



STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

GRETCHEN WHITMER  
GOVERNOR

CHRIS KOLB  
DIRECTOR

November 15, 2019

**MEMORANDUM**

TO: Office of Internal Audit Services  
State Budget Office

FROM: Heather Boyd, Director *HB*  
Office of Financial Management

SUBJECT: Fiscal Year 2018 Statewide Single Audit Corrective Action Plan

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In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained in the Office of the Auditor General's State of Michigan Single Audit Report for fiscal year ended September 30, 2018.

Questions regarding the summary table or corrective action plans should be directed to Derek Childs, Single Audit Coordinator, at (517) 335-5770 or [ChildsD5@michigan.gov](mailto:ChildsD5@michigan.gov).

Attachment

cc: Executive Office  
Doug Ringler, Auditor General  
Lee Chatfield, Speaker of the House  
Christine Greig, House Minority Leader  
Mike Shirkey, Senate Majority Leader  
Jim Ananich, Senate Minority Leader  
Chris Kolb, State Budget Director  
Kyle Jen, Deputy State Budget Director  
Shawna Hessling, Director, Accounting and Financial Reporting Division 1  
Derek Childs, Statewide Single Audit Coordinator  
House Fiscal Agency  
Senate Fiscal Agency  
Chief Financial Officers  
Chief Accountants

**State of Michigan  
Single Audit Report  
Summary of Agency Responses to Recommendations  
Fiscal Year Ended September 30, 2018**

**1. Audit Recommendations the Agency has complied with:**

2018-008, 2018-012\*, 2018-013\*, 2018-020, 2018-029, 2018-031, 2018-036, 2018-037, 2018-039, 2018-042, 2018-043, 2018-047, 2018-048, 2018-050, 2018-055, 2018-059, 2018-061, 2018-063, 2018-073, 2018-075, 2018-076, 2018-078, 2018-081

**2. Audit Recommendations the agency agrees with and will comply:**

2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-009, 2018-010, 2018-011\*, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018\*, 2018-019, 2018-021, 2018-022, 2018-023, 2018-024, 2018-025, 2018-026, 2018-027, 2018-028, 2018-030, 2018-032, 2018-033, 2018-034, 2018-035, 2018-038, 2018-040, 2018-041, 2018-044, 2018-045, 2018-046, 2018-049, 2018-051, 2018-052, 2018-053, 2018-054\*, 2018-056, 2018-057, 2018-058, 2018-060, 2018-062, 2018-064, 2018-065, 2018-066, 2018-067, 2018-068, 2018-069, 2018-070\*, 2018-071, 2018-072\*, 2018-074, 2018-077, 2018-079, 2018-080

**3. Audit Recommendations the agency disagrees with:**

Not applicable

**4. Audit Recommendations Related to Other Audits:**

2018-082, 2018-083, 2018-084, 2018-085

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

\*Agency disagrees or partially agrees with the finding but agrees to comply with the recommendation.

**Finding 2018-001**  
**Access Limitations for Confidential Information in SIGMA**

Recommendation

We recommend that Treasury and the Michigan Department of Health and Human Services (MDHHS) limit access to confidential information to appropriate users of the information.

Management Views

MDHHS, the Michigan Department of Education (MDE), and the Office of Financial Management (OFM) agree that access to confidential information should be limited to appropriate users of the information.

Planned Corrective Action

For part a.2., MDHHS has identified potential interface design changes to eliminate sending confidential information to fields in the Statewide Integrated Governmental Management Applications (SIGMA) system that have widespread access. MDHHS is reviewing each applicable system and interface to determine the feasibility and cost of the proposed changes.

For part b., MDHHS stopped disclosing transaction support with confidential information in fiscal year 2018.

Anticipated Completion Date

a.2. MDHHS anticipates the feasibility and cost review will be completed by December 2019. The final completion date is to be determined after this review is complete.

b. Completed

**Finding 2018-002**  
**Bridges Interface and Change Controls**

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 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 the Children's Health Insurance Program (CHIP).

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 developed 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. September 6, 2019
- d. Completed
- e. and f. Completed

**Finding 2018-003**  
**Bridges Security Management and Access Controls**

Recommendation

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

Management Views

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

#### **Finding 2018-004** **Income Eligibility and Verification System**

##### Recommendations

We recommend that MDHHS and DTMB request and obtain Income Eligibility and Verification System (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.

##### 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 IEVS data sources are processed accurately, completely, and timely.

For parts b., c. and d., related to the TANF, 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 obtained 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 received a security assessment report and submitted 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. Completed

#### **Finding 2018-005** **ADP Security Program**

#### Recommendation

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

#### Management Views

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

**Finding 2018-006**  
**MiSACWIS Security Management and Access Controls**

Recommendation

We recommend that MDHHS and DTMB establish effective security management and access controls over the Michigan Statewide Automated Child Welfare Information System (MiSACWIS).

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 developed training for LOSCs that was delivered in June 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 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 October 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

**Finding 2018-007**

**CHAMPS Security Management and Access Controls**

Recommendation

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

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

**Finding 2018-008**

**EGrAMS Security Management and Access Controls**

Recommendation

We recommend that MDHHS establish effective security management and access controls over the Electronic Grants Administration and Management System (EGrAMS).

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

Access review requirements were changed in December 2018 to allow for annual review instead of every 120 days. The access reviews are completed as the new year applications are

released to the grantees. In addition, MDHHS is performing random sample audits of the user access forms to ensure appropriate users are assigned to the system.

Anticipated Completion Date

Completed

**Finding 2018-009**

**MDE, IT General Controls**

Recommendation

We recommend that MDE and DTMB 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 the Grant Electronic Management System/Michigan Administrative Review System (GEMS/MARS).

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 MEGS+, CMS, FNS-FRS, and the GEMS/MARS servers.

Anticipated Completion Date

- a. December 31, 2019
- b. September 30, 2019

**Finding 2018-010**

**MDE, IT Security Management and Access Controls**

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.

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 met with the office directors and business owners to review the access control process for each system on August 29, 2019.

Anticipated Completion Date

September 2019

**Finding 2018-011**  
**MDHHS, PACAP - Completeness and Accuracy of the PACAP**

Recommendation

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

Management Views

MDHHS partially agrees with the finding.

With the implementation of SIGMA, meeting Statewide deadlines and converting the 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

**Finding 2018-012**  
**MDHHS, PACAP - Inappropriate PACAP Allocation**

Recommendation

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

Management Views

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

Completed

**Finding 2018-013**  
**MDHHS, PACAP - Inappropriate PACAP Allocation Basis**

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.

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  
Completed

**Finding 2018-014**  
**MDHHS, Expenditure Processing for Medical Payments**

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.

Planned Corrective Action

MDHHS followed the Medicaid Cash Management Improvement Act (CMIA) funding technique for 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

**Finding 2018-015**  
**MDHHS, Eligibility Interface Errors**

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.

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

**Finding 2018-016**

**MDHHS, Provider Eligibility**

Recommendations

We recommend that MDHHS obtain and timely update and approve CHAMPS for all required disclosures from Prepaid Inpatient Health Plan (PIHP) entities, Medicaid Health Plan entities, the Dental Health Plan entity, and its Pharmacy Benefits Manager.

We also recommend that MDHHS monitor its MI Choice Waiver Program 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.

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

**Finding 2018-017**

**MDHHS, Pharmacy Rebate Validations**

Recommendation

We recommend that MDHHS complete and obtain management approval for 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

**Finding 2018-018**  
**MDHHS, Provider Eligibility**

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 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

**Finding 2018-019**  
**MDHHS, Cash Management Process**

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. 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 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

### **Finding 2018-020**

#### **MDHHS, Subaward Information**

#### 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.

#### 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 implemented 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 implemented 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

Completed

### **Finding 2018-021**

#### **MDE, Cash Management Process**

#### 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.

### 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

## **Finding 2018-022**

### **DTMB, Lack of Required Contract Provisions**

#### Recommendation

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

#### 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

## **Finding 2018-023**

### **SNAP Cluster, CFDA 10.551 and 10.561, Outreach FFP**

#### 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.

#### 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. In August 2019, Federal Reporting issued a memo to all program offices with grants. The memo requested, on a quarterly basis, a submission of records of all third-party match dollars to Federal Reporting so they can validate the records.

#### Anticipated Completion Date

Federal Reporting issued its memo in August 2019. MDHHS anticipates that the Food Assistance Program's business process will be completed by September 30, 2019.

#### **Finding 2018-024**

##### **SNAP Cluster, CFDA 10.551 and 10.561, System and Organization Controls**

#### 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 electronic benefits transfer (EBT) service provider.

#### Management Views

MDHHS agrees with the finding.

#### Planned Corrective Action

For part a., the MDHHS SNAP Administrator and EBT coordinator will research, per SNAP regulations and the Financial Management Guide, System and Organization Controls (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

#### **Finding 2018-025**

##### **WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, MI-WIC IT General Controls**

#### Recommendation

We recommended that MDHHS and DTMB fully establish effective general controls over the Michigan Women, Infants, and Children Information System (MI-WIC).

#### 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

**Finding 2018-026**

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

Recommendation

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

**Finding 2018-027**

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

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.

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.

**Finding 2018-028**

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

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.

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.

**Finding 2018-029**

**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Propriety of Expenditures**

Recommendation

We recommend that the Department of Military and Veterans Affairs (DMVA) ensure that controls for the propriety of expenditures are in place.

Management Views

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 and distributed policies and procedures for vehicle usage and vehicle user responsibility.

Anticipated Completion Date

Completed

**Finding 2018-030**

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

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 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 has added a tracker to the expenditure report workbook for appendix 2 and will add a tracker to each expenditure report workbook for Appendices 1 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

**Finding 2018-031**

**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Ineligible Requests for Reimbursement**

Recommendation

We recommend that DMVA implement controls to ensure that it has executed 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 and will implement controls to ensure that Cooperative Agreements have sufficient funds obligated prior to submitting requests for reimbursement.

Planned Corrective Action

DMVA has revised 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

Completed

**Finding 2018-032**

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

Recommendations

We recommend that DMVA notify the USPFO when appendices exceed 90% of the Annual Funding Plan (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 and the USPFO will be notified when appendices exceed 90% of the AFP amount.

Planned Corrective Action

DMVA has revised 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

**Finding 2018-033**  
**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401,**  
**Disclosure of Obligations**

Recommendation

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

Management Views

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

**Finding 2018-034**  
**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401,**  
**Timeliness of Appendix Final Accounting**

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 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

**Finding 2018-035**  
**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401,**  
**Procurement Procedures**

Recommendation

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

#### Management Views

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 planned to communicate to field staff the requirement that they provide justification and a due diligence statement on contract purchases under \$5,000. However, the MPPM is currently under revision and it will be updated to state that “due diligence is encouraged.”

#### Anticipated Completion Date

- a. Completed
- b. Final revisions to the MPPM: To be determined

### **Finding 2018-036**

#### **National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement Documentation**

#### 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. 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

**Finding 2018-037**  
**National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Required Provisions**

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 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

Completed

**Finding 2018-038**  
**Highway Planning and Construction Cluster, CFDA 20.205 and 20.219, Timeliness of Cash Draws**

Recommendations

We recommend that the Michigan Department of Transportation (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.

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

**Finding 2018-039**  
**Title I Grants to Local Education Agencies, CFDA 84.010, Allocation of Funds to Local Educational Agencies**

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.

#### Planned Corrective Action

MDE revised the Statistical Analytical Software project that the Office of Educational Supports within MDE utilizes to calculate Title I, Part A grant allocations. The revision allows 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

Completed

### **Finding 2018-040**

#### **Title I Grants to Local Education Agencies, CFDA 84.010, Management Decisions**

#### 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.

#### 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

### **Finding 2018-041**

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

#### Recommendations

We recommend that the Department of Licensing and Regulatory Affairs (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. 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 began following its established cash draw process in fiscal year 2019 and prepared reimbursement requests bi-weekly based on actual expenditures through August 10, 2019 (the period prior to program's transfer from LARA pursuant to Executive Order (E.O.) 2019-13).

Effective August 11, 2019 the Rehabilitation Services Administration Program transferred to the Michigan Department of Labor and Economic Opportunity (LEO). The mid-month implementation date did not coincide with the grant periods for the Bureau for Services for the Blind grant and the Michigan Rehabilitation Services (MRS) grant, which transferred from MDHHS to LEO on the same date. The timing of these transfers poses a tremendous challenge for LEO's Finance and program areas' ability to adhere to CMIA TSA requirements. As a result, the program areas for both grants were tasked with the responsibilities of closing the grants and completing financial reports as of August 11, 2019, and then opening the grants in LEO. For the fiscal year 2019 year-end closing, this will result in two sets of books and two sets of reports for the affected grants. A new Data Universal Numbering System number was required for the MRS grant, which delayed funding draws. Staff responsible for closing fiscal year 2019 RSA grants also have additional assigned responsibilities including managing other grants, setting up coding, developing policies and procedures, etc. LEO will continue to work through these one-time challenges associated with E.O. 2019-13 and fiscal year 2019 closing.

#### Anticipated Completion Date

December 1, 2019

#### **Finding 2018-042**

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

#### Recommendation

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

#### Management Views

MRS agrees with the finding.

#### Planned Corrective Action

MRS has developed 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 *CFR* 361.41(b)(1).

MRS will continue training 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 has reviewed and updated VR counselor performance objectives to include a timely eligibility determination standard.

MRS has developed a continuous improvement plan to include timely eligibility determinations for use by district offices and monitoring quarterly by the Program Enhancement Division. Quarterly, MRS monitors progress by reviewing Case Service Report (RSA-911) data elements

used to report elapsed time from application to eligibility. The resulting data is used as a progress measure against a 90% compliance rate standard.

Effective August 11, 2019, the RSA Program transferred to LEO. Under LEO, MRS will continue the above corrective actions.

Anticipated Completion Date

Completed

**Finding 2018-043**

**Aging Cluster, CFDA 93.044, 93.045, and 93.053, AIS FIRST User Access**

Recommendation

We recommend that MDHHS establish effective user access controls over the Aging Information System (AIS) Financial Information Reporting System Tool (FIRST).

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The Aging and Adult Services Agency (AASA) has required all agency AIS 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 finished development of an online reporting software module to enhance the review of user accounts for compliance with account management requirements. The new module produces 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

Completed

**Finding 2018-044**

**TANF Cluster, CFDA 93.558, Lack of Eligibility Documentation**

Recommendation

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

Management Views

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

**Finding 2018-045**

**TANF Cluster, CFDA 93.558, Lack of Income Eligibility Documentation**

Recommendation

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

Management Views

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

**Finding 2018-046**

**TANF Cluster, CFDA 93.558, Ineligible Emergency Foster Care Assistance**

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.

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

**Finding 2018-047**

**TANF Cluster, CFDA 93.558, Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy**

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.

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 reviewed eligibility for fiscal year 2018. If any discrepancies are noted, immediate action will be taken.

Anticipated Completion Date

Completed

**Finding 2018-048**

**TANF Cluster, CFDA 93.558, Accuracy of Reports**

Recommendation

We recommend that MDHHS improve its internal control and submit accurate financial and special reports to the Administration for Children and Families (ACF).

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

Completed

**Finding 2018-049**

**TANF Cluster, CFDA 93.558, Child Support Non-Cooperation**

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.

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.

**Finding 2018-050**

**TANF Cluster, CFDA 93.558, Penalty for Refusal to Work**

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.

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

**Finding 2018-051**

**CCDF Cluster, CFDA 93.575 and 93.596, Lack of Documentation**

Recommendation

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

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

**Finding 2018-052**

**CCDF Cluster, CFDA 93.575 and 93.596, Identification of Obligations**

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.

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) 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

**Finding 2018-053**

**CCDF Cluster, CFDA 93.575 and 93.596, Fraud Detection and Repayment**

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.

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

**Finding 2018-054**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Transitional Medicaid Eligibility**

Recommendation

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

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

**Finding 2018-055**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Payments After Date of Death**

Recommendation

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS evaluated the existing process for handling and keying paper records to ensure that the process includes procedures for registering and updating the paper records timely. The evaluation led to the updating of procedures for more timely registration and the updating of records in the death certificate database.

Subsequent to processing of the additional paper death records, MDHHS recouped \$24,506 in capitation payments.

Anticipated Completion Date

Completed

**Finding 2018-056**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Beneficiary Eligibility**

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.

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

**Finding 2018-057**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Payments 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.

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.

**Finding 2018-058**  
**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), MiAIMS User Access**

Recommendation

We recommend that MDHHS establish effective user access controls over the Michigan Adult Integrated Management System (MiAIMS).

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS will conduct an audit of all active 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

**Finding 2018-059**  
**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Ineligible Home Help Payments**

Recommendation

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

Management Views

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. The Home Help Section identifies potential recoupments for amounts under \$100 and refers them to the Adult Services Workers, who in turn review the potential recoupments and identify which payments should be recouped.

Anticipated Completion Date

Completed and ongoing

**Finding 2018-060**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Home Health Services and Documentation**

Recommendation

We recommend that MDHHS ensure that home health agencies (HHAs) maintain appropriate documentation.

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to enhance HHAs 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

**Finding 2018-061**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Agency Provider Overpayments**

Recommendation

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

Management Views

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

**Finding 2018-062**

**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Cost Settlement Calculations**

Recommendation

We recommend that MDHHS ensure accurate final 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

**Finding 2018-063**  
**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Dental Provider Overpayments**

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.

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

**Finding 2018-064**  
**Medicaid Cluster, CFDA 93.775, 93.777, 93.778, and 93.778 (ARRA), Practitioner Reimbursement**

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

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

**Finding 2018-065**

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

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.

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

**Finding 2018-066**

**Immunization Cooperative Agreements, CFDA 93.268, Accuracy of Financial Reports**

Recommendation

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

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

**Finding 2018-067**  
**Immunization Cooperative Agreements, CFDA 93.268, MCIR General Controls**

Recommendation

We recommended that MDHHS and DTMB fully establish effective general controls over the Michigan Care Improvement Registry (MCIR).

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

**Finding 2018-068**  
**Immunization Cooperative Agreements, CFDA 93.268, MCIR User Access Controls**

Recommendation

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will develop a new process for State staff that request access to the 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

**Finding 2018-069**

**Low-Income Home Energy Assistance, CFDA 93.568, Eligibility Determinations**

Recommendation

We recommend that MDHHS maintain sufficient documentation to support client eligibility for LIHEAP-funded State Emergency Relief (SER) energy payments.

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS FOA along with 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

**Finding 2018-070**

**Low-Income Home Energy Assistance, CFDA 93.568, Administrative Expenditures in Excess of the Earmark Threshold**

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 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 developed a written methodology to support its current administrative expenditure structure. The LIHEAP State Plans were amended retroactive to October 1, 2017 going forward to include the written methodology for charging administrative costs to the LIHEAP block grant. MDHHS will update the fiscal year 2020, quarter 1 Cost Allocation Plan Narrative to indicate that administrative costs are defined in the respective State Plans of the federal programs or defined in federal regulations.

Anticipated Completion Date

September 30, 2019

**Finding 2018-071**

**Foster Care - Title IV-E, CFDA 93.658, Foster Parent Household Background Checks**

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.

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

**Finding 2018-072**

**Foster Care - Title IV-E, CFDA 93.658, Accuracy of Financial Reports**

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 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 3<sup>rd</sup> party match to ensure that the appropriate claim is made.

Anticipated Completion Date

September 30, 2019

**Finding 2018-073**

**Adoption Assistance, CFDA 93.659, Payments to Ineligible Participants**

Recommendation

We recommend that MDHHS ensure that adoption assistance payments are made to eligible adoptive parents.

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 reviewed the list and reconciled any discrepancies identified.

Anticipated Completion Date

Completed

**Finding 2018-074**

**Adoption Assistance, CFDA 93.659, Annual Adoption Savings Calculation and Accounting Report**

Recommendation

We recommend that MDHHS ensure the accuracy of the savings reported to HHS on the Annual Adoption Savings Calculation and Accounting Report.

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS worked on additional revisions to the adoption savings query and resubmitted the 2018 federal savings report on June 4, 2019. 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: September 30, 2019

Prioritization of work to transition the report: To be determined

**Finding 2018-075**

**Adoption Assistance, 93.659, Accuracy of Financial Report**

Recommendation

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

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

**Finding 2018-076**

**Children's Health Insurance Program, CFDA 93.767, Medical Records**

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.

Planned Corrective Action

MDHHS reiterated to providers the importance of maintaining appropriate documentation for services provided for post payment review via a Biller B Aware published on the MDHHS website and sent out on the Medicaid List Serv. 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

Completed

**Finding 2018-077**  
**Children's Health Insurance Program, CFDA 93.767, Classification of Expenditures**

Recommendation

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

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

**Finding 2018-078**  
**Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, FSR Approvals**

Recommendation

We recommend that MDHHS document its review and approval of FSRs submitted by PIHPs.

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

**Finding 2018-079**  
**Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, State Expenditures**

Recommendations

We recommend that MDHHS develop and maintain documentation to demonstrate compliance with the maintenance of effort (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.

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 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

**Finding 2018-080**

**Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, Risk Assessments**

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.

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

**Finding 2018-081**

**Homeland Security Biowatch Program, CFDA 97.091, Improper Employee Activity Charged**

Recommendation

We recommend that the Department of Environment, Great Lakes, and Energy (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 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

#### **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