA

Finding 2018-033

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

Management Views

DMVA agrees with the finding that all outstanding obligations should be disclosed on extension requests to USPFO.

Planned Corrective Action

DMVA will request the implementation of quarterly reconciliation meetings to ensure DMVA State Operations, federal PMs and the USPFO (when applicable) are tracking the same open obligations.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)
Julie Mullins, DMVA

Finding 2018-034
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401,
Timeliness of Appendix Final Accounting

Management Views

DMVA agrees with the finding and will timely submit a final accounting of all funding and disbursements for appendix agreements.

Planned Corrective Action

The GOR provides a list monthly of Army National Guard payments that have disbursed. DMVA will request Air National Guard staff provide a notification email when payment has disbursed.

During the quarterly review for extension requests, if a final reimbursement has been received, an email will immediately be sent to the PM and GOR for concurrence. DMVA will update its tracking spreadsheet to include a column for "Final Payment Received" and a column for "Email Sent" to PM and GOR.

Anticipated Completion Date
October 1, 2019

Responsible Individual(s)
Julie Mullins, DMVA

Finding 2018-035
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401,
Procurement Procedures

Management Views

DMVA agrees with the finding. The Michigan Procurement Policy Manual (MPPM), Chapter 5, 5.6.1 Verbal, Electronic, or Online states "There is no minimum quote requirement for this competitive bidding method; however, due diligence must be made to ensure best pricing is obtained including obtaining multiple bids when practicable." DMVA has made a formal request to DTMB Central Procurement Services to have this language reviewed. "Due diligence" and "when practicable" are two very different points.

Planned Corrective Action

For part a., DMVA issued the DMVA Procurement Policy on March 1, 2019, adhering to the Statewide MPPM. There will no longer be 6-1 process references. Statewide procedure documents are currently in development for both Statewide agency use and DTMB Central Procurement Services.

For part b., DMVA will communicate to field staff to provide justification and a due diligence statement on contract purchases under \$5,000.

Anticipated Completion Date
a. Completed
b. October 1, 2019

Responsible Individual(s)
Tara Premoe, DMVA

Finding 2018-036

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement Documentation

Management Views

DMVA and DTMB agree with the finding. For part a., environmental and construction projects are bid by the DTMB Office of Design and Construction Division (DCD). Per the MPPM, debarment checks are required to determine if a bidder is responsible. If a bidder is debarred, they are deemed not responsible and their bid would no longer be under consideration. For part b., failure to check debarment prior to contract execution was an oversight.

Planned Corrective Action

For part a., as of June 12, 2019, DMVA's Construction and Facilities Management Office will be performing and printing debarment checks. DTMB DCD will require the hardcopy of the debarment check be included in the DMVA award recommendation package so DTMB DCD can verify the debarment check was completed. Meetings are scheduled between DTMB Central Procurement Services, DMVA, and DTMB DCD to ensure processes meet the MPPM.

For part b., DMVA Procurement will adhere to the MPPM and check debarment prior to contract award.

Anticipated Completion Date
Completed

Responsible Individual(s)
Tara Premoe, DMVA
Design and Construction Contract Services Manager, DTMB

Finding 2018-037

National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Required Provisions

Management Views

DMVA and DTMB agree with the finding and will include all applicable required provisions within contracts and purchase orders with federal awards.

Planned Corrective Action

DMVA will indicate the fund source on form DTMB-400 Project Request and Approval. When a DTMB-400 form indicates federal funds, DTMB will include the applicable federal provisions when generating contracts and purchase orders on DMVA's behalf.

Anticipated Completion Date
June 30, 2019

Responsible Individual(s)
Christine Apostol, DMVA
Design and Construction Contract Services Manager, DTMB

Finding 2018-038

Highway Planning and Construction Cluster, CFDA 20.205 and 20.219, Timeliness of Cash Draws

Management Views

MDOT agrees with the finding.

Planned Corrective Action

MDOT has already reached out to the Michigan Department of Treasury to request that the funding technique as required in the TSA be updated to account for when billing files run in SIGMA.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Adam Feldpausch, MDOT

Finding 2018-039

Title I Grants to Local Education Agencies, CFDA 84.010, Allocation of Funds to Local Educational Agencies

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE will revise the Statistical Analytical Software project that the Office of Educational Supports within MDE utilizes to calculate Title I, Part A grant allocations. The revision will allow for the calculation of a hold harmless base for expanded charter schools in a manner aligned with the 2016 “Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as Amended by the ‘Every Student Succeeds Act’ (ESSA)”.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Shoua Vang, MDE
William Rowan, MDE

Finding 2018-040

Title I Grants to Local Education Agencies, CFDA 84.010, Management Decisions

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE will automate monthly deadline notifications to program offices for management decisions in GEMS/MARS to ensure MDE timely issues required management decisions for subrecipient single audit reports with findings.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Paula Daniels, MDE

Louis Burgess, MDE

Caitlin Hengesbach, MDE

Finding 2018-041

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management Process

Management Views

LARA agrees with the finding. LARA prepared the reimbursement request based on estimated expenditures as opposed to actual expenditures as required by the CMIA TSA. The ability to rely on the accuracy of system data was corrected before year-end and final draws were based on actual expenditures for the fiscal year.

In October 2018, LARA provided an updated notification to the Michigan Department of Treasury, via the fiscal year 2018 CMIA Annual Report, that the funding techniques in the fiscal year 2018 CMIA TSA were not followed. The notification included an analysis of expected vs. actual draw dates and amounts, date funds were disbursed, federal draw amount and an explanation as to why the draws were not completed in compliance with the CMIA TSA. Treasury did not inform LARA of a liability for interest on federal funds.

Planned Corrective Action

LARA will follow its established cash draw process in fiscal year 2019 and prepare reimbursement requests bi-weekly based on actual expenditures.

Anticipated Completion Date

Completed

Responsible Individual(s)

Lora MacKay, LARA

Finding 2018-042

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Eligibility Determinations

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

Michigan Rehabilitation Services (MRS) will develop procedures and internal controls for Vocational Rehabilitation (VR) counselors and supervisors to track, monitor, and improve compliance with timely eligibility determinations as required under 34 C.F.R. § 361.41(b)(1).

MRS will train counselors, support staff and managers on the use of Activity Due reports in the Accessible Web-based Activity and Reporting Environment to monitor eligibility determinations due within 30 days.

MRS will review and update VR counselor performance objectives to include a timely eligibility determination standard.

MRS will develop a continuous improvement plan to include timely eligibility determinations for use by district offices and monitoring quarterly by the Program Enhancement Division. Quarterly, MRS will monitor progress by reviewing Case Service Report (RSA-911) data elements used to report elapsed time from application to eligibility. The resulting data will be used as a progress measure against a 90% compliance rate standard.

Anticipated Completion Date

August 1, 2019

Responsible Individual(s)

Bill Addison, MDHHS
Sigrid Adams, MDHHS
Venita King, MDHHS

Finding 2018-043

Aging Cluster, CFDA 93.044, 93.045, and 93.053, AIS FIRST User Access

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The Aging and Adult Services Agency (AASA) has required all agency Aging Information System (AIS) Financial Information Reporting System Tool (FIRST) users to complete an updated AIS user access form. The need for continued access and FIRST access rights will be reviewed by agency management to ensure that these rights correspond to the roles and responsibilities of current job duties.

AASA is currently finishing development of an online reporting software module to enhance the review of user accounts for compliance with account management requirements. The new module will produce a report for AASA management that includes a list of active AASA AIS FIRST users and their current access rights. AASA AIS management will verify the report to review the continued need for access of each AIS user and the appropriateness of each user's application access rights to ensure compliance with DTMB policy and standards.

Anticipated Completion Date

Updated agency user access forms are due on June 30, 2019. AASA expects to implement the USER Verification Module for AASA staff by July 31, 2019.

Responsible Individual(s)

Scott Wamsley, MDHHS

Finding 2018-044

TANF Cluster, CFDA 93.558, Lack of Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS FOA feels that the SSA validation is an acceptable verification for age verification, however, FOA acknowledges that additional verifications were still necessary for other missing components. FOA will continue to remind local office staff that policies and procedures must to be followed when determining eligibility. FOA will continue training 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
Morgan Schoch, MDHHS
Brian Sanborn, MDHHS

Finding 2018-045

TANF Cluster, CFDA 93.558, Lack of Income Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS FOA will continue to educate local office staff on policies and procedures along with online trainings through the OWDT website.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Kenton Schulze, MDHHS
Morgan Schoch, MDHHS
Brian Sanborn, MDHHS

Finding 2018-046

TANF Cluster, CFDA 93.558, Ineligible Emergency Foster Care Assistance

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will modify the query that determines eligible payments for the TANF claim in order to capture the household information stored in the funding eligibility section. In addition, MDHHS will ensure that the directions for running the query to capture the household information are updated in the “Child Care Fund and State Ward Board & Care Analysis Claim Methodology” document.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)

Theodore Jay, MDHHS

Louis Long, MDHHS

Jensine Garza, MDHHS

Dave Oesebury, MDHHS

Finding 2018-047

TANF Cluster, CFDA 93.558, Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS case analysts are assigned a caseload that they will review annually to assure that TANF funded cases are paying appropriately. If a case is not TANF eligible for the year in review, they will end TANF funding until the next annual redetermination, which is done during the child’s birth month. In addition, MDHHS created a data report of all TANF funded cases and is in the process of reviewing for fiscal year 2018 eligibility. If any discrepancies are noted, immediate action will be taken.

Anticipated Completion Date

June 30, 2019

Responsible Individual(s)

Dawn Ritter, MDHHS

Finding 2018-048

TANF Cluster, CFDA 93.558, Accuracy of Reports

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The SF-425 report data is now pulled from the grant summary form, which is more complete than a single source within SIGMA. The grant summary is reconciled to SIGMA reports and the federal system on a monthly basis. Report query parameters have been better defined and training has been developed to ensure accurate reports are pulled.

Anticipated Completion Date

June 30, 2019

Responsible Individual(s)
Rebecca Jones, MDHHS
Tiffany Clarke, MDHHS
Emiliza Noel, MDHHS

Finding 2018-049
TANF Cluster, CFDA 93.558, Child Support Non-Cooperation

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
The deficiencies related to clients who did not cooperate within the negative action period and were not penalized are training issues that are covered under the OWDT website. MDHHS has recently sent communication to the field and will continue to supply the specialists with trainings and policy support as needed.

The deficiency related to the client in noncooperation and the case not closing appropriately is a technical issue. MDHHS will research the identified case and submit a work request, if appropriate, to correct the issue.

Anticipated Completion Date
Training is ongoing.
Case review and submission of potential work request is expected by September 30, 2019.

Responsible Individual(s)
Terrence Beurer, MDHHS
Amy Hundley, MDHHS
Kenton Schulze, MDHHS
Morgan Schoch, MDHHS
Brian Sanborn, MDHHS

Finding 2018-050
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 2018-051

CCDF Cluster, CFDA 93.575 and 93.596, Lack of Documentation

Management Views

MDE and MDHHS agree with the finding. MDHHS noted that 9 of the 11 cases cited did not have TANF - Family Independence Program (FIP) related childcare payments during fiscal year 2018.

Planned Corrective Action

MDHHS FOA along with TANF FIP Program Policy staff will continue to provide guidance to local office staff regarding eligibility requirements by continually monitoring the FIP policy mailbox, providing noted trends in the monthly Partners in Progress (PiP) webinar and by participating in Business Service Center (BCS) management meetings. Also, FOA will be reviewing policy for direct assistance benefits that simplify the verification process while maintaining State and federal compliance.

Anticipated Completion Date

December 31, 2019

Responsible Individual(s)

Terrence Beurer, MDHHS
Lisa Brewer-Walraven, MDE

Finding 2018-052

CCDF Cluster, CFDA 93.575 and 93.596, Identification of Obligations

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE will revise the ACF-696 reports containing incorrect unliquidated obligation amounts for fiscal year 2018 and 2019 awards. To ensure MDE accurately identifies and reports the CCDF Cluster obligations to the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF) at the end of its discretionary grants' obligation periods, MDE will report unliquidated obligations supported by purchase orders, direct orders, or other obligating methods and lapse any remaining unobligated funds.

Anticipated Completion Date

December 31, 2019

Responsible Individual(s)

Rose Zuker, MDE
Jodi Woodman, MDE
Bethanie Kramer, MDE

Finding 2018-053

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 provide MDHHS specific written direction on exactly which overpayment claims MDHHS is expected to pursue. With specific written direction, MDHHS can develop a manual process to comply with MDE's direction.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Lisa Brewer-Walraven, MDE
Jeff Moeggenborg, MDHHS

Finding 2018-054

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. Timely termination did not always occur because MDHHS believes they have an obligation to comply with federal requirements regarding negative action and due to other worker actions. In addition, although these beneficiaries may no longer be 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 has reached out to the Centers for Medicare and Medicaid Services (CMS) to obtain guidance on negative action rules and they have affirmed that TMA is not an exception to the rule and requires timely notice and that MDHHS must follow negative action rules. MDHHS is in the process of following up with CMS to obtain written support of this affirmation.

MDHHS will run 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

Initial Query Run: September 30, 2019

Analysis of Query Results & Development of Monitoring Plan, if Applicable: December 31, 2019

Review of Population Identified in the Finding: December 31, 2019

Responsible Individual(s)

Logan Dreasky, MDHHS

Finding 2018-055

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 will evaluate the existing process for handling and keying paper records to ensure that the process includes procedures for registering and updating the paper records timely.

Subsequent to processing of the additional paper death records, MDHHS recouped \$24,506 in capitation payments.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jeff Duncan, MDHHS

Finding 2018-056

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 continue worker training through the OWDT, along with training job aids to ensure proper eligibility documentation is reviewed and maintained when determining eligibility.

MDHHS will determine if sufficient monitoring protocols can be developed to help ensure that beneficiaries are removed from TMA on a timely basis, however, MDHHS is required to follow federal negative action regulations and thus there are times when the TMA eligibility could exceed 12 months.

Anticipated Completion Date

December 31, 2019

Responsible Individual(s)

Logan Dreasky, MDHHS

Finding 2018-057

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Payments on Behalf of Ineligible Beneficiaries

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has developed queries to identify issues where CHAMPS and Bridges do not sync. A process is being developed which includes the frequency at which the query will be ran, analysis of the results, applicable system work requests, if necessary, and synchronization of any data issues identified.

Anticipated Completion Date

MDHHS anticipates developing the monitoring process by September 30, 2019. Any data synchronization issues will be corrected when identified and system work requests, if applicable, will be determined at a later date.

Responsible Individual(s)

Jamy Hengesbach, MDHHS

Finding 2018-058

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), MiAIMS User Access

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS will conduct an audit of all active Michigan Adult Integrated Management System (MiAIMS) users to ensure that a completed Staff Profile Security Agreement (DHS-60) form is on file. MDHHS will also pursue the possibility of moving user registration into the DSA so that user registration is electronic and annual reviews can be automatically completed.

For part b., MDHHS will generate a quarterly report for all MiAIMS users to monitor user access of the system to ensure compliance with DTMB policies and procedures.

Anticipated Completion Date

- a. December 31, 2019
- b. December 31, 2019 and ongoing

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2018-059

Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Ineligible Home Help Payments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

During fiscal year 2018, nursing facility enrollment was incorporated into CHAMPS, which mitigates reimbursement for home help services when a beneficiary's enrollment is entered into CHAMPS. However, for the system edit to work, the nursing enrollment must be entered into CHAMPS timely and this does not always occur. Because of the delays in MiAIMS data warehouse functionality, MDHHS turned the identification and recoupment process over to MDHHS's Office of Inspector General (OIG) during fiscal year 2018. MDHHS's OIG will continue to pursue recoupment for any payments that it identifies that equal or exceed \$100

and defer potential recoupment to the MDHHS Home Help section any amount under \$100. The Home Help section is working with the Bureau of Finance to determine if recoupment is cost effective for amounts under \$100 and will develop recoupment strategies for any recoupment that they pursue.

Anticipated Completion Date

July 2019 and ongoing

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2018-060

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 enhance home health agencies communications and will conduct a provider liaison meeting, which will include a review of audit issues and obstacles to compliance.

MDHHS will also pilot a post-payment review process that will review documentation requirements.

Anticipated Completion Date

November 1, 2019

Responsible Individual(s)

Michelle Tyus, MDHHS

Michael Daeschlein, MDHHS

Finding 2018-061

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

MiAIMS was rolled out Statewide in October 2017. MiAIMS has an edit that will prevent payment at the agency rate until MDHHS enters the authorization in the system which sets the agency indicator. Although the payments cited in this audit were made in fiscal year 2018, the authorizations were established prior to MiAIMS implementation.

Anticipated Completion Date

Completed

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2018-062
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Cost Settlement Calculations

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is currently developing an automated settlement application that will eliminate manual data entry errors. MDHHS agrees that three of the 14 sampled final cost settlements were not accurately calculated. During the audit period, MDHHS processed 764 final settlements in CHAMPS. MDHHS also has an additional compensating control of a “3-year lookback” analysis that examines previously processed final cost settlements. Whenever a final settlement is calculated, the previous year’s paid claims report is rerun and the settlement is recalculated. If a material change occurs, MDHHS processes a revised final for that fiscal year.

Anticipated Completion Date

September 30, 2020

Responsible Individual(s)

John Donaldson, MDHHS
Scott Werner, MDHHS

Finding 2018-063
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Dental Provider Overpayments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS immediately updated any formula errors upon discovery, to ensure that any future payments did not use the miscalculated rates. MDHHS also notified the applicable provider groups and stressed the need for annual commercial rate data, regardless of the materiality in any rate changes, for MDHHS to make the necessary updates for the average commercial rate calculation. In addition, MDHHS spent extensive time reviewing the average commercial rate calculation process and has made updates to the calculation file and review process to ensure inaccuracies are identified and corrected. Enhancements to the calculation process included updates to formula cells in the calculation spreadsheet that automatically populate the appropriate data and a variance test that compares the updated rate for each procedure code with its corresponding rate from the prior year and flags any rates that had a substantial variance for review.

Anticipated Completion Date

Completed

Responsible Individual(s)

Andrew Schalk, MDHHS

Finding 2018-064
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 addressed this finding in part, with the implementation of MCC (Modernizing Continuum of Care) in January 2018. MCC removed level of care functionality out of Bridges and replaced it with new coding within CHAMPS for managed care enrollment. The CHAMPS changes addressed as part of MCC however do not address when retroactive eligibility changes occur in Bridges. MDHHS will be establishing a workgroup to further analyze the claim and capitation data and determine an appropriate strategy to identify and potentially mitigate retroactive eligibility changes to then address any potential overlapping payments.

Anticipated Completion Date

October 30, 2019

Responsible Individual(s)

Ashiya Brown, MDHHS
Alexis Bond, MDHHS

Finding 2018-065
Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Long-Term Care Facility Audits

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS hired additional State and contract audit staff to help ensure that audits of long-term care providers are completed timelier. In addition, MDHHS is preparing a long-term audit plan to ensure that all audit timelines in Public Act 612 of 2018 will be met. To comply with P.A. 612 of 2018, MDHHS will complete all outstanding audits (of accepted cost reports received before June 26, 2019) within 24 months and will complete audits of accepted cost reports (on or after June 26, 2019) within 21 months of the cost report being accepted. In addition, with current technology, onsite audits to obtain documentation are no longer a necessity. MDHHS is in the process of modifying the Medicaid Provider Manual and the Medicaid State Plan to address this requirement.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

John Donaldson, MDHHS
Scott Werner, MDHHS

Finding 2018-066

Immunization Cooperative Agreements, CFDA 93.268, Accuracy of Financial Reports

Management Views

MDHHS agrees the with finding.

Planned Corrective Action

MDHHS will create uniform procedures for completing interim federal financial reports (FFRs), provide training for staff, and work with its federal partner to better define their expectations on interim FFRs.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Debbie Cushman, MDHHS

Finding 2018-067

Immunization Cooperative Agreements, CFDA 93.268, MCIR General Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., DTMB will review and ensure all required and applicable security configuration changes are applied within the database. In addition, DTMB has started implementing database compliance scanning, which will notify DTMB if any security configuration settings fall out of compliance. This scanning will be implemented in the database prior to December 2019.

For part b., DTMB is formalizing and implementing additional internal standards and procedures for access and security management over the operating system.

Anticipated Completion Date

- a. December 2019
- b. September 2019

Responsible Individual(s)

- a. Kimberly Koppsch-Woods and Liam Day, DTMB
- b. David Tremblay, Tina Person, and Darlene Dawley, DTMB

Finding 2018-068

Immunization Cooperative Agreements, CFDA 93.268, MCIR User Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will develop a new process for State staff that request access to the Michigan Care Improvement Registry (MCIR) that will allow for ease of linkage between the user identification in MCIR and SOM employees. MCIR management will create and implement a form

authorization process for access to the MCIR system. The new form will be implemented with Site Administrators to initiate the review of user accesses.

MCIR Site Administrators are responsible for the adding/removing of user access for the site they administer. While system controls are in place to auto-expire a person's access, MDHHS will evaluate Site Administrators' procedures to monitor access and develop a process to help improve the effectiveness of the Site Administrators monitoring activities.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Beatrice Salada, MDHHS

Tina R. Scott, MDHHS

Finding 2018-069

Low-Income Home Energy Assistance, CFDA 93.568, Eligibility Determinations

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS FOA along with State Emergency Relief (SER) Program Policy staff will continue to provide guidance to local office staff regarding eligibility requirements by continually monitoring the SER policy mailbox, providing noted trends in the monthly PIP webinar, and by participating in BCS management meetings.

FOA and SER Program staff will review policies and procedures related to the completion of the Authorization/Invoice (DHS-849) form. The current policy, which requires a signature on the form, predates Bridges and should no longer be required since the worker certification of benefits is captured electronically within Bridges. Also, FOA will be reviewing policies for direct assistance benefits that simplify the verification process while maintaining State and federal compliance.

Anticipated Completion Date

December 31, 2019

Responsible Individual(s)

Terrence Beurer, MDHHS

Kent Schulze, MDHHS

Tammy Bair, MDHHS

Finding 2018-070

Low-Income Home Energy Assistance, CFDA 93.568, Administrative Expenditures in Excess of the Earmark Threshold

Management Views

MDHHS disagrees with the finding. Representatives from HHS ACF advised MDHHS that the agency can include the cost associated with eligibility determinations, previously reported as administrative expenditures in prior fiscal years, as non-administrative expenditures as long as it is not in conflict with existing rules and definitions for administrative costs. ACF staff provided

MDHHS with a Low-Income Home Energy Assistance Program (LIHEAP) Clearinghouse Issue Brief (brief), which encourages states and details ways to save on administrative costs and thereby allow more funding to be used to assist clients with their home energy needs. The brief clearly gives states the flexibility with planning and administrative expenditures. The brief further goes on to state that given the flexibility of TANF and LIHEAP regulations, states vary as to how they classify the costs of providing energy assistance benefits and services such as program intake functions and eligibility functions (determining eligibility). The brief then provides examples as to how different states have defined administration versus program expenditures. MDHHS uses its PACAP to define how indirect and administrative costs will be allocated in support of all MDHHS programs. Historically, MDHHS had treated the LIHEAP eligibility determination costs as administrative, until their federal partners encouraged MDHHS to review these costs because some states do consider these same costs as programmatic. The PACAP defines the methodology used for allocating field staff's time across all MDHHS programs. As recommended by ACF, MDHHS will further define administrative costs in its LIHEAP state plan to clarify how LIHEAP programmatic intake functions and eligibility functions are classified.

Planned Corrective Action

MDHHS is developing a written methodology to support its current administrative expenditure structure.

Anticipated Completion Date

July 31, 2019

Responsible Individual(s)

Tammy Bair, MDHHS

Finding 2018-071

Foster Care - Title IV-E, CFDA 93.658, Foster Parent Household Background Checks

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS met with tribal partners and consulted with the Federal Children's Bureau regarding specific documentation requirements related to criminal records checks and child abuse and neglect registry checks on prospective tribal foster parents. As a result, MDHHS drafted a modified safety requirement form that will require tribes to certify that all federal safety requirements have been met. The MDHHS local office will review and approve the form and supporting documentation prior to issuing foster care payments to tribal foster parents.

MDHHS will be discussing this matter in upcoming negotiations for revised State Tribal agreements and will finalize the safety requirements form following the opportunity for tribal partners to review and provide input.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)

Wendy Campau, MDHHS

Theodore Jay, MDHHS

Patricia Neitman, MDHHS

Stacey Tadgerson, MDHHS

Finding 2018-072

Foster Care - Title IV-E, CFDA 93.658, Accuracy of Financial Reports

Management Views

MDHHS partially agrees with the finding. For part b. of the finding, MDHHS and the OAG disagree on the interpretation of federal instructions. MDHHS has consistently performed the calculation using caseloads since 2011 and both federal and State auditors have not noted any issues with this interpretation. The federal instructions appear to use caseload, candidate cases, and children interchangeably, so MDHHS has reached out to its federal partners for additional clarification.

Planned Corrective Action

For part a, MDHHS Revenue Operations Division will work with the program area to request formal communication when changes are made to reports relied on by the grant accountants for federal reporting purposes.

For part b, MDHHS will contact the federal agency to obtain clarification on the federal instructions.

For part c, MDHHS Revenue Operations Division will work with the program area to request a memo that documents the amount of 3rd party match to ensure that the appropriate claim is made.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

Tiffany Clarke, MDHHS

Teresa Laurin, MDHHS

Finding 2018-073

Adoption Assistance, CFDA 93.659, Payments to Ineligible Participants

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has created a data report of all cases where the funding source changed from the original eligibility determination. MDHHS is in the process of reviewing this list. If any discrepancies are noted, immediate action will be taken.

Anticipated Completion Date

July 1, 2019

Responsible Individual(s)

Dawn Ritter, MDHHS

Finding 2018-074

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 additional revisions to the adoption savings query and will resubmit the 2018 federal savings report if there are material differences. In addition, MDHHS is submitting a request through the Departmental Work Intake Process (DWIP) to transition this report to a DTMB report.

Anticipated Completion Date

DWIP request: June 30, 2019

Prioritization of work to transition the report: To be determined

Responsible Individual(s)

Dawn Ritter, MDHHS

Cathe Hoover, MDHHS

Rebecca Jones, MDHHS

Finding 2018-075

Adoption Assistance, 93.659, Accuracy of Financial Report

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

Quarterly reports have been corrected to properly reflect the fiscal year 2018 expenditures. This was an isolated incident related to the implementation of SIGMA. Prepaids are not a normal course of business.

Anticipated Completion Date

Completed

Responsible Individual(s)

Carol O'Callaghan, MDHHS

Rebecca Jones, MDHHS

Tiffany Clarke, MDHHS

Teresa Laurin, MDHHS

Finding 2018-076

Children's Health Insurance Program, CFDA 93.767, Medical Records

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will reiterate to providers the importance of maintaining appropriate documentation for services provided for post payment review. For the two records not received, one provider had

retired, and the office closed; the other provider was unresponsive, therefore MDHHS voided the claim, recouped the funds for that Transaction Control Number, and notified the provider.

Anticipated Completion Date

July 1, 2019

Responsible Individual(s)

Crystal Kline, MDHHS
Mike Bayless, MDHHS

Finding 2018-077

Children's Health Insurance Program, CFDA 93.767, Classification of Expenditures

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The reporting process for the CHIP reclass expenditures is now formula driven. A formula extracts the line number from the federal report code, rather than manual entry of each line number.

Anticipated Completion Date

October 1, 2018

Responsible Individual(s)

Jessica Tindall, MDHHS

Finding 2018-078

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, FSR Approvals

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS reviewed the Financial Status Reports (FSR) during fiscal year 2018, however, there was not a process in place to document that review as the FSRs were not used for reimbursement. A revised contract management workflow was implemented in February 2019, which now requires documentation of FSR review. For fiscal year 2020, this process will be placed in the Electronic Grants Administration and Management System and substance use disorder reimbursement will transition to a post payment reimbursement methodology.

Anticipated Completion Date

Completed

Responsible Individual(s)

Karolyn Jones, MDHHS
Linda Witham, MDHHS

Finding 2018-079

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, State Expenditures

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has not yet submitted final calculations to the federal awarding agency because the Web-based Grant Application System has not been opened for entry. MDHHS is currently reviewing and updating written policies and procedures to help ensure maintenance of effort (MOE) calculations are capturing all eligible expenditures. In addition, MDHHS will be changing to a reimbursement-based model requiring monthly reporting from subrecipients for fiscal year 2020. This will allow MDHHS to more closely monitor MOE expenditures.

Anticipated Completion Date

October 1, 2019

Responsible Individual(s)

Kristen Jordan, MDHHS

Karen Cashen, MDHHS

Finding 2018-080

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Risk Assessments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is in the process of reviewing its subrecipient population, ensuring that all subrecipients are incorporated into the Substance Abuse Prevention and Treatment Block Grant Risk Monitoring protocol and realigning staff as appropriate to ensure appropriate coverage.

Anticipated Completion Date

September 30, 2019

Responsible Individual(s)

John Duvendeck, MDHHS

Finding 2018-081

Homeland Security Biowatch Program, CFDA 97.091, Improper Employee Activity Charged

Management Views

The Department of Environment, Great Lakes, and Energy (EGLE) agrees with the finding. EGLE takes misuse of State resources seriously. Upon receiving the referral of issues identified by the OAG Fraud Investigative Services Team, EGLE requested Civil Service conduct an investigation. Civil Service completed an investigation for payroll fraud and violations of State policies for the employees in question.

Planned Corrective Action

As a result of the OAG's findings and Civil Service's review, disciplinary action was issued for four individuals and one supervisor, including dismissal of two employees. In addition to the disciplinary action, the program supervisor has implemented additional controls for employees, including a requirement to maintain a daily mileage log, required for each day of field work.

Items now being tracked include date, vehicle information, time of arrival and departure, location, purpose, odometer, distance, and signature of staff. This log was required for use by employees as of February 1, 2019. Lastly, on February 1, 2019, a note was sent to all Air Quality Division employees reminding them of their responsibilities and referring them to their Collective Bargaining Agreements and the department's Employee Handbook.

Anticipated Completion Date

Completed

Responsible Individual(s)

Mary Ann Dolehanty, EGLE

Finding 2018-082

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, 2018, Corrective Action Plan, Finding 2018-001

Finding 2018-083

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, 2018, Corrective Action Plan, Finding 2018-002

Finding 2018-084

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, 2018, Corrective Action Plan, Finding 2018-003

Finding 2018-085

Unemployment Insurance, CFDA 17.225 and 17.225 (ARRA)

See Talent Investment Agency, Unemployment Insurance Agency - Unemployment Administration Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2018, Corrective Action Plan, Finding 2018-001

GLOSSARY

LIST OF ABBREVIATIONS

AASA	Aging and Adult Services Agency.	CMS	Cash Management System.
ACA	Affordable Care Act.	CSFP	Commodity Supplemental Food Program.
ACF	HHS's Administration for Children and Families.	CTE	Career and Technical Education - Basic Grants to States.
ACF-196R	TANF Financial Report.	DCA	Division of Cost Allocation.
ACF-204	Annual Report on State Maintenance of Effort Programs.	DCD	Office of Design and Construction Division.
ACF-696	Child Care and Development Fund Financial Report.	DMEPOS	durable medical equipment, prosthetics, orthotics, and supplies.
ADP	automated data processing.	DMVA	Department of Military and Veterans Affairs.
AFDC	Aid to Families with Dependent Children.	DMVA 6-1	Request for Purchase and/or Service.
AFP	Annual Funding Program.	DNR	Department of Natural Resources.
AIS	Aging Information System.	DRP	disaster recovery plan.
ARRA	American Recovery and Reinvestment Act of 2009.	DSA	Database Security Application.
ASCAP	Adult Services Comprehensive Assessment Program.	DTMB	Department of Technology, Management, and Budget.
ASM	Adult Services Manual.	EBT	electronic benefits transfer.
ASW	adult services worker.	EGLE	Department of Environment, Great Lakes, and Energy.
BCP	business continuity plan.	EGrAMS	Electronic Grants Administration and Management System.
Bridges	Bridges Integrated Automated Eligibility Determination System.	EOB	explanation of benefit.
CCDF	Child Care and Development Fund.	EPLS	Excluded Parties List System.
CCI	child care institution.	FAA	Federal Aviation Administration.
CDC	Child Development and Care.	FAIN	Federal Award Identification Number.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>	FFEL	Federal Family Education Loans.
CFMO	Construction and Facilities Management Officer.	FFP	federal financial participation.
CFR	<i>Code of Federal Regulations.</i>	FIP	Family Independence Program.
CHAMPS	Community Health Automated Medicaid Processing System.	FIRST	Financial Information Reporting System Tool.
CHIP	Children's Health Insurance Program.	FISCAM	Federal Information System Controls Audit Manual.
CI	Consolidated Inquiry.	FMG	Financial Management Guide.
CMIA	Cash Management Improvement Act.	FNS-FRS	Food Nutrition System - Fiscal Reporting System.
		FOA	Field Operations Administration.

FSR	financial status report.	MiCSES	Michigan Child Support Enforcement System.
GAO	U.S. Government Accountability Office.	MICWRAP	Material Internal Control Weakness Remediation and Accountability Program.
GEMS/MARS	Grant Electronic Management System/Michigan Administrative Review System.	MiND	Michigan Nutrition Data.
GOR	Grants Officer Representative.	MiSACWIS	Michigan Statewide Automated Child Welfare Information System.
HHA	home health agency.	MI-WIC	Michigan Women, Infants, and Children Information System.
HHP	Home Help Program.	MLER	Member Level Error Report.
HHS	U.S. Department of Health and Human Services.	MOE	maintenance of effort.
IDEA	Individuals with Disabilities Education Act.	MPPM	Michigan Procurement Policy Manual.
IEVS	Income Eligibility and Verification System.	MRS	Michigan Rehabilitation Services.
IPE	Individualized Plan for Employment.	MSHDA	Michigan State Housing Development Authority.
IIT	individual income tax.	MSP	Michigan Department of State Police.
IT	information technology.	MSV	Medicaid Services Verification.
LARA	Department of Licensing and Regulatory Affairs.	NGB	National Guard Bureau.
LEA	Local Educational Agencies.	NGR	National Guard Regulations.
LIHEAP	Low-Income Home Energy Assistance Program.	O&M	Operations and Maintenance.
LOE	level of effort.	OAG	Office of the Auditor General.
LOSC	local office security coordinator.	OFM	Office of Financial Management.
MARS	Management of Awards to Recipients System.	OMB	U.S. Office of Management and Budget.
MCIR	Michigan Care Improvement Registry.	OWDT	Office of Workforce Development and Training.
MDE	Michigan Department of Education.	PACAP	Public Assistance Cost Allocation Plan.
MDHHS	Michigan Department of Health and Human Services.	PBM	Pharmacy Benefits Manager.
MDOT	Michigan Department of Transportation.	PIHP	Prepaid Inpatient Health Plan.
MEGS+	Michigan Electronic Grants System Plus.	PM	Federal Program Manager.
MHP	Medicaid Health Plan.	R&D	research and development.
MiAIMS	Michigan Adult Integrated Management System.	RMTS	Random Moment Time Study.
MI Choice	MI Choice Waiver Program.	SEFA	schedule of expenditures of federal awards.
		SER	State Emergency Relief.
		SF-270	Request for Advance or Reimbursement.

SF-425	Federal Financial Report.	TANF	Temporary Assistance for Needy Families.
SIGMA	Statewide Integrated Governmental Management Applications.	TED	Michigan Department of Talent and Economic Development.
SNAP	Supplemental Nutrition Assistance Program.	Treasury	Michigan Department of Treasury.
SOC	System and Organization Controls.	TSA	Treasury State Agreement.
SOLQ	State Online Query.	UCL	Universal Case Load.
SOM	State of Michigan.	USC	<i>United States Code.</i>
SSA	Social Security Administration.	USDOE	U.S. Department of Education.
SSBG	Social Services Block Grant.	USPFO	United States Property and Fiscal Office.
SSI	Supplemental Security Income.	WIOA	Worker Innovation and Opportunity Act.
SWSS	Services Worker Support System.		

GLOSSARY OF TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009.
application controls	Controls that are directly related to individual computer applications. These controls help ensure that transactions are valid, properly authorized, and completely and accurately processed and reported.
auditor's comments to management views	Government auditing standards require auditors to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement. Therefore, when this situation arises, the OAG includes auditor's comments to comply with this standard.
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.
Catalog of Federal Domestic Assistance (CFDA)	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.

Code of Federal Regulations (CFR)	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.
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 *Government Auditing Standards* issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with the Uniform Guidance.

Statewide Integrated Governmental Management Applications (SIGMA)

The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.

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.
- SOC for Cybersecurity. Intended to communicate relevant information about the effectiveness of an organization's cybersecurity risk management programs.

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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