

Office of the Auditor General

State of Michigan Single Audit Report

Fiscal Year Ended September 30, 2020

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

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

Article IV, Section 53 of the Michigan Constitution



Audit Results for the Federal Awards						
Federal Awards Expended	Unmodified Opinion	Qualified Opinion	Adverse Opinion	Total Known Questioned Costs (Net)*	Internal Control Over Compliance Findings	
					Material Weaknesses	Significant Deficiencies
\$53.7 billion	12 programs	8 programs	3 programs	\$31,312,143	17	50
Number of findings repeated from the prior audit					14	30
*7 programs had questioned costs that were undeterminable.						

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

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
10.551 and 10.561	SNAP Cluster, including COVID-19	Qualified	Undeterminable	<u>2020-003 (M)</u> <u>2020-004 (M)</u> <u>2020-005 (M)</u> <u>2020-006 (M)</u> <u>2020-007</u> <u>2020-024</u>
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster, including COVID-19	Unmodified	\$0	<u>2020-011</u> <u>2020-012</u>
10.565, 10.568, and 10.569	Food Distribution Cluster, including COVID-19	Unmodified	\$0	<u>2020-011</u> <u>2020-025</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified	\$0	<u>2020-010</u> <u>2020-012</u> <u>2020-013</u> <u>2020-014</u> <u>2020-026</u> <u>2020-027</u>
14.182 and 14.856	Section 8 Project-Based Cluster	Unmodified	\$0	<u>2020-028</u>
21.019	Coronavirus Relief Fund, including COVID-19	Unmodified	\$881,087 known plus an undeterminable amount	<u>2020-002</u> <u>2020-010</u> <u>2020-029</u> <u>2020-030</u>
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified	\$0	<u>2020-011</u> <u>2020-031</u>
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Qualified	\$0	<u>2020-001</u> <u>2020-002</u> <u>2020-012</u> <u>2020-032 (M)</u>
93.575 and 93.596	CCDF Cluster, including COVID-19	Adverse	\$74,006 known plus an undeterminable amount	<u>2020-001</u> <u>2020-003 (M)</u> <u>2020-004 (M)</u> <u>2020-005 (M)</u> <u>2020-011</u> <u>2020-033</u> <u>2020-034 (M)</u> <u>2020-035 (M)</u> <u>2020-036</u> <u>2020-037</u>
93.775, 93.777, and 93.778	Medicaid Cluster, including COVID-19	Adverse	\$1,984,801 known plus an undeterminable amount	<u>2020-001</u> <u>2020-003 (M)</u> <u>2020-004 (M)</u> <u>2020-005 (M)</u> <u>2020-006 (M)</u> <u>2020-007</u> <u>2020-009</u> <u>2020-016 (M)</u> <u>2020-017</u> <u>2020-018</u> <u>2020-019</u> <u>2020-020</u> <u>2020-021</u> <u>2020-022</u> <u>2020-023</u> <u>2020-038</u> <u>2020-039</u> <u>2020-040</u> <u>2020-041</u> <u>2020-042</u> <u>2020-043</u> <u>2020-044</u> <u>2020-045</u> <u>2020-046</u>

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	Unmodified	\$0	<u>2020-010</u> <u>2020-014</u> <u>2020-015</u> <u>2020-047</u>
93.558	Temporary Assistance for Needy Families	Qualified	\$16,878,673 known plus an undeterminable amount	<u>2020-001</u> <u>2020-003 (M)</u> <u>2020-004 (M)</u> <u>2020-005 (M)</u> <u>2020-006 (M)</u> <u>2020-008</u> <u>2020-012</u> <u>2020-013</u> <u>2020-048</u> <u>2020-049 (M)</u> <u>2020-050</u> <u>2020-051</u> <u>2020-052 (M)</u> <u>2020-053</u> <u>2020-054</u> <u>2020-055</u> <u>2020-056</u>
93.563	Child Support Enforcement	Unmodified	\$0	<u>2020-007</u> <u>2020-012</u> <u>2020-013</u>
93.568	Low-Income Home Energy Assistance, including COVID-19	Qualified	\$6,245	<u>2020-003 (M)</u> <u>2020-004 (M)</u> <u>2020-005 (M)</u> <u>2020-012</u> <u>2020-013 (M)</u> <u>2020-057 (M)</u>
93.658	Foster Care - Title IV-E, including COVID-19	Qualified	\$0	<u>2020-001</u> <u>2020-007</u> <u>2020-008</u> <u>2020-012</u> <u>2020-013 (M)</u> <u>2020-058</u>
93.659	Adoption Assistance, including COVID-19	Qualified	\$0	<u>2020-001</u> <u>2020-008</u> <u>2020-012</u> <u>2020-013 (M)</u> <u>2020-059 (M)</u>
93.667	Social Services Block Grant	Qualified	\$0	<u>2020-001</u> <u>2020-008</u> <u>2020-012</u> <u>2020-013 (M)</u>
93.767	Children's Health Insurance Program, including COVID-19	Adverse	\$76,795 known plus an undeterminable amount	<u>2020-003 (M)</u> <u>2020-004 (M)</u> <u>2020-005 (M)</u> <u>2020-006 (M)</u> <u>2020-009</u> <u>2020-016 (M)</u> <u>2020-017 (M)</u> <u>2020-018</u> <u>2020-019</u> <u>2020-020</u> <u>2020-021</u> <u>2020-022</u> <u>2020-023</u>
93.788	Opioid STR	Unmodified	\$0	<u>2020-010</u> <u>2020-015</u>
96.001	Disability Insurance/SSI Cluster	Unmodified	\$0	Not Applicable
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19	Unmodified	\$0	<u>2020-060</u> <u>2020-061</u>

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
17.225	Unemployment Insurance, including COVID-19	Qualified	\$11,410,536 known plus an undeterminable amount	<u>2020-062 (M)</u> <u>2020-063 (M)</u> <u>2020-064 (M)</u> <u>2020-065 (M)</u> <u>2020-066 (M)</u> <u>2020-067</u>
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs, including COVID-19	Unmodified	\$0	Not Applicable

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Doug A. Ringler, CPA, CIA
Auditor General

July 28, 2021

Mr. David P. Massaron, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Dear Mr. Massaron:

This is our single audit report for the State of Michigan for the fiscal year ended September 30, 2020.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. Management's corrective action plan is included within the auditee section of this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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SUPPLEMENTAL FINANCIAL SCHEDULE

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Agriculture							
SNAP Cluster:							
Supplemental Nutrition Assistance Program (Note 16)	10.551			\$ 2,179,668,732	\$	\$	\$ 2,179,668,732
COVID-19 - Supplemental Nutrition Assistance Program (Note 16)	10.551			309,898,969			309,898,969
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			157,670,162	25,722,332		183,392,494
Total SNAP Cluster				\$ 2,647,237,863	\$ 25,722,332	\$ 0	\$ 2,672,960,195
Child Nutrition Cluster:							
School Breakfast Program	10.553			\$ 63,343	\$ 75,848,831	\$	\$ 75,912,174
National School Lunch Program	10.555			118,443	200,166,747		200,285,190
National School Lunch Program (Note 6)	10.555			4,713	28,752,021		28,756,734
COVID-19 - National School Lunch Program	10.555				214,022,575		214,022,575
Special Milk Program for Children	10.556				80,003		80,003
Summer Food Service Program for Children	10.559			447,467	97,729,642		98,177,109
Summer Food Service Program for Children (Note 6)	10.559				21,828		21,828
Total Child Nutrition Cluster				\$ 633,966	\$ 616,621,647	\$ 0	\$ 617,255,613
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565			\$ 88,541	\$ 5,934,779	\$	\$ 6,023,320
Commodity Supplemental Food Program (Note 6)	10.565				22,198,330		22,198,330
Emergency Food Assistance Program (Administrative Costs)	10.568			88,868	4,668,937		4,757,805
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			3,333	6,037,732		6,041,065
Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569				67,160,651		67,160,651
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569				6,894,950		6,894,950
Total Food Distribution Cluster				\$ 180,742	\$ 112,895,379	\$ 0	\$ 113,076,121
Forest Service Schools and Roads Cluster:							
Schools and Roads - Grants to States	10.665			\$	\$ 3,003,096	\$	\$ 3,003,096
Total Forest Service Schools and Roads Cluster				\$ 0	\$ 3,003,096	\$ 0	\$ 3,003,096
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 338,488	\$ 166,327	\$	\$ 504,815
Wildlife Services (Note 15)	10.028				14,196		14,196
Voluntary Public Access and Habitat Incentive Program	10.093			232,948			232,948
Market Protection and Promotion	10.163			1,337,467			1,337,467
Specialty Crop Block Grant Program - Farm Bill	10.170			159,216	1,718,740		1,877,956
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178				1,383,504		1,383,504
Food Safety Cooperative Agreements	10.479			184,599			184,599
CACFP Meal Service Training Grants	10.534			59,878			59,878
SNAP Fraud Framework Implementation Grant	10.535			190,772			190,772
Child Nutrition-Technology Innovation Grant	10.541			258,413			258,413
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			101,209,805	47,567,508		148,777,313

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Child and Adult Care Food Program	10.558			\$ 1,159,305	\$ 50,769,063	\$	\$ 51,928,368
State Administrative Expenses for Child Nutrition	10.560			7,196,539			7,196,539
WIC Farmers' Market Nutrition Program (FMNP)	10.572			425,559			425,559
Team Nutrition Grants	10.574			716,996	43,342		760,338
Senior Farmers Market Nutrition Program	10.576			248,226			248,226
Child Nutrition Discretionary Grants Limited Availability	10.579			2,585,633	590,914		3,176,547
Fresh Fruit and Vegetable Program	10.582			143,166	4,686,659		4,829,825
Cooperative Forestry Assistance	10.664			522,394	80,781		603,175
Urban and Community Forestry Program	10.675			171,140	138,721		309,861
Forest Legacy Program	10.676			1,521,747			1,521,747
Forest Stewardship Program	10.678			187,550	38,173		225,723
Forest Health Protection	10.680			338,307	11,000		349,307
Forest Health Protection	10.680	The Gypsy Moth Slow the Spread Foundation Inc.	19-DG-11083150-004	4,607			4,607
Total 10.680				\$ 342,914	\$ 11,000	\$ 0	\$ 353,914
Good Neighbor Authority	10.691			\$ 901,521	\$	\$	\$ 901,521
State & Private Forestry Cooperative Fire Assistance	10.698			314,186	156,212		470,398
Partnership Agreements	10.699			3,387			3,387
Soil and Water Conservation	10.902			137	480,211		480,348
Environmental Quality Incentives Program	10.912				411,000		411,000
Conservation Stewardship Program	10.924				146,614		146,614
Agricultural Conservation Easement Program	10.931				45,324		45,324
Regional Conservation Partnership Program	10.932			100,043			100,043
Wetland Mitigation Banking Program	10.933			96,722			96,722
Forest Service Drug Team	10.19-LE-11091000-009**			1,300			1,300
Total U.S. Department of Agriculture				\$ 2,768,662,622	\$ 866,690,743	\$ 0	\$ 3,635,353,365
U.S. Department of Commerce							
Interjurisdictional Fisheries Act of 1986 (Note 15)	11.407			\$ 16,942	\$	\$	\$ 16,942
Coastal Zone Management Administration Awards	11.419			1,790,987	895,182		2,686,169
Habitat Conservation	11.463			5,258,259			5,258,259
State and Local Implementation Grant Program	11.549			156,224			156,224
Total U.S. Department of Commerce				\$ 7,222,412	\$ 895,182	\$ 0	\$ 8,117,594
U.S. Department of Defense							
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			\$ 494,598	\$	\$	\$ 494,598
Military Construction, National Guard	12.400			2,644,887			2,644,887
National Guard Military Operations and Maintenance (O&M) Projects (Note 13)	12.401			63,643,448		3,755,041	67,398,489

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
National Guard Challenge Program	12.404			\$ 4,671,178	\$ 1,400,431	\$	\$ 6,071,609
Troops to Teachers Grant Program	12.620			104,996			104,996
Total U.S. Department of Defense				\$ 71,559,107	\$ 1,400,431	\$ 3,755,041	\$ 76,714,579
U.S. Department of Housing and Urban Development							
Section 8 Project-Based Cluster:							
Section 8 - Contract Administration	14.182			\$ 255,580,234	\$	\$	\$ 255,580,234
Section 8 - New Construction/Substantial Rehabilitation	14.182			123,120,937			123,120,937
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856			985,485			985,485
Total Section 8 Project-Based Cluster				\$ 379,686,656	\$ 0	\$ 0	\$ 379,686,656
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871			\$ 207,961,970	\$	\$	\$ 207,961,970
COVID-19 - Section 8 Housing Choice Vouchers	14.871			1,400,737			1,400,737
Mainstream Vouchers	14.879			462,393			462,393
COVID-19 - Mainstream Vouchers	14.879			5,252			5,252
Total Housing Voucher Cluster				\$ 209,830,352	\$ 0	\$ 0	\$ 209,830,352
Housing Counseling Assistance Program	14.169			\$ 58,837	\$ 745,561	\$	\$ 804,398
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			1,141,566	27,181,767		28,323,333
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			10,084			10,084
Total 14.228				\$ 1,151,650	\$ 27,181,767	\$ 0	\$ 28,333,417
Emergency Solutions Grant Program	14.231			\$	\$ 5,495,566	\$	\$ 5,495,566
COVID-19 - Emergency Solutions Grant Program	14.231				79,935		79,935
Total 14.231				\$ 0	\$ 5,575,501	\$ 0	\$ 5,575,501
Supportive Housing Program	14.235			\$	\$ 337,360	\$	\$ 337,360
Home Investment Partnerships Program	14.239			9,872,019	1,088,800		10,960,819
Housing Opportunities for Persons with AIDS	14.241			10,509	1,581,110		1,591,619
COVID-19 - Housing Opportunities for Persons with AIDS	14.241				143,289		143,289
Total 14.241				\$ 10,509	\$ 1,724,399	\$ 0	\$ 1,734,908
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256			\$	\$ (743)	\$	\$ (743)
Continuum of Care Program	14.267			16,050	8,665,341		8,681,391
Housing Trust Fund	14.275			5,210,999			5,210,999
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326			55,167	151,952		207,119
Fair Housing Assistance Program State and Local	14.401			825,275			825,275

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For the Fiscal Year Ended September 30, 2020
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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Family Self-Sufficiency Program	14.896			\$ 979,824	\$	\$	\$ 979,824
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900			497,457	152		497,609
Total U.S. Department of Housing and Urban Development				\$ 608,194,795	\$ 45,470,090	\$ 0	\$ 653,664,885
U.S. Department of the Interior							
Fish and Wildlife Cluster:							
Sport Fish Restoration (Note 15)	15.605			\$ 10,003,350	\$	\$	\$ 10,003,350
Wildlife Restoration and Basic Hunter Education (Note 15)	15.611			15,921,608			15,921,608
Enhanced Hunter Education and Safety	15.626			216,492			216,492
Total Fish and Wildlife Cluster				\$ 26,141,450	\$ 0	\$ 0	\$ 26,141,450
Fish and Wildlife Management Assistance (Note 15)	15.608			\$ 97,699	\$ 49,241	\$	\$ 146,940
Cooperative Endangered Species Conservation Fund	15.615			278,953			278,953
Clean Vessel Act	15.616			12	30,000		30,012
Sportfishing and Boating Safety Act	15.622			76,781			76,781
Multistate Conservation Grant	15.628				44,391		44,391
Coastal	15.630			29,170			29,170
State Wildlife Grants (Note 15)	15.634			1,059,136	25,509		1,084,645
Endangered Species Recovery Implementation	15.657			89,388			89,388
Natural Resource Damage Assessment and Restoration	15.658			16,724			16,724
Great Lakes Restoration	15.662			907,639	252,384		1,160,023
Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	15.666			3,398			3,398
Adaptive Science	15.670			3,353			3,353
Historic Preservation Fund Grants-In-Aid	15.904			1,105,356	74,142		1,179,498
Outdoor Recreation Acquisition, Development and Planning	15.916			57,940	1,371,910		1,429,850
Natural Resource Stewardship	15.944			18,087			18,087
Total U.S. Department of the Interior				\$ 29,885,086	\$ 1,847,577	\$ 0	\$ 31,732,663
U.S. Department of Justice							
Sexual Assault Services Formula Program	16.017			\$	\$ 893,223	\$	\$ 893,223
Justice Systems Response to Families	16.021			28,399	158,818		187,217
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034			87,363	830,710		918,073
Juvenile Justice and Delinquency Prevention	16.540			601,417	232,839		834,256
Missing Children's Assistance	16.543			646,783			646,783
National Criminal History Improvement Program (NCHIP)	16.554			1,500,762			1,500,762
Crime Victim Assistance	16.575			1,536,204	59,199,012		60,735,216
Crime Victim Compensation	16.576			1,908,775	(103)		1,908,672
Crime Victim Assistance/Discretionary Grants	16.582			233,734	354,358		588,092
Violence Against Women Formula Grants	16.588			109,321	2,640,649		2,749,970
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589			4,361	69,611		73,972
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590			207,223			207,223
Residential Substance Abuse Treatment for State Prisoners	16.593			5,588	292,980		298,568

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
State Criminal Alien Assistance Program	16.606			\$ 809,235	\$	\$	\$ 809,235
Bulletproof Vest Partnership Program	16.607			22,365			22,365
Public Safety Partnership and Community Policing Grants	16.710			750,025			750,025
Edward Byrne Memorial Justice Assistance Grant Program	16.738			2,121,604	5,348,246		7,469,850
DNA Backlog Reduction Program	16.741			1,848,283			1,848,283
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			452,955	116,693		569,648
Support for Adam Walsh Act Implementation Grant Program	16.750			192,747			192,747
Harold Rogers Prescription Drug Monitoring Program	16.754			560,528	67,293		627,821
Second Chance Act Reentry Initiative	16.812			72,288			72,288
Second Chance Act Reentry Initiative	16.812	Council of State Governments	2018-SM-BX-K001	8,023			8,023
Total 16.812				\$ 80,311	\$ 0	\$ 0	\$ 80,311
Innovations in Community-Based Crime Reduction	16.817			\$ 161,448	\$	\$	\$ 161,448
Postconviction Testing of DNA Evidence	16.820			45,838			45,838
National Sexual Assault Kit Initiative	16.833			146,337	270,722		417,059
STOP School Violence	16.839			97,256			97,256
Opioid Affected Youth Initiative	16.842			69,734	61,883		131,617
Equitable Sharing Program	16.922			8,808			8,808
Equitable Sharing of Federally Forfeited Property	16.**			145,651			145,651
Safe Trails Task Force	16.**			116,968			116,968
Violent Crimes Task Force	16.**			41,064			41,064
Detroit Major Crimes Task Force (DMCTF)	16.**			47,074			47,074
Oakland County Violent Gang Task Force	16.**			13,994			13,994
DEA - Tactical Diversion Task Force	16.**			71,231			71,231
Joint Terrorism Task Force	16.**			41,048			41,048
USMS Eastern District Fugitive Apprehensive Task Force	16.**			197,826			197,826
USMS Western District Fugitive Apprehensive Task Force	16.**			68,549			68,549
USMS Eastern District Sex Offender Sweeps	16.**			1,986			1,986
Child Exploitation Task Force	16.**			46,870			46,870
Trafficking and Exploitation Crimes Task Force	16.**			29,731			29,731
Safe Streets Task Force	16.**			58,446			58,446
Detroit Cyber Task Force	16.**			4,105			4,105
Detroit Area Corruption Task Force	16.**			5,108			5,108
FBI Detroit Metropolitan Identity Theft & Financial Crimes Task Force (DMITF)	16.196-DE-C4520066**			1,012			1,012
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2020-73**			29,947	5,685		35,632
ATF	16.20-DET-078-AFF**			128,822			128,822
OCDETF	16.GL-MIW-0177**			5,347			5,347
Total U.S. Department of Justice				\$ 15,292,183	\$ 70,542,619	\$ 0	\$ 85,834,802

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For the Fiscal Year Ended September 30, 2020
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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Labor							
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207			\$ 9,469,262	\$ 13,866,099	\$	\$ 23,335,361
Jobs for Veterans State Grants	17.801			5,163,424	164,347		5,327,771
Total Employment Service Cluster				\$ 14,632,686	\$ 14,030,446	\$ 0	\$ 28,663,132
WIOA Cluster:							
WIOA Adult Program	17.258			\$ 1,565,739	\$ 23,814,725	\$	\$ 25,380,464
WIOA Youth Activities	17.259			1,675,424	24,367,589		26,043,013
WIOA Dislocated Worker Formula Grants	17.278			2,629,536	22,805,924		25,435,460
Total WIOA Cluster				\$ 5,870,699	\$ 70,988,238	\$ 0	\$ 76,858,937
Labor Force Statistics	17.002			\$ 2,094,994		\$	\$ 2,094,994
Compensation and Working Conditions	17.005			210,419			210,419
Unemployment Insurance	17.225			4,990,039,130	7,536,061		4,997,575,191
COVID-19 - Unemployment Insurance	17.225			19,202,914,264			19,202,914,264
ARRA - Unemployment Insurance	17.225			(2,230,254)			(2,230,254)
Total 17.225				\$ 24,190,723,140	\$ 7,536,061	\$ 0	\$ 24,198,259,201
Senior Community Service Employment Program	17.235			\$ 82,157	\$ 2,495,082	\$	\$ 2,577,239
Trade Adjustment Assistance	17.245			1,203,247	6,847,964		8,051,211
WIOA Pilots, Demonstrations, and Research Projects	17.261			263,118			263,118
Reentry Employment Opportunities	17.270			15,000			15,000
Work Opportunity Tax Credit Program (WOTC)	17.271			670,220			670,220
Temporary Labor Certification for Foreign Workers	17.273			327,955			327,955
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			33,323	1,594,682		1,628,005
Apprenticeship USA Grants	17.285			135,220	1,045,068		1,180,288
Occupational Safety and Health State Program	17.503			10,688,100			10,688,100
Consultation Agreements	17.504			1,702,200			1,702,200
Total U.S. Department of Labor				\$ 24,228,652,478	\$ 104,537,541	\$ 0	\$ 24,333,190,019
U.S. Department of Transportation							
Highway Planning and Construction Cluster:							
Highway Planning and Construction (Note 15)	20.205			\$ 1,300,120,985	\$ 30,590,740	\$	\$ 1,330,711,725
Highway Planning and Construction	20.205	Southeast Michigan Council of Governments	NWI Data	24,330	122,996		147,326
Recreational Trails Program	20.219			2,204,475			2,204,475
Federal Lands Access Program	20.224			3,366,933			3,366,933
Total Highway Planning and Construction Cluster				\$ 1,305,716,723	\$ 30,713,736	\$ 0	\$ 1,336,430,459

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218			\$ 9,482,987	\$	\$	\$ 9,482,987
Motor Carrier Safety Assistance High Priority Activities							
Grants and Cooperative Agreements	20.237			63,446			63,446
Total FMCSA Cluster				\$ 9,546,433	\$ 0	\$ 0	\$ 9,546,433
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500			\$	\$ (1)	\$	\$ (1)
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526				12,021,305		12,021,305
Total Federal Transit Cluster				\$ 0	\$ 12,021,304	\$ 0	\$ 12,021,304
Transit Services Programs Cluster:							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			\$	\$ 5,669,025	\$	\$ 5,669,025
Job Access and Reverse Commute Program	20.516				51,427		51,427
New Freedom Program	20.521				206,377		206,377
Total Transit Services Programs Cluster				\$ 0	\$ 5,926,829	\$ 0	\$ 5,926,829
Highway Safety Cluster:							
State and Community Highway Safety	20.600			\$ 5,146,065	\$ 1,508,867	\$	\$ 6,654,932
National Priority Safety Programs	20.616			2,657,432	1,523,236		4,180,668
Total Highway Safety Cluster				\$ 7,803,497	\$ 3,032,103	\$ 0	\$ 10,835,600
Airport Improvement Program (Note 7)	20.106			\$ 28,143,356	\$	\$	\$ 28,143,356
COVID-19 - Airport Improvement Program (Note 7)	20.106			2,606,963			2,606,963
Total 20.106				\$ 30,750,319	\$ 0	\$ 0	\$ 30,750,319
Highway Research and Development Program (Note 15)	20.200			\$ 2,809,103	\$ 36,562	\$	\$ 2,845,665
Highway Training and Education	20.215				164,756		164,756
Commercial Driver's License Program Implementation Grant	20.232			5,936			5,936
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			46	4,229,112		4,229,158
Formula Grants for Rural Areas and Tribal Transit Program	20.509			2,364,267	26,619,013		28,983,280
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509			119,145	23,965,511		24,084,656
Total 20.509				\$ 2,483,412	\$ 50,584,524	\$ 0	\$ 53,067,936
Public Transportation Research, Technical Assistance, and Training	20.514			\$	\$ 628,595	\$	\$ 628,595
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			47,334			47,334
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614	Michigan State University	RC110705-MOHSP	235,819			235,819
E-911 Grant Program	20.615			218,420	449,252		667,672
Pipeline Safety Program State Base Grant	20.700			1,664,174			1,664,174

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			\$ 160,227	\$	\$	\$ 160,227
PHMSA Pipeline Safety Program One Call Grant	20.721			52,200			52,200
National Infrastructure Investments	20.933			19,524,193	88,374		19,612,567
Total U.S. Department of Transportation				\$ 1,381,017,836	\$ 107,875,147	\$ 0	\$ 1,488,892,983
U.S. Department of the Treasury							
COVID-19 - Coronavirus Relief Fund	21.019			\$ 817,683,580	\$ 1,056,091,610	\$	\$ 1,873,775,190
Total U.S. Department of the Treasury				\$ 817,683,580	\$ 1,056,091,610	\$ 0	\$ 1,873,775,190
Equal Employment Opportunity Commission							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002			\$ 538,159	\$	\$	\$ 538,159
Total Equal Employment Opportunity Commission				\$ 538,159	\$ 0	\$ 0	\$ 538,159
General Services Administration							
Donation of Federal Surplus Personal Property (Note 8)	39.003			\$	\$ 86,384	\$	\$ 86,384
Total General Services Administration				\$ 0	\$ 86,384	\$ 0	\$ 86,384
National Endowment for the Arts							
Promotion of the Arts Partnership Agreements	45.025			\$	\$ 1,286,080	\$	\$ 1,286,080
Total National Endowment for the Arts				\$ 0	\$ 1,286,080	\$ 0	\$ 1,286,080
Institute of Museum and Library Services							
Museums for America	45.301			\$ 196,617	\$	\$	\$ 196,617
Grants to States	45.310			4,780,635	348,341		5,128,976
COVID-19 - Grants to States	45.310			138	23,256		23,394
Total 45.310				\$ 4,780,773	\$ 371,597	\$ 0	\$ 5,152,370
Total Institute of Museum and Library Services				\$ 4,977,390	\$ 371,597	\$ 0	\$ 5,348,987
Small Business Administration							
State Trade Expansion	59.061			\$	\$ 900,000	\$	\$ 900,000
Total Small Business Administration				\$ 0	\$ 900,000	\$ 0	\$ 900,000
U.S. Department of Veterans Affairs							
Grants to States for Construction of State Home Facilities	64.005			\$ 53,125,420	\$	\$	\$ 53,125,420
Veterans State Domiciliary Care	64.014			379,249			379,249

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(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Veterans State Nursing Home Care	64.015			\$ 17,088,471	\$	\$	\$ 17,088,471
Veterans Information and Assistance	64.115			362,789			362,789
Total U.S. Department of Veterans Affairs				\$ 70,955,929	\$ 0	\$ 0	\$ 70,955,929
U.S. Environmental Protection Agency							
Clean Water State Revolving Fund Cluster:							
Capitalization Grants for Clean Water State Revolving Funds	66.458			\$ 1,705,027	\$ 71,714,459	\$	\$ 73,419,486
Total Clean Water State Revolving Fund Cluster				\$ 1,705,027	\$ 71,714,459	\$ 0	\$ 73,419,486
Drinking Water State Revolving Fund Cluster:							
Capitalization Grants for Drinking Water State Revolving Funds	66.468			\$ 7,641,706	\$ 30,191,227	\$	\$ 37,832,933
Total Drinking Water State Revolving Fund Cluster				\$ 7,641,706	\$ 30,191,227	\$ 0	\$ 37,832,933
Air Pollution Control Program Support (Note 13)	66.001			\$ 4,564,336	\$	\$ 84,417	\$ 4,648,753
State Indoor Radon Grants	66.032			256,988	50,000		306,988
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			1,034,085			1,034,085
Diesel Emissions Reduction Act (DERA) State Grants	66.040			24,824	251,135		275,959
Multipurpose Grants to States and Tribes	66.204			292,705	19,636		312,341
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			262,319	11,250		273,569
State Public Water System Supervision	66.432			3,906,847			3,906,847
Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	66.444			48,635			48,635
Water Quality Management Planning	66.454			319,578	357,388		676,966
Nonpoint Source Implementation Grants	66.460				1,538,151		1,538,151
Regional Wetland Program Development Grants	66.461			175,886	55,007		230,893
Great Lakes Program	66.469			2,256,854	830,618		3,087,472
Great Lakes Program	66.469	Central Michigan University	GL00E01567	6,951			6,951
Great Lakes Program	66.469	Nature Conservancy	010418-1	40,884			40,884
Total 66.469				\$ 2,304,689	\$ 830,618	\$ 0	\$ 3,135,307
Beach Monitoring and Notification Program Implementation Grants	66.472			\$ 25,160	\$ 168,731	\$	\$ 193,891
Performance Partnership Grants	66.605			11,927,548			11,927,548
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			5,513			5,513
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			95,785			95,785
Hazardous Waste Management State Program Support (Note 13)	66.801			2,941,687		128,382	3,070,069
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			1,428,904	63,583		1,492,487

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804			\$ 610,173	\$	\$	\$ 610,173
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			1,604,853			1,604,853
State and Tribal Response Program Grants	66.817			874,834			874,834
Total U.S. Environmental Protection Agency				\$ 42,052,082	\$ 105,251,185	\$ 212,799	\$ 147,516,066
U.S. Department of Energy							
State Energy Program	81.041			\$ 730,104	\$ 268,607	\$	\$ 998,711
Weatherization Assistance for Low-Income Persons	81.042			2,502,980	10,492,297		12,995,277
State Heating Oil and Propane Program	81.138			4,582			4,582
Total U.S. Department of Energy				\$ 3,237,666	\$ 10,760,904	\$ 0	\$ 13,998,570
U.S. Department of Education							
Student Financial Assistance Cluster:							
Federal Supplemental Educational Opportunity Grants	84.007			\$ 27,185	\$	\$	\$ 27,185
Federal Pell Grant Program	84.063			311,222			311,222
Total Student Financial Assistance Cluster				\$ 338,407	\$ 0	\$ 0	\$ 338,407
Special Education Cluster (IDEA):							
Special Education Grants to States	84.027			\$ 20,081,957	\$ 401,377,960	\$	\$ 421,459,917
Special Education Preschool Grants	84.173			748,904	11,887,227		12,636,131
Total Special Education Cluster (IDEA)				\$ 20,830,861	\$ 413,265,187	\$ 0	\$ 434,096,048
DED Generalist CFDA (9000000100)	84.000			\$ 180,113	\$	\$	\$ 180,113
Adult Education - Basic Grants to States	84.002			2,203,987	12,374,980		14,578,967
Title I Grants to Local Educational Agencies	84.010			6,197,412	448,065,436		454,262,848
Migrant Education State Grant Program	84.011			346,388	4,509,767		4,856,155
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			782,167	886		783,053
Federal Family Education Loans - Guaranty Agency (Notes 9 and 10)	84.032G			63,195,440			63,195,440
Federal Family Education Loans - Guaranty Agency (Notes 6, 9, and 10)	84.032G			1,011,049,795			1,011,049,795
Total 84.032G				\$ 1,074,245,235	\$ 0	\$ 0	\$ 1,074,245,235
Federal Family Education Loans - Lender (Notes 9 and 11)	84.032L			\$ (3,194,774)	\$	\$	\$ (3,194,774)
Federal Family Education Loans - Lender (Notes 6, 9, and 11)	84.032L			355,166,656			355,166,656
Total 84.032L				\$ 351,971,882	\$ 0	\$ 0	\$ 351,971,882
Career and Technical Education - Basic Grants to States	84.048			\$ 3,166,267	\$ 33,927,302	\$	\$ 37,093,569
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126			98,861,219	(8,780)		98,852,439

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177			\$ 577,679	\$	\$	\$ 577,679
Special Education-Grants for Infants and Families	84.181			810,519	11,366,769		12,177,288
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184			520,415	336,520		856,935
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			(2,472)			(2,472)
Education for Homeless Children and Youth	84.196			215,900	1,857,159		2,073,059
Charter Schools	84.282			1,093,033	1,593,895		2,686,928
Twenty-First Century Community Learning Centers	84.287			1,103,620	34,136,193		35,239,813
Special Education - State Personnel Development	84.323				1,097,703		1,097,703
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			1,184	115,507		116,691
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			25,541			25,541
Credit Enhancement for Charter School Facilities	84.354			6,950,709			6,950,709
Rural Education	84.358			151,529	1,966,623		2,118,152
English Language Acquisition State Grants	84.365			433,794	10,540,844		10,974,638
Mathematics and Science Partnerships	84.366			(15)			(15)
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367			3,220,009	84,409,852		87,629,861
Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)	84.368			1,091,553			1,091,553
Grants for State Assessments and Related Activities	84.369			8,416,247			8,416,247
School Improvement Grants	84.377			223,233	9,787,417		10,010,650
Student Support and Academic Enrichment Program	84.424			1,028,663	34,166,161		35,194,824
COVID-19 - Education Stabilization Fund	84.425			154,369	37,873,966		38,028,335
Total U.S. Department of Education				\$ 1,585,139,448	\$ 1,141,383,387	\$ 0	\$ 2,726,522,835
<u>National Archives and Records Administration</u>							
National Historical Publications and Records Grants	89.003			\$ 15,154	\$ 4,200	\$	\$ 19,354
Total National Archives and Records Administration				\$ 15,154	\$ 4,200	\$ 0	\$ 19,354
<u>U.S. Election Assistance Commission</u>							
Election Reform Payments	39.011			\$ 248,174	\$	\$	\$ 248,174
Help America Vote Act Requirements Payments	90.401			1,405,275			1,405,275
2018 HAVA Election Security Grants	90.404			1,768,540	192,099		1,960,639
COVID-19 - 2018 HAVA Election Security Grants	90.404			11,063,398	209,049		11,272,447
Total 90.404				\$ 12,831,938	\$ 401,148	\$ 0	\$ 13,233,086
Total U.S. Election Assistance Commission				\$ 14,485,387	\$ 401,148	\$ 0	\$ 14,886,535

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Health and Human Services							
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			\$ 620,988	\$ 11,950,560	\$	\$ 12,571,548
COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044				4,145,455		4,145,455
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			1,174,125	19,842,655		21,016,780
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				15,634,577		15,634,577
Nutrition Services Incentive Program	93.053				7,727,771		7,727,771
Total Aging Cluster				\$ 1,795,113	\$ 59,301,018	\$ 0	\$ 61,096,131
CCDF Cluster:							
Child Care and Development Block Grant (Note 12)	93.575			\$ 127,853,133	\$ 13,712,174	\$	\$ 141,565,307
COVID-19 - Child Care and Development Block Grant	93.575			85,529,526			85,529,526
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			80,071,694			80,071,694
Total CCDF Cluster				\$ 293,454,353	\$ 13,712,174	\$ 0	\$ 307,166,527
Head Start Cluster:							
Head Start	93.600			\$ 125,038		\$	\$ 125,038
Total Head Start Cluster				\$ 125,038	\$ 0	\$ 0	\$ 125,038
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775			\$ 4,139,592	\$	\$	\$ 4,139,592
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			13,549,156			13,549,156
COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			486,816			486,816
Medical Assistance Program	93.778			13,558,125,422	36,553,860		13,594,679,282
COVID-19 - Medical Assistance Program	93.778			661,071,309			661,071,309
Total Medicaid Cluster				\$ 14,237,372,295	\$ 36,553,860	\$ 0	\$ 14,273,926,155
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			\$	\$ 159,456	\$	\$ 159,456
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			35,892	400,565		436,457
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042				334,272		334,272
Total 93.042				\$ 35,892	\$ 734,837	\$ 0	\$ 770,292
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043			\$	\$ 729,241	\$	\$ 729,241

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Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			\$	\$ 5,000	\$	\$ 5,000
COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			16,202	166,965		183,167
Total 93.048				\$ 16,202	\$ 171,965	\$ 0	\$ 188,167
Alzheimer's Disease Demonstration Grants to States	93.051			\$ 22,482	\$ 86,126	\$	\$ 108,608
National Family Caregiver Support, Title III, Part E	93.052			277,300	5,236,828		5,514,128
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052				1,850,400		1,850,400
Total 93.052				\$ 277,300	\$ 7,087,228	\$ 0	\$ 7,364,528
Chronic Diseases: Research, Control, and Prevention	93.068			\$ 128,942	\$ 10,000	\$	\$ 138,942
Public Health Emergency Preparedness	93.069			8,977,067	7,776,189		16,753,256
Public Health Emergency Preparedness (Note 6)	93.069			106,143			106,143
Total 93.069				\$ 9,083,210	\$ 7,776,189	\$ 0	\$ 16,859,399
Environmental Public Health and Emergency Response	93.070			\$ 2,272,156	\$ 90,279	\$	\$ 2,362,435
Medicare Enrollment Assistance Program	93.071			75,682	693,560		769,242
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			161,369			161,369
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			81,984			81,984
Blood Disorder Program: Prevention, Surveillance, and Research	93.080			84,216			84,216
Guardianship Assistance	93.090			3,070,852	1,359		3,072,211
COVID-19 - Guardianship Assistance	93.090			215,418			215,418
Total 93.090				\$ 3,286,270	\$ 1,359	\$ 0	\$ 3,287,629
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			\$ 329,194	\$ 1,110,624	\$	\$ 1,439,818
Food and Drug Administration Research	93.103			2,047,031	453,777		2,500,808
Food and Drug Administration Research	93.103	Association of Food and Drug Officials	G-TPA-2001-01148; G-SE-2004-02359; G-1910-02118	25,742			25,742
Total 93.103				\$ 2,072,773	\$ 453,777	\$ 0	\$ 2,526,550
Maternal and Child Health Federal Consolidated Programs	93.110			\$ 317,083	\$ 662,087	\$	\$ 979,170
Maternal and Child Health Federal Consolidated Programs (Note 15)	93.110	Wayne State University	WSU18013; WSU19097	21,000			21,000
Total 93.110				\$ 338,083	\$ 662,087	\$ 0	\$ 1,000,170

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			\$ 863,096	\$ 306,458	\$	\$ 1,169,554
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118			41,871	196,367		238,238
Emergency Medical Services for Children	93.127			169,145			169,145
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			310,101	58		310,159
Injury Prevention and Control Research and State and Community Based Programs	93.136			3,185,515	3,391,311		6,576,826
COVID-19 - Injury Prevention and Control Research and State and Community Based Programs	93.136			22,000	45,691		67,691
Total 93.136				\$ 3,207,515	\$ 3,437,002	\$ 0	\$ 6,644,517
Projects for Assistance in Transition from Homelessness (PATH)	93.150			\$ 205,544	\$ 1,415,465	\$	\$ 1,621,009
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			131,049	1,050,314		1,181,363
COVID-19 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153				37,393		37,393
Total 93.153				\$ 131,049	\$ 1,087,707	\$ 0	\$ 1,218,756
Grants to States for Loan Repayment	93.165			\$ 933,764	\$	\$	\$ 933,764
Disabilities Prevention	93.184			52,297	272,812		325,109
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197			365,611	(2,883)		362,728
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	Michigan State University	RC107653-MDHHS	26,320			26,320
Total 93.197				\$ 391,931	\$ (2,883)	\$ 0	\$ 389,048
Family Planning Services	93.217			\$ 1,423,899	\$ 5,535,340	\$	\$ 6,959,239
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235			393,741	1,293,112		1,686,853
State Capacity Building	93.240			464,590			464,590
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			1,095,999	3,406,982		4,502,981
Early Hearing Detection and Intervention	93.251			202,264	42,104		244,368
Occupational Safety and Health Program	93.262	Michigan State University	RC105035-MDHHS	93,541			93,541

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Immunization Cooperative Agreements	93.268			\$ 4,517,154	\$ 5,062,124	\$	\$ 9,579,278
Immunization Cooperative Agreements (Note 6)	93.268			78,968,164			78,968,164
COVID-19 Immunization Cooperative Agreements	93.268			400			400
Total 93.268				\$ 83,485,718	\$ 5,062,124	\$ 0	\$ 88,547,842
Viral Hepatitis Prevention and Control	93.270			\$ 350,996	\$ 133,229	\$	\$ 484,225
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			(74,372)	(3,955)		(78,327)
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	Council of State and Territorial Epidemiologists	P.O. 6718	29,827			29,827
Total 93.283				\$ (44,545)	\$ (3,955)	\$ 0	\$ (48,500)
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305			\$ 885,196	\$ 205,608	\$	\$ 1,090,804
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF) (Note 6)	93.305			631			631
Total 93.305				\$ 885,827	\$ 205,608	\$ 0	\$ 1,091,435
Trans-NIH Research Support (Note 15)	93.310	Michigan State University	20171476-00 MSU	\$ 60,864	\$	\$	\$ 60,864
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			125,653	3,112		128,765
CSELS Partnership: Strengthening Public Health Laboratories	93.322	Association of Public Health Laboratories, Inc.	56400-200-943-17-03; 56401-200-944-19-XX	51,250			51,250
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			6,038,898	(8,614)		6,030,284
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			40,131,528	20,545,966		60,677,494
Total 93.323				\$ 46,170,426	\$ 20,537,352	\$ 0	\$ 66,707,778
State Health Insurance Assistance Program	93.324			\$ 43,418	\$ 1,273,424	\$	\$ 1,316,842
Behavioral Risk Factor Surveillance System	93.336			12			12
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			716,573	784,957		1,501,530
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			2,859,685	8,680,010		11,539,695
Total 93.354				\$ 3,576,258	\$ 9,464,967	\$ 0	\$ 13,041,225
Sickle Cell Treatment Demonstration Program	93.365	Sickle Cell Disease Association of America	20153529-00	\$ 5,000	\$	\$	\$ 5,000
ACL Independent Living State Grants	93.369			360,912	2,625,934		2,986,846

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Title: Multiple Approaches to Support Young Breast Cancer Survivors and Metastatic Breast Cancer Patients	93.376			\$ 171,428	\$ 163,390	\$	\$ 334,818
The CDC Public Health Cancer Genomics Program: Translating Research into Public Health Practice	93.380			421,835	68,697		490,532
National and State Tobacco Control Program	93.387			219,936	111,580		331,516
National and State Tobacco Control Program (Note 6)	93.387			373			373
Total 93.387				\$ 220,309	\$ 111,580	\$ 0	\$ 331,889
The State Flexibility to Stabilize the Market Grant Program	93.413			\$ 193,506	\$	\$	\$ 193,506
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	Council of State and Territorial Epidemiologists	P.O. 7127; P.O. 7218; P.O. 7450	346,792			346,792
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426			1,262,167	1,000,039		2,262,206
Every Student Succeeds Act/Preschool Development Grants	93.434			3,350,462	1,303,610		4,654,072
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke- Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.435			967,154	996,927		1,964,081
Food Safety and Security Monitoring Project	93.436			689,694	197,442		887,136
ACL Assistive Technology	93.448			201,653			201,653
ACL Assistive Technology	93.464			630,439			630,439
Pregnancy Assistance Fund Program	93.500			270,890	599,389		870,279
MaryLee Allen Promoting Safe and Stable Families Program	93.556			8,373,296	416,150		8,789,446
MaryLee Allen Promoting Safe and Stable Families Program	93.556	University of Maryland, Baltimore	3001333.000	32,050	241,070		273,120
Total 93.556				\$ 8,405,346	\$ 657,220	\$ 0	\$ 9,062,566
Temporary Assistance for Needy Families (Note 12)	93.558			\$ 627,888,192	\$ 77,877,602	\$	\$ 705,765,794
Child Support Enforcement	93.563			18,074,967	115,107,272		133,182,239
Child Support Enforcement Research	93.564			3,095	282,863		285,958
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			2,874,211	18,015,769		20,889,980
Low-Income Home Energy Assistance (Note 12)	93.568			150,180,393	11,066,118		161,246,511
COVID-19 - Low-Income Home Energy Assistance	93.568			30,850,756			30,850,756
Total 93.568				\$ 181,031,149	\$ 11,066,118	\$ 0	\$ 192,097,267
Community Services Block Grant	93.569			\$ 1,392,224	\$ 22,957,158	\$	\$ 24,349,382
COVID-19 - Community Services Block Grant	93.569			349,138	15,352,996		15,702,134
Total 93.569				\$ 1,741,362	\$ 38,310,154	\$ 0	\$ 40,051,516
Refugee and Entrant Assistance Discretionary Grants	93.576			\$ 48,517	\$ 128,555	\$	\$ 177,072
State Court Improvement Program	93.586			680,333			680,333
Community-Based Child Abuse Prevention Grants	93.590			398,227	328,235		726,462
Grants to States for Access and Visitation Programs	93.597			222,381			222,381

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Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Chafee Education and Training Vouchers Program (ETV)	93.599			\$ 1,467,188	\$ 583	\$	\$ 1,467,771
Adoption and Legal Guardianship Incentive Payments	93.603			2,523,132			2,523,132
Community Health Access and Rural Transformation (CHART) Model	93.624			3,359,966	3,463,190		6,823,156
Developmental Disabilities Basic Support and Advocacy Grants	93.630			1,236,536	1,168,814		2,405,350
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634				537,417		537,417
Children's Justice Grants to States	93.643			392,497	4,872		397,369
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644			56,122	(12,007)		44,115
Stephanie Tubbs Jones Child Welfare Services Program (Note 12)	93.645			5,550,291	77,985		5,628,276
COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	93.645			682,913			682,913
Total 93.645				\$ 6,233,204	\$ 77,985	\$ 0	\$ 6,311,189
Foster Care Title IV-E	93.658			\$ 119,365,719	\$ 11,951,334	\$	\$ 131,317,053
COVID-19 - Foster Care Title IV-E	93.658			3,395,195			3,395,195
Total 93.658				\$ 122,760,914	\$ 11,951,334	\$ 0	\$ 134,712,248
Adoption Assistance	93.659			\$ 105,324,581	\$ 2,035,947	\$	\$ 107,360,528
COVID-19 - Adoption Assistance	93.659			6,561,141			6,561,141
Total 93.659				\$ 111,885,722	\$ 2,035,947	\$ 0	\$ 113,921,669
Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	93.664			\$ 177,743	\$ 428,437	\$	\$ 606,180
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665			51,736	582,874		634,610
Social Services Block Grant (Note 12)	93.667			119,448,954	4,056,846		123,505,800
Child Abuse and Neglect State Grants	93.669			1,169,544	9,185		1,178,729
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			73,525	2,130,312		2,203,837
COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671				108,543		108,543
Total 93.671				\$ 73,525	\$ 2,238,855	\$ 0	\$ 2,312,380
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			\$ 5,800,083	\$ 485,442	\$	\$ 6,285,525
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735			39,507	532,071		571,578

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PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745			\$ 4,840	\$ 267,255	\$	\$ 272,095
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753				(1,714)		(1,714)
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			593			593
Children's Health Insurance Program	93.767			263,215,112	4,237,985		267,453,097
COVID-19 - Children's Health Insurance Program	93.767			10,112,101			10,112,101
Total 93.767				\$ 273,327,213	\$ 4,237,985	\$ 0	\$ 277,565,198
Opioid STR	93.788			\$ 9,812,560	\$ 29,371,983	\$	\$ 39,184,543
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796			8,059,760			8,059,760
Organized Approaches to Increase Colorectal Cancer Screening	93.800			591,142	610,313		1,201,455
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810			698,250			698,250
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			160,918	(394,032)		(233,114)
Maternal, Infant and Early Childhood Home Visiting Grant	93.870			2,264,080	6,368,232		8,632,312
National Bioterrorism Hospital Preparedness Program	93.889			2,403,332	3,942,798		6,346,130
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889			163,116	924,040		1,087,156
Total 93.889				\$ 2,566,448	\$ 4,866,838	\$ 0	\$ 7,433,286
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			\$ 3,333,412	\$ 2,613,332	\$	\$ 5,946,744
HIV Care Formula Grants	93.917			14,120,341	3,990,728		18,111,069
COVID-19 - HIV Care Formula Grants	93.917			72,502	15,717		88,219
Total 93.917				\$ 14,192,843	\$ 4,006,445	\$ 0	\$ 18,199,288
HIV Prevention Activities Health Department Based	93.940			\$ 3,513,568	\$ 3,426,429	\$	\$ 6,939,997
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			995,584			995,584
Assistance Programs for Chronic Disease Prevention and Control	93.945			79			79
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			184,586	28,246		212,832
Block Grants for Community Mental Health Services	93.958			927,954	13,167,732		14,095,686
Block Grants for Prevention and Treatment of Substance Abuse (Note 12)	93.959			1,584,588	53,673,743		55,258,331

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			\$ 2,399,812	\$ 764,753	\$	\$ 3,164,565
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988			191,744			191,744
Preventive Health and Health Services Block Grant	93.991			2,433,791	3,640,250		6,074,041
Maternal and Child Health Services Block Grant to the States (Note 12)	93.994			9,264,926	9,492,149		18,757,075
Implementing Health Systems and Environmental Changes to Improve Ovarian Cancer Care	93.19BFSK0017**	ICF Macro, Inc.	19BFSK0017	25,000	29,530		54,530
Vital Statistics - CDC - NCHS Contract	93.200-2012-50823**			900,410			900,410
Vital Statistics - CDC - National Death Index Contract	93.200-2015-M-62296**			60,926			60,926
Genotyping TB Contract	93.200-213-57461**			68,919			68,919
Behavioral Health Services Information System Contract (Mental Health - Treatment Episode Data Set)	93.283-07-4803**	Eagle Technologies, Inc.	283-07-4803	29,535	111,212		140,747
Behavioral Health Services Information System Contract (Substance Abuse)	93.283-07-4803**	Eagle Technologies, Inc.	283-07-4803	743			743
Michigan Pregnancy Risk Assessment Monitoring System (PRAMS)	93.20171644**	Abt Associates Inc.	20171644	41,891			41,891
FDA Tobacco Retail Inspection Contract	93.HHSF223201400074C**			1,002,468	26,627		1,029,095
Total U.S. Department of Health and Human Services				\$ 16,261,473,755	\$ 615,710,114	\$ 0	\$ 16,877,183,869
U.S. Corporation for National and Community Service							
State Commissions	94.003			\$ 548,364	\$ 144,109	\$	\$ 692,473
AmeriCorps	94.006			(378)	8,002,542		8,002,164
Training and Technical Assistance	94.009			142,710	242,394		385,104
September 11th National Day of Service and Remembrance Grants	94.012			40	63,929		63,969
Volunteers in Service to America	94.013			10,000	(389)		9,611
Volunteer Generation Fund	94.021			28,964	162,492		191,456
Total U.S. Corporation for National and Community Service				\$ 729,700	\$ 8,615,077	\$ 0	\$ 9,344,777
Executive Office of the President							
High Intensity Drug Trafficking Areas Program	95.001			\$ 2,251,415		\$	\$ 2,251,415
Total Executive Office of the President				\$ 2,251,415	\$ 0	\$ 0	\$ 2,251,415
Social Security Administration							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001			\$ 83,981,338	\$ (169)	\$	\$ 83,981,169
Total Disability Insurance/SSI Cluster				\$ 83,981,338	\$ (169)	\$ 0	\$ 83,981,169
Social Security Administration - Birth Record Contract	96.00-14-61006**			\$ 453,092	\$	\$	\$ 453,092
Social Security Administration - Death Record Contract	96.SS00-09-60016**			275,000			275,000
Total Social Security Administration				\$ 84,709,430	\$ (169)	\$ 0	\$ 84,709,261

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020
(Continued)

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Homeland Security							
Non-Profit Security Program	97.008			\$	\$ 210,760	\$	\$ 210,760
Boating Safety Financial Assistance	97.012			4,969,432	764,910		5,734,342
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			159,422			159,422
COVID-19 - Crisis Counseling	97.032				258,725		258,725
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			310,844	7,781,079		8,091,923
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			94,590,449	29,286,734		123,877,183
Total 97.036				\$ 94,901,293	\$ 37,067,813	\$ 0	\$ 131,969,106
Hazard Mitigation Grant	97.039			\$ 104,626	\$ (992,141)	\$	\$ (887,515)
National Dam Safety Program	97.041			97,798			97,798
Emergency Management Performance Grants	97.042			6,191,956	(131,498)		6,060,458
Assistance to Firefighters Grant	97.044			36,781			36,781
Cooperating Technical Partners	97.045			689,875			689,875
BRIC: Building Resilient Infrastructure and Communities	97.047			30,700	1,411,358		1,442,058
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			1,359,552,829			1,359,552,829
Homeland Security Grant Program	97.067			2,000,824	3,385,654		5,386,478
Homeland Security Grant Program	97.067	Macomb County	R2-2017-82-0118; R2-2017-82-0116	9,859			9,859
Total 97.067				\$ 2,010,683	\$ 3,385,654	\$ 0	\$ 5,396,337
Homeland Security Biowatch Program	97.091			\$ 1,593,149		\$	\$ 1,593,149
HSI - Task Force Officer	97.**			15,624			15,624
Total U.S. Department of Homeland Security				\$ 1,470,354,168	\$ 41,975,581	\$ 0	\$ 1,512,329,749
Total Financial Assistance				\$ 48,023,793,307	\$ 4,057,068,648	\$ 3,967,840	\$ 52,084,829,795
Total Non-Cash Assistance				\$ 1,445,296,475	\$ 125,027,780	\$ 0	\$ 1,570,324,255
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 49,469,089,782	\$ 4,182,096,428	\$ 3,967,840	\$ 53,655,154,050

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** CFDA number not available. Number derived from federal agency number or contract number, if available.

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Reporting Entity

For federal reporting purposes, the State of Michigan's reporting entity includes the primary government and its component units with the exception of those noted in the following paragraph. The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. They include Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State. For purposes of presenting the schedule of expenditures of federal awards (SEFA), the State's ten public universities have been excluded from the reporting entity for fiscal year 2020. The universities obtained separate audits in accordance with Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 Fiscal Year-Ends

The State of Michigan and discretely presented component units included within the fiscal year 2020 reporting entity are reported using fiscal years that end on September 30, except for the Michigan State Housing Development Authority (MSHDA), which utilizes a June 30 year-end.

The following programs include MSHDA expenditures, which are reported as of June 30, 2020. In addition, some of the programs noted below also include Michigan Department of Health and Human Services (Other State Agencies) expenditures, which are reported as of September 30, 2020.

<u>CFDA Number</u>	<u>Federal Program Title</u>	<u>MSHDA Expenditures as of June 30, 2020</u>	<u>Other State Agencies' Expenditures as of September 30, 2020</u>	<u>Total (as Reported on the SEFA)</u>
14.169	Housing Counseling Assistance Program	\$ 804,398	\$ 0	\$ 804,398
14.182	Section 8 - Contract Administration	\$ 255,580,234	\$ 0	\$ 255,580,234
14.182	Section 8 - New Construction/ Substantial Rehabilitation	\$ 123,120,937	\$ 0	\$ 123,120,937
14.231	Emergency Solutions Grant Program	\$ 5,495,566	\$ 0	\$ 5,495,566
14.239	Home Investment Partnerships Program	\$ 10,960,819	\$ 0	\$ 10,960,819

<u>CFDA Number</u>	<u>Federal Program Title</u>	<u>MSHDA Expenditures as of June 30, 2020</u>	<u>Other State Agencies' Expenditures as of September 30, 2020</u>	<u>Total (as Reported on the SEFA)</u>
14.256	ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	\$ (743)	\$ 0	\$ (743)
14.267	Continuum of Care Program	\$ 1,209,910	\$ 7,471,481	\$ 8,681,391
14.275	Housing Trust Fund	\$ 5,210,999	\$ 0	\$ 5,210,999
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	\$ 207,119	\$ 0	\$ 207,119
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	\$ 985,485	\$ 0	\$ 985,485
14.871	Section 8 Housing Choice Vouchers	\$ 207,961,970	\$ 0	\$ 207,961,970
14.871	COVID-19 - Section 8 Housing Choice Vouchers	\$ 1,400,737	\$ 0	\$ 1,400,737
14.879	Mainstream Vouchers	\$ 462,393	\$ 0	\$ 462,393
14.879	COVID-19 - Mainstream Vouchers	\$ 5,252	\$ 0	\$ 5,252
14.896	Family Self-Sufficiency Program	\$ 979,824	\$ 0	\$ 979,824
15.904	Historic Preservation Fund Grants-In-Aid	\$ 59,172	\$ 1,120,326	\$ 1,179,498

Note 3 Basis of Presentation

The SEFA presents the federal grant activity of the State of Michigan in accordance with the requirements of the Uniform Guidance.

Note 4 Summary of Significant Accounting Policies

The expenditures for each of the federal financial assistance programs are presented in the SEFA on the accounting basis as presented on the fund financial statements. For entities with governmental funds, expenditures are presented on the modified accrual basis of accounting. For entities with proprietary or fiduciary funds, expenditures are presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Differences will exist between federal expenditures shown on the SEFA and related federal expenditures on federal financial reports because of additional accrual amounts recorded after the preparation of federal financial reports for the fiscal year. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The State of Michigan has not elected to use the 10% de minimis indirect cost rate, except

for the Michigan Early Childhood Investment Corporation, a discretely presented component unit, which has elected to use the 10% de minimis indirect cost rate.

Note 5 Pass-Through Expenditures Between State Agencies

Federal funds received by one State grantee agency and redistributed to another State grantee agency (i.e., pass-through of funds by the primary recipient State grantee agency to a subrecipient State grantee agency) are reported in the SEFA as federal expenditures of the subrecipient State grantee agency. This is to avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the State.

Note 6 Non-Cash Assistance

The State of Michigan is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-cash programs." The distributions under these programs are included in the SEFA.

Note 7 Airport Improvement Program

Federal expenditures of \$201,543,693 for the Airport Improvement Program (CFDA 20.106) channeled to primary airports for fiscal year 2020 are not included in the SEFA. Included in this amount are Coronavirus Aid, Relief, and Economic Security (CARES) Act expenditures totaling \$133,952,347. The Federal Aviation Administration (FAA) determined that the Michigan Department of Transportation (MDOT) has no oversight responsibility for grants to primary airports. Also, compliance with federal regulations is the responsibility of the primary airports and not MDOT. Therefore, MDOT is channeling the FAA funds to the primary airports in accordance with Public Act 327 of 1945.

Note 8 Donation of Surplus Property

The amount distributed to subrecipients for the Donation of Federal Surplus Personal Property (CFDA 39.003) is 26.2% of the acquisition value of donated property sold during the fiscal year. The value does not include service charges that are the basis for the sale of inventory items. The valuation method follows General Services Administration guidelines. The service charges on property donated (sold) in fiscal year 2020 were \$48,158.

Note 9 Federal Family Education Loans (FFEL) Program - Loans Outstanding

The Michigan Finance Authority, a discretely presented component unit of the State of Michigan, administers the Federal Family Education Loans Program (CFDA 84.032). As of September 30, 2020, the outstanding original principal balance of loans guaranteed under the Federal Family Education Loans Program - Guaranty Agency (CFDA 84.032G) by the Michigan Finance Authority was \$855,392,251. In addition, as of September 30, 2020, \$305,284,875 in loans were outstanding under the Federal Family Education Loans Program - Lender (CFDA 84.032L).

The Health Care and Education Reconciliation Act of 2010, Public Law No. 111-152, eliminated the authorization to originate the FFEL Program loans after June 30, 2010 and, as a result, the Michigan Finance Authority did not issue or guarantee any new FFEL Program loans in fiscal year 2020.

Note 10 Federal Family Education Loans (FFEL) Program - Guaranty Agency

The Michigan Finance Authority receives federal loan reinsurance revenue from the U.S. Department of Education (USDOE) according to the following schedule for all eligible default claims purchased by the Authority:

<u>Annual Default Rate</u>	<u>Federal Reinsurance</u>
0% to less than 5%	100%
5% to less than 9%	95% of claims up to 5%, 85% of claims equal to or greater than 5% but less than 9%
9% or greater	95% of claims up to 5%, 85% of claims equal to or greater than 5% but less than 9%, and 75% of claims equal to or greater than 9%

The FFEL Program - Guaranty Agency activity for fiscal year 2020 was:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Federal Family Education Loans - Guaranty Agency	84.032G	
Beginning of fiscal year balance - Loans from prior years		\$1,011,049,795
Loan loss reinsured by USDOE		52,263,344
Account maintenance fees		707,536
Loan recoveries - Net of amounts returned to USDOE		1,882,527
Loans repurchased and rehabilitated		8,342,033
Total Federal Family Education Loans - Guaranty Agency		<u>\$1,074,245,235</u>

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

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

The FFEL Program - Lender activity for fiscal year 2020 was:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Federal Family Education Loans - Lender	84.032L	
Beginning of fiscal year balance - Loans from prior years		\$ 355,166,656
Interest subsidy payments		894,138
Special allowance payments		(4,088,912)
Total Federal Family Education Loans - Lender		<u>\$ 351,971,882</u>

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

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

Low-Income Home Energy Assistance (CFDA 93.568)	\$ 10,947,818
Stephanie Tubbs Jones Child Welfare Services Program (CFDA 93.645)	\$ 15,416,752
Social Services Block Grant (CFDA 93.667)	\$ 89,686,979
Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)	\$ 12,616,294
Maternal and Child Health Services Block Grant to the States (CFDA 93.994)	\$ 33,722,671

- b. MDHHS moved \$77,279,419 of the Temporary Assistance for Needy Families (TANF) (CFDA 93.558) grant award to the Social Services Block Grant (CFDA 93.667) and \$7,490,298 of the TANF grant award to the CCDF Cluster (CFDA 93.575) as allowed by the Welfare Reform Plan.

Note 13 In-Kind Assistance

- a. As part of the National Guard Bureau Cooperative Agreement, the U.S. Department of Defense provided in-kind assistance in the form of direct federal payment for services and supplies for National Guard Military Operations and Maintenance (O&M) Projects (CFDA 12.401). The in-kind assistance dollar amounts reported in the SEFA were determined and obtained from the United States Property and Fiscal Office for Michigan.
- b. As part of the Senior Environmental Employment Program, the U.S. Environmental Protection Agency provided in-kind assistance in the form of payment to aging organizations for workers' salaries for the Air Pollution Control Program Support (CFDA 66.001) and the Hazardous Waste Management State Program Support (CFDA 66.801) programs. The in-kind assistance dollar amounts reported in the SEFA were determined and obtained from the U.S. Environmental Protection Agency.

Note 14 Medicare and Medicaid Revenue

The Grand Rapids Home for Veterans and the D.J. Jacobetti Home for Veterans received federal Medicare revenue totaling \$1,088,118 and Medicaid revenue totaling \$1,594,183 in fiscal year 2020. Medicare and Medicaid revenues are not considered federal assistance but rather a purchase of services provided by the Homes and, therefore, are not included in the SEFA.

Note 15 Research and Development Expenditures

Section 200.87 of the Uniform Guidance states that research and development (R&D) means all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. The expenditures presented in the SEFA

include R&D expenditures. The R&D portion of the expenditures for each program is listed below:

Federal Program Title	CFDA Number	Federal Expenditures
Wildlife Services	10.028	\$ 14,196
Interjurisdictional Fisheries Act of 1986	11.407	16,942
Sport Fish Restoration	15.605	39,348
Fish and Wildlife Management Assistance	15.608	25,730
Wildlife Restoration and Basic Hunter Education	15.611	821,560
State Wildlife Grants	15.634	343,241
Highway Research and Development Program	20.200	2,845,665
Highway Planning and Construction	20.205	6,385,256
Maternal and Child Health Federal Consolidated Programs	93.110	21,000
Trans-NIH Research Support	93.310	60,864
Total R&D Expenditures		<u>\$ 10,573,802</u>

Note 16 Supplemental Nutrition Assistance Program (SNAP)

In response to the COVID-19 pandemic, SNAP (CFDA 10.551) issued two types of COVID-19 related benefits: emergency allotment benefits and Pandemic Electronic Benefits Transfer (P-EBT) benefits. P-EBT expenditures were accounted for separately from regular SNAP expenditures; however, the State of Michigan is unable to identify the amount of emergency allotment expenditures. Therefore, emergency allotment expenditures are included in regular SNAP expenditures on the SEFA. The State of Michigan issued \$508,597,391 of emergency allotment benefits.

INDEPENDENT AUDITOR'S REPORT



OAG

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Doug A. Ringler, CPA, CIA
Auditor General

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

The Honorable Gretchen Whitmer, Governor
Members of the Legislature

Report on Compliance for Each Major Federal Program

We have audited the State of Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the State of Michigan's major federal programs for the fiscal year ended September 30, 2020. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The State's basic financial statements include the operations of Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University, which expended \$1.2 billion in federal awards that are not included in the schedule of expenditures of federal awards for the fiscal year ended September 30, 2020. Our audit, described below, did not include the operations of these universities because they obtained separate audits in accordance with the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We did not audit the major federal programs or percentages of federal programs listed below. These programs were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to compliance requirements for these programs, is based on the reports of the other auditors except for the CCDF Cluster, which was based on our audit work.

CFDA Number(s)	Program or Cluster	Percent Audited by Other Auditors	Total Expenditures
17.225	Unemployment Insurance, including COVID-19	100%	\$24,198,259,201
93.575 and 93.596	CCDF Cluster, including COVID-19	1%	\$307,166,527
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs, including COVID-19	100%	\$1,359,552,829

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit and the reports of other auditors of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of the other auditors provide a reasonable basis for our adverse, qualified, and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinion on CCDF Cluster, Medicaid Cluster, and Children's Health Insurance Program

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.575 and 93.596	CCDF Cluster, including COVID-19	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements	2020-034 2020-035
U.S. Department of Health and Human Services	93.775, 93.777, and 93.778	Medicaid Cluster, including COVID-19	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	2020-006 2020-016

U.S. Department of Health and Human Services	93.767	Children's Health Insurance Program, including COVID-19	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; and Matching, Level of Effort, and Earmarking	2020-006 2020-016 2020-017
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Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Adverse Opinion on CCDF Cluster, Medicaid Cluster, and Children's Health Insurance Program

In our opinion, because of the significance of the matters identified in the Basis for Adverse Opinion section, the State of Michigan did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CCDF Cluster, Medicaid Cluster, and Children's Health Insurance Program for the fiscal year ended September 30, 2020.

Basis for Qualified Opinion on Certain Major Federal Programs

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal Awarding Agency	CFDA Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Agriculture	10.551 and 10.561	SNAP Cluster, including COVID-19	Special Tests and Provisions - ADP System for SNAP	2020-006
U.S. Department of Labor	17.225	Unemployment Insurance, including COVID-19	Allowable Costs/Cost Principles and Eligibility	2020-063 2020-064 2020-066
U.S. Department of Education	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Cash Management and Program Income	2020-032
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Income Eligibility and Verification System	2020-006 2020-049 2020-052
U.S. Department of Health and Human Services	93.568	Low-Income Home Energy Assistance, including COVID-19	Cash Management and Eligibility	2020-013 2020-057
U.S. Department of Health and Human Services	93.658	Foster Care - Title IV-E, including COVID-19	Cash Management	2020-013

U.S. Department of Health and Human Services	93.659	Adoption Assistance, including COVID-19	Cash Management	2020-013
U.S. Department of Health and Human Services	93.667	Social Services Block Grant	Cash Management	2020-013

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

Qualified Opinion on Certain Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance identified in the Basis for Qualified Opinion section, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in the Basis for Qualified Opinion section for the fiscal year ended September 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs in Findings 2020-018, 2020-020, 2020-023, 2020-029, 2020-030, 2020-036, 2020-038, 2020-040, 2020-041, 2020-042, 2020-043, 2020-046, 2020-050, 2020-051, 2020-052, 2020-053, and 2020-054. Our opinion on each major federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified.

However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2020-003, 2020-004, 2020-005, 2020-006, 2020-013, 2020-016, 2020-017, 2020-032, 2020-034, 2020-035, 2020-049, 2020-052, 2020-057, and 2020-059 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs in Findings 2020-001, 2020-002, 2020-007, 2020-008, 2020-009, 2020-010, 2020-011, 2020-012, 2020-013, 2020-014, 2020-015, 2020-017, 2020-018, 2020-019, 2020-020, 2020-021, 2020-022, 2020-023, 2020-024, 2020-025, 2020-026, 2020-027, 2020-028, 2020-029, 2020-030, 2020-031, 2020-033, 2020-036, 2020-037, 2020-038, 2020-039, 2020-040, 2020-041, 2020-042, 2020-043, 2020-044, 2020-045, 2020-046, 2020-047, 2020-048, 2020-050, 2020-051, 2020-052, 2020-053, 2020-054, 2020-055, 2020-056, 2020-058, 2020-060, and 2020-061 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is presented in the accompanying corrective action plan and management views sections of the schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated March 19, 2021, which contained unmodified opinions on those financial statements and includes references to other auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the

underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler
Auditor General
July 14, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Significant deficiencies* identified?	Yes
Noncompliance or other matters material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses* identified?	Yes
Significant deficiencies* identified?	Yes
Any audit findings disclosed that are required to be reported in accordance with federal regulation 2 <i>CFR</i> 200.516(a)?	Yes

Identification of Major Federal Programs and Type of Opinion Issued on Compliance:

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion
10.551 and 10.561	SNAP Cluster, including COVID-19	Qualified
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster, including COVID-19	Unmodified
10.565, 10.568, and 10.569	Food Distribution Cluster, including COVID-19	Unmodified
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified
14.182 and 14.856	Section 8 Project-Based Cluster	Unmodified
21.019	Coronavirus Relief Fund, including COVID-19	Unmodified
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Qualified
93.575 and 93.596	CCDF Cluster, including COVID-19	Adverse
93.775, 93.777, and 93.778	Medicaid Cluster, including COVID-19	Adverse
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	Unmodified
93.558	Temporary Assistance for Needy Families	Qualified
93.563	Child Support Enforcement	Unmodified
93.568	Low-Income Home Energy Assistance, including COVID-19	Qualified
93.658	Foster Care - Title IV-E, including COVID-19	Qualified
93.659	Adoption Assistance, including COVID-19	Qualified
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program, including COVID-19	Adverse
93.788	Opioid STR	Unmodified
96.001	Disability Insurance/SSI Cluster	Unmodified
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19	Unmodified

Major Federal Programs Audited by Others

CFDA Number(s)	Name of Major Federal Program or Cluster	Opinion
17.225	Unemployment Insurance, including COVID-19	Qualified
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs, including COVID-19	Unmodified

* See glossary at end of report for definition.

Dollar threshold used to distinguish between type A and type B programs: \$80,482,731

Auditee qualified as a low-risk auditee*? No

Required Reporting Thresholds

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*) requires the auditor to test key controls at a level that would provide sufficient evidence that the established control structure would provide a high probability that material federal program noncompliance would be prevented or detected and corrected. This requires that the auditor set the tolerable exception rate of occurrence at a very low level. During the audit fieldwork, the auditor, in close consultation with the auditee, identifies the key controls that the auditee has established to ensure federal program compliance. In those cases in which the auditor's tests of key controls identify exception rates in excess of the tolerable exception rate of occurrence, the auditor must generally report the observed exception rate in the report finding.

Further, the Uniform Guidance requires the auditor to report in Section III of the audit report known questioned costs* that are greater than \$25,000 for a type of compliance requirement for a major program and known questioned costs that are less than \$25,000 for a type of compliance requirement for a major program if it is likely that total questioned costs would exceed \$25,000.

As a result of these low required reporting thresholds, the reader may note that, in some cases, the observed exception rates of occurrence and reported known questioned costs appear insignificant in relation to the overall federal expenditures of the auditee. After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a management decision within six months of acceptance of the audit report by the federal audit clearinghouse. The management decision may include a request for the return of the known questioned costs.

Management's Corrective Action Plan

Management's planned corrective action for the findings in Section II and Section III is located in the auditee section beginning on page 205.

Section II: Findings Related to the Financial Statements and Schedule of Expenditures of Federal Awards

The findings related to the financial statements are reported in the Report on Internal Control, Compliance, and Other Matters for the *State of Michigan Comprehensive Annual Financial Report (Annual Report)* (071-0010-21), located at:

< audgen.michigan.gov/wp-content/uploads/2021/05/r071001021-2559.pdf >.

We did not report any findings related to the schedule of expenditures of federal awards.

* See glossary at end of report for definition.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING 2020-001

Access Limitation for Confidential Information in SIGMA*

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A190099 08/11/2019 - 09/30/2019 H126A190100 08/11/2019 - 09/30/2019 H126A200099 10/01/2019 - 09/30/2020 H126A200100 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$98,852,439
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-001
State Agency	Department of Labor and Economic Opportunity

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-001
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)

* See glossary at end of report for definition.

Federal Award Identification Number (FAIN) and Year	2005MI5MAP 2005MI5ADM 2005MIINCT 2005MIIMPL	10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155	
Total COVID-19 Expenditures	\$661,558,125	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-001	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558	
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 20 01 MI TANF	10/01/2018 - Until Expended 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Child Support Non-Cooperation, Income Eligibility and Verification System, and Penalty for Refusal to Work	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-001	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	19 01 MI FOST 20 01 MI FOST	10/01/2018 - 09/30/2019 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$134,712,248	
Total COVID-19 Expenditures	\$3,395,195	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-001	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Adoption Assistance: CFDA 93.659 and 93.659 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	19 01 MI ADPT 20 01 MI ADPT	10/01/2018 - 09/30/2019 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,921,669	
Total COVID-19 Expenditures	\$6,561,141	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	

Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-001
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	20 01 MISOSR 10/01/2019 - 09/30/2021 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$123,505,800
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-001
State Agency	Michigan Department of Health and Human Services

Condition

The Michigan Department of Health and Human Services (MDHHS), Department of Labor and Economic Opportunity (LEO), and Michigan Department of Education (MDE) did not sufficiently limit access to confidential information to appropriate users of the information in the Statewide Integrated Governmental Management Applications (SIGMA).

We noted:

- a. All three departments interfaced transactions from federal award payment systems to SIGMA that displayed certain identifying client information within the check description field in SIGMA.
- b. MDHHS staff included certain confidential client information in document attachments when entering program expenditures into SIGMA.

Criteria

Title 2, Part 200, section 303(e) of the *Code of Federal Regulations** (CFR) and federal regulation 45 CFR 75.303(e) require the State to take reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive or the State considers sensitive consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality. Also, federal regulation 45 CFR 98.15(b)(13) requires policies to be in effect to govern the use and disclosure of confidential and personally identifiable information about children and families receiving CCDF assistance and childcare providers receiving CCDF funds.

State of Michigan (SOM) Administrative Guide to State Government policy 1340.00 states that security* controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality*, integrity*, and availability* of State of Michigan information. SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls

* See glossary at end of report for definition.

ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions.

Cause

The departments informed us that they had designed processes to include the client information within SIGMA to assist the staff administering the programs and to allow vendors and providers to identify the client related to the payment.

MDHHS informed us that it revised its process to stop including transaction support with client information on October 1, 2018 and the inclusion of transaction support with client information was an oversight.

Effect

State employees without a business need had the ability to view confidential client information in SIGMA. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS, LEO, and MDE sufficiently limit access to confidential information to appropriate users of the information in SIGMA.

Management Views

MDHHS, LEO, and MDE agree with the finding.

FINDING 2020-002

SIGMA High-Risk Activity Monitoring

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Coronavirus Relief Fund: CFDA 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 - 12/31/2021 SLT0247 03/01/2020 - 12/31/2021
Total Expenditures of Federal Awards	\$1,873,775,190
Total COVID-19 Expenditures	\$1,873,775,190
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Corrections

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126

Federal Award Identification Number (FAIN) and Year	H126A190099	08/11/2019 - 09/30/2019
	H126A190100	08/11/2019 - 09/30/2019
	H126A200099	10/01/2019 - 09/30/2020
	H126A200100	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$98,852,439	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Labor and Economic Opportunity	

Condition

LEO and the Michigan Department of Corrections (MDOC) did not sufficiently monitor their high-risk activity reports to ensure that users performed only authorized bypass and override actions in SIGMA. We noted:

- a. LEO did not perform its high-risk activity monitoring in a timely manner for all 3 sampled reports. LEO provided evidence that it reviewed the reports; however, on average these reviews were completed 394 days after the reporting periods.
- b. MDOC did not document its review for 3 of 5 sampled high risk activity reports.

Criteria

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

State of Michigan Administrative Guide to State Government policy 1340.00 states that security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires agencies to monitor privileged system functions to help mitigate the risk from insider threats and detect misuse.

Cause

For part a., LEO informed us that it did not take the necessary steps to complete its reviews in a timely manner.

For part b., MDOC informed us that it conducted regular, intermittent monitoring to identify high-risk activity that exceeded certain thresholds and required additional action; however, MDOC did not document these reviews.

Effect

Individuals may have made inappropriate bypass or override actions in SIGMA. As a result, an increased risk exists that LEO and MDOC did not identify inappropriate or high-risk activity associated with SIGMA transactions.

Known Questioned Costs

None.

Recommendation

We recommend that LEO and MDOC sufficiently monitor their high-risk activity reports of users that performed bypass and override actions in SIGMA.

Management Views

LEO and MDOC agree with the finding.

FINDING 2020-003

Bridges Interface Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	SNAP Cluster: CFDA 10.551, 10.551 (COVID-19), and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2019 10/01/2018 - 09/30/2019 EBT - 2020 10/01/2019 - 09/30/2020 202MI100S2514 10/01/2019 - 09/30/2020 202MI100S2519 10/01/2019 - 09/30/2020 202MI100S2520 10/01/2019 - 09/30/2020 202MI100S8026 10/01/2019 - 09/30/2020 202MI100S8036 10/01/2019 - 09/30/2020 202MI122Q7503 10/01/2019 - 09/30/2020 202MI123Q3903 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$2,672,960,195
Total COVID-19 Expenditures	\$309,898,969
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-002
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Child Support Non-Cooperation, Income Eligibility and Verification System, Penalty for Refusal to Work, and Penalty for Failure to Comply with Work Verification Plan
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-002
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568 and 93.568 (COVID-19)

Federal Award Identification Number (FAIN) and Year	20 01 MI LIEA 20 01 MI E5C3 20 01 MI LIE4 19 01 MI LIEA	10/01/2019 - 09/30/2021 03/27/2020 - 09/30/2021 10/01/2019 - 09/30/2021 10/01/2018 - 09/30/2020
Total Expenditures of Federal Awards	\$192,097,267	
Total COVID-19 Expenditures	\$30,850,756	
Compliance Requirement(s)	Eligibility	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-002	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	1905MI5021 2005MI5021	10/01/2018 - 09/30/2020 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198	
Total COVID-19 Expenditures	\$10,112,101	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-002	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Background

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

Condition

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

- a. DTMB did not ensure that the file control and batch summary tables used to reconcile Bridges interfaces consistently accounted for interface header and trailer records,

* See glossary at end of report for definition.

represented control totals of information processed, or reported if the interface processing occurred with or without exceptions.

- b. DTMB, in conjunction with MDHHS, had not established procedures to account for all interfaced records and to ensure that all records identified with errors and excluded from interface processing were investigated, corrected, and resubmitted for processing as appropriate.
- c. MDHHS had not established data sharing agreements with all State agencies that exchanged information with Bridges.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from modification to ensure confidentiality, integrity, and availability of State of Michigan information. In addition, the U.S. Government Accountability Office's (GAO's) Federal Information System Controls Audit Manual* (FISCAM) recommends that interface controls should be established and implemented to reasonably ensure that data transferred from a source system to a receiving system is processed accurately, completely, and timely. Also, effective interface reconciliation procedures should include the use of control totals, records, counts, and other logging techniques.

Federal regulations 7 *CFR* 272.8(a)(4), 45 *CFR* 205.58, and 42 *CFR* 435.945(i) require MDHHS to execute data sharing agreements with agencies from which MDHHS requests and obtains income and eligibility information.

Cause

For parts a. and b., MDHHS and DTMB informed us that consistent design requirements were not in place when the Bridges interfaces were designed and implemented.

For part c., MDHHS informed us that the coronavirus disease of 2019 (COVID-19) state of emergency resulted in many priorities being shifted to support emergency activities.

Also, MDHHS and DTMB indicated that competing priorities have delayed corrective action for these items.

Effect

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

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

* See glossary at end of report for definition.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB ensure that effective interface controls are implemented for Bridges related to eligibility and benefit level for the SNAP Cluster, CCDF Cluster, Medicaid Cluster, TANF, LIHEAP, and CHIP.

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-004

Bridges Security Management and Access Controls*

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	SNAP Cluster: CFDA 10.551, 10.551 (COVID-19), and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2019 10/01/2018 - 09/30/2019 EBT - 2020 10/01/2019 - 09/30/2020 202MI100S2514 10/01/2019 - 09/30/2020 202MI100S2519 10/01/2019 - 09/30/2020 202MI100S2520 10/01/2019 - 09/30/2020 202MI100S8026 10/01/2019 - 09/30/2020 202MI100S8036 10/01/2019 - 09/30/2020 202MI122Q7503 10/01/2019 - 09/30/2020 202MI123Q3903 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$2,672,960,195
Total COVID-19 Expenditures	\$309,898,969
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special

* See glossary at end of report for definition.

Compliance Requirement(s) (Continued)	Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-003
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Child Support Non-Cooperation, Income Eligibility and Verification System, Penalty for Refusal to Work, and Penalty for Failure to Comply with Work Verification Plan
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568 and 93.568 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI LIEA 10/01/2018 - 09/30/2020 20 01 MI LIEA 10/01/2019 - 09/30/2021 20 01 MI LIE4 10/01/2019 - 09/30/2021 20 01 MI E5C3 03/27/2020 - 09/30/2021

Total Expenditures of Federal Awards	\$192,097,267
Total COVID-19 Expenditures	\$30,850,756
Compliance Requirement(s)	Eligibility
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls over Bridges users. We noted:

- a. MDHHS did not maintain documentation for 31 (78%) of the 40 sampled Bridges incompatible role exception requests. Of the 9 forms received, we noted that MDHHS did not properly approve 7 (78%) forms prior to granting the exception requests.
- b. MDHHS did not maintain documentation for 23 (29%) of 80 sampled local office security monitoring reports. Also, MDHHS did not document its review and/or review date for 7 (12%) of 57 sampled security monitoring reports and did not complete timely reviews for 15 (30%) of 50 sampled security monitoring reports.
- c. DTMB did not fully establish and implement effective security configurations* for the Bridges database. The Bridges database management systems* contained potentially vulnerable database configurations.
- d. MDHHS did not maintain documentation for 2 (5%) of the 40 sampled Bridges application security agreements. Of the 38 forms received, we noted that MDHHS did not properly approve 5 (13%) forms prior to granting access to Bridges.
- e. MDHHS did not monitor non-local office Bridges user accounts for compliance with account management requirements semiannually for privileged users or annually for all other users.

* See glossary at end of report for definition.

- f. MDHHS did not maintain documentation for 5 (25%) of the 20 sampled local office high-risk Bridges transaction monitoring reports. Of the 15 reports received, MDHHS did not complete the review timely or did not document its review date for 12 (80%) of the reports.
- g. MDHHS had not fully implemented a comprehensive process to identify and monitor high-risk transactions of non-local office Bridges users. Our review disclosed that MDHHS did not perform reviews for 9 (43%) of 21 sampled non-local office high-risk Bridges transactions reports. Of the 12 reports received, MDHHS did not document its review and review date for 1 (8%) report.

Criteria

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

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges to authorized personnel. The policy also states that security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires that separation of duties must be implemented through assigned information system access authorizations and that accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts* and annually for all other accounts. In addition, the GAO's FISCAM recommends that compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties* conflicts exist.

Cause

For part a., MDHHS informed us that internal control and monitoring activities were not sufficient to ensure that incompatible role exception requests were maintained and updated annually.

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

For part c., DTMB informed us that it had not fully implemented all database specific configuration standards at the time of our review because DTMB is developing an organization-wide security framework for database security configuration management.

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

* See glossary at end of report for definition.

of constant UCL changes. Also, MDHHS informed us that staffing priorities changed because of competing priorities.

For part f., MDHHS informed us that internal control and monitoring activities need improvement to ensure timely completion and maintenance of security monitoring reports.

For part g., MDHHS informed us that it has developed reports to identify some high-risk transactions processed by non-local office users; however, the reports did not identify all high-risk transactions.

Effect

We consider these issues to be a material weakness because, without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to Bridges. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the security of the Bridges application and data used to help determine eligibility and benefit levels for the SNAP Cluster, CCDF Cluster, Medicaid Cluster, TANF, LIHEAP, and CHIP.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-005

Bridges Change Management Process

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	SNAP Cluster: CFDA 10.551, 10.551 (COVID-19), and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2019	10/01/2018 - 09/30/2019
	EBT - 2020	10/01/2019 - 09/30/2020
	202MI100S2514	10/01/2019 - 09/30/2020
	202MI100S2519	10/01/2019 - 09/30/2020
	202MI100S2520	10/01/2019 - 09/30/2020
	202MI100S8026	10/01/2019 - 09/30/2020
	202MI100S8036	10/01/2019 - 09/30/2020
	202MI122Q7503	10/01/2019 - 09/30/2020
	202MI123Q3903	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$2,672,960,195	
Total COVID-19 Expenditures	\$309,898,969	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP System for SNAP	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education; Michigan Department of Health and Human Services; and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Child Support Non-Cooperation, Income Eligibility and Verification System, Penalty for Refusal to Work, and Penalty for Failure to Comply with Work Verification Plan
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568 and 93.568 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI LIEA 10/01/2018 - 09/30/2020 20 01 MI LIEA 10/01/2019 - 09/30/2021 20 01 MI LIE4 10/01/2019 - 09/30/2021 20 01 MI E5C3 03/27/2020 - 09/30/2021
Total Expenditures of Federal Awards	\$192,097,267
Total COVID-19 Expenditures	\$30,850,756
Compliance Requirement(s)	Eligibility
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB did not fully implement an effective change management process over Bridges. We sampled 20 Bridges change records and noted:

Control Weakness	Number (and Percent) of Sampled Items
MDHHS and DTMB did not document testing results at one or more stages of process.	17 (85%)
MDHHS and DTMB did not approve implementing the change in the production environment.	12 (60%)
MDHHS did not document post-implementation approvals.	12 (60%)

Criteria

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

SOM Technical Standard 1340.00.060.04 requires that the business owner authorize the change to be developed, authorize push to production, and perform post implementation validation. SOM Technical Procedure 1340.00.060.04.01 requires that each test type have its own set of documentation.

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

Cause

DTMB informed us that it transitioned to a new change management workflow tool and did not maintain all detailed change management tracking information during the transition period.

Effect

We consider these issues to be a material weakness because, without an effective change management process, individuals may make unauthorized or inappropriate changes to Bridges. As a result, an increased risk exists that MDHHS and DTMB cannot ensure that Bridges is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB fully implement an effective change management process over Bridges.

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-006**Income Eligibility and Verification System**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	SNAP Cluster: CFDA 10.551, 10.551 (COVID-19), and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2019 10/01/2018 - 09/30/2019 EBT - 2020 10/01/2019 - 09/30/2020 202MI100S2514 10/01/2019 - 09/30/2020 202MI100S2519 10/01/2019 - 09/30/2020 202MI100S2520 10/01/2019 - 09/30/2020 202MI100S8026 10/01/2019 - 09/30/2020 202MI100S8036 10/01/2019 - 09/30/2020 202MI122Q7503 10/01/2019 - 09/30/2020 202MI123Q3903 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$2,672,960,195
Total COVID-19 Expenditures	\$309,898,969
Compliance Requirement(s)	Special Tests and Provisions - ADP System for SNAP
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2019-004
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2019-004
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Income Eligibility and Verification System
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable

Repeat Finding	2019-004
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Background

MDHHS's automated data processing (ADP) system for the SNAP Cluster, Medicaid Cluster, TANF, and CHIP is Bridges. Bridges obtains and utilizes information from the Income Eligibility and Verification System (IEVS) to verify the eligibility and benefit levels of applicants and participating households for these federal programs. To obtain IEVS information, Bridges conducts 15 data exchanges through interfaces with various governmental agencies. Bridges disseminates the IEVS information obtained from the majority of these interfaces through electronic notifications in Bridges to the recipients' MDHHS county/district office caseworkers to manually consider and take action to determine the recipients' eligibility and benefit levels of the SNAP Cluster, Medicaid Cluster, TANF, and CHIP. Some interfaces automatically update Bridges with the IEVS information and determine the recipients' eligibility and benefit levels.

Condition

MDHHS and DTMB did not request and obtain IEVS information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs. We noted:

- a. MDHHS and DTMB had not fully established effective processing controls over Bridges interfaces to ensure that the data exchanged between Bridges and IEVS data sources was processed accurately, completely, and timely.
- b. For 3 (23%) of 13 IEVS interfaces requiring manual caseworker consideration and action, MDHHS did not maintain sufficient documentation to support that county/district office caseworkers considered and utilized the IEVS information to determine eligibility and benefit level for each recipient in 7 (13%) of 52 cases reviewed.
- c. For 5 (38%) of 13 IEVS interfaces, MDHHS did not take timely action on IEVS information in 10 (19%) of 52 cases reviewed, of which 6 are also reported in part b.
- d. MDHHS had not established a process to review and monitor the electronic notifications provided to county/district office caseworkers to ensure that they utilized the IEVS

information to determine the recipients' eligibility. For all 10 IEVS interfaces with electronic notifications, county/district office caseworkers could manually mark electronic notifications as complete without utilizing the IEVS information to determine the recipients' eligibility.

- e. MDHHS did not include all recipients funded by the TANF adoption subsidies in the IEVS interfaces conducted during the audit period. Also, MDHHS did not establish and implement the other applicable financial and non-financial interfaces during the audit period.
- f. MDHHS did not request and obtain the Social Security Administration (SSA) deceased records for all applicants and recipients.
- g. MDHHS did not obtain the wage records for all applicants and recipients during the third quarter of the audit period.
- h. MDHHS did not include modified adjusted gross income (MAGI)-based recipients funded by the Medicaid Cluster Healthy Kids and Healthy Michigan Plan programs and the Children's Health Insurance Program Healthy Kids program in the applicable IEVS interfaces conducted during the audit period.
- i. MDHHS was unable to provide documentation for 13 (18%) of 72 batch files that were sent and received during the audit period.

Criteria

Federal regulation 7 *CFR* 272.10 requires all state agencies to sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information. Also, federal regulation 7 *CFR* 272.10(b) states that, in order to meet the requirements, a SNAP system must be automated for certification and meet the requirements of IEVS. In addition, federal regulation 7 *CFR* 273.2(f)(9) permits state agencies to obtain information through IEVS from provider agencies and use it to verify the eligibility and benefit levels of applicants and participating households.

Federal regulation 7 *CFR* 273.2(f)(9) also requires the state agency to take action to terminate, deny, or reduce benefits based on information obtained through the IEVS processes. Further, federal regulations 7 *CFR* 272.8(c) and 7 *CFR* 272.8(e) require that the state agency must timely document information obtained through IEVS both when an adverse action is and is not instituted.

Title 42, section 1320b-7(a)(4)(A) of the *United States Code (USC)* requires all state agencies to exchange with each other information in their possession which may be of use in establishing or verifying eligibility or benefit amounts. Federal regulations 42 *CFR* 435.948, 45 *CFR* 205.55, and 42 *CFR* 457.380(d) for the Medicaid Cluster, TANF, and CHIP, respectively, require states to request information through IEVS for wages, unemployment compensation, SSA information, and unearned income from the Internal Revenue Service at the first opportunity following receipt of an application for assistance. Also, federal regulations 42 *CFR* 435.948, 42 *CFR* 435.952, 45 *CFR* 205.56, and 42 *CFR* 457.380(d) require states to timely use the IEVS information to determine an individual's eligibility and the amount of assistance available. Further, federal regulations 42 *CFR* 435.916(a) and 42 *CFR* 457.343 indicate that the state must redetermine MAGI-based eligibility without requiring information from the individual if the information is based on reliable information in the individual's account or other more current information

available to the state, including information accessed through any databases, to verify the financial and non-financial information related to eligibility.

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

Cause

For part a., MDHHS and DTMB informed us that there were various reasons why they had not established effective controls over Bridges interfaces (see Finding 2020-003, Bridges Interface Controls).

For parts b., c., and d., MDHHS did not always have information available to identify if the IEVS interface information was appropriately utilized in determining recipients' eligibility when county/district office caseworkers marked electronic notifications as complete.

For part e., MDHHS informed us that it did not establish and implement the applicable IEVS interfaces to validate income, social security number, criminal background, or citizenship because it believes this is only required at time of adoption because program eligibility is based on the child and not the adoptive parents.

For part f., MDHHS informed us that it did not obtain access to the SSA's death records because of staffing and time constraints due to the COVID-19 pandemic.

For part g., MDHHS informed us that the third quarter wage records were not obtained due to the COVID-19 pandemic.

For part h., MDHHS determined that post eligibility verification for MAGI-based recipients is not subject to IEVS requirements; therefore, MDHHS did not include all MAGI-based recipients coded to the Medicaid Cluster Healthy Kids and Healthy Michigan Plan programs and CHIP Healthy Kids program in the applicable IEVS data exchanges.

For part i., MDHHS informed us that there were new archival procedures and that the archived files could be accessed only by the DTMB Enterprise Backup and Recovery team. The Enterprise team did not provide all of the requested files.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS may have provided the SNAP Cluster, Medicaid Cluster, TANF, and CHIP benefits to ineligible recipients. Consequently, the federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendations

We recommend that MDHHS and DTMB request and obtain IEVS information for all recipients.

We also recommend that MDHHS ensure that county/district office caseworkers consider and use IEVS information in a timely manner when making eligibility and benefit level determinations for these programs.

Management Views

MDHHS and DTMB agree with parts a. through d., f., g., and i. of the finding. MDHHS disagrees with parts e. and h. of the finding.

For part e., MDHHS disagrees that IEVS information is required to be requested and obtained for recipients funded by TANF adoption subsidies. Guidance from the U.S. Department of Health and Human Services' (HHS's) Administration for Children and Families (ACF) states that if income or citizenship and alienage are not eligibility criteria for receipt of the benefit, then verification of income or citizenship and alienage through IEVS is unnecessary. Citizenship and alienage are not eligibility criteria for adoption subsidy as eligibility is based on the child and not the adoptive parents.

For part h., MDHHS disagrees that IEVS information is required to be requested and obtained for MAGI-based recipients because eligibility is verified upon determination through the MAGI eligibility determination process and then granted for a 12-month continuous eligibility period. Requesting and obtaining IEVS information throughout the eligibility period would be irrelevant because eligibility is continuous.

Auditor's Comments to Management Views*

Regarding part e., ACF's TANF Program Policy Questions and Answers guide indicates that the State may provide adoption benefits and services to needy parents of an adopted child and if the benefits are considered "assistance" (as in these cases), such as to address basic needs, then the applicable TANF rules apply. MDHHS's TANF State Plan includes financial eligibility requirements for services (or assistance) to adoptive families and are subject to IEVS verification.

Regarding part h., federal regulations 42 *CFR* 435.916(a), 42 *CFR* 435.948, and 42 *CFR* 435.952 require the State to use reliable information or information available to the State, including information accessed through databases, to determine or renew a Medicaid recipient eligibility. Similarly, federal regulations 42 *CFR* 457.343 and 42 *CFR* 457.380(d) require the use of such databases to determine or renew CHIP recipient eligibility. MDHHS requested IEVS data for Medicaid recipients, including certain MAGI-based recipients, but did not include all MAGI-based recipients in their IEVS data exchanges at application and redetermination. Consequently, MDHHS did not take steps to determine whether eligibility was erroneously granted to its MAGI-based recipients enrolled in the Medicaid Cluster Healthy Kids and CHIP Healthy Kids programs due to agency error or fraud, abuse, or perjury attributed to the child or the child's representative, as required by 42 *CFR* 435.926(d)(4) and 42 *CFR* 457.342.

Therefore, the finding stands as written.

FINDING 2020-007

ADP Security Program

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	SNAP Cluster: CFDA 10.551, 10.551 (COVID-19), and 10.561

* See glossary at end of report for definition.

Federal Award Identification Number (FAIN) and Year	EBT - 2019	10/01/2018 - 09/30/2019
	EBT - 2020	10/01/2019 - 09/30/2020
	202MI100S2514	10/01/2019 - 09/30/2020
	202MI100S2519	10/01/2019 - 09/30/2020
	202MI100S2520	10/01/2019 - 09/30/2020
	202MI100S8026	10/01/2019 - 09/30/2020
	202MI100S8036	10/01/2019 - 09/30/2020
	202MI122Q7503	10/01/2019 - 09/30/2020
	202MI123Q3903	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$2,672,960,195	
Total COVID-19 Expenditures	\$309,898,969	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP System for SNAP	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-005	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2005MI5MAP	10/01/2019 - 09/30/2020
	2005MI5ADM	10/01/2019 - 09/30/2020
	2005MIINCT	10/01/2019 - 09/30/2020
	2005MIIMPL	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155	
Total COVID-19 Expenditures	\$661,558,125	
Compliance Requirement(s)	Special Tests and Provisions - ADP Risk Analysis and System Security Review	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-005	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Child Support Enforcement: CFDA 93.563	
Federal Award Identification Number (FAIN) and Year	1901MICSES	10/01/2018 - 09/30/2019
	1901MICEST	10/01/2018 - 09/30/2019
	2001MICSES	10/01/2019 - 09/30/2020
	2001MICEST	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$133,182,239	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-005	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI FOST 10/01/2018 - 09/30/2019 20 01 MI FOST 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$134,712,248
Total COVID-19 Expenditures	\$3,395,195
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions – Payment Rate Setting and Application
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-005
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB did not ensure that a comprehensive ADP security program was established for information systems used to administer their federal programs. We reviewed 7 significant systems and noted:

- a. MDHHS did not have a business continuity plan (BCP) for 3 systems. For 2 systems that had a BCP, the plans were missing critical elements, such as annual review and testing of the plan.
- b. MDHHS and DTMB did not update the disaster recovery plan (DRP) for 1 system during fiscal year 2020, and the DRP was missing critical elements, such as annual testing.

Criteria

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

Cause

MDHHS and DTMB indicated that they have focused resources on meeting federal and State mandates while also maintaining operational needs and addressing IT security risks highlighted in prior audits. MDHHS and DTMB also indicated that limited resources have caused delays in the completion of a comprehensive ADP security program.

Effect

MDHHS cannot demonstrate that it has implemented effective controls to ensure the confidentiality, integrity, and availability of its information systems and cannot ensure that it complies with applicable direct and material federal compliance requirements, such as the Medicaid Cluster special tests and provisions - ADP risk analysis and system security review requirement. Nonexistent or incomplete BCPs and DRPs could result in delays in restoring critical systems and business processes. The federal grantor agency could issue sanctions and/or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-008**MiSACWIS Security Management and Access Controls**

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI FOST 10/01/2018 - 09/30/2019 20 01 MI FOST 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$134,712,248
Total COVID-19 Expenditures	\$3,395,195
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Adoption Assistance: CFDA 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI ADPT 10/01/2018 - 09/30/2019 20 01 MI ADPT 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,921,669
Total COVID-19 Expenditures	\$6,561,141

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	20 01 MISOSR 10/01/2019 - 09/30/2021 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$123,505,800
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB had not established effective security management and access controls over the Michigan Statewide Automated Child Welfare Information System (MiSACWIS). We noted:

- a. MDHHS did not ensure that all required individuals signed the security agreements before access was granted for 2 (5%) of 40 sampled MiSACWIS user security agreements.
- b. MDHHS did not maintain documentation for 32 (80%) of 40 sampled MiSACWIS incompatible role exception requests. Of the 8 forms that were received, we noted that MDHHS did not properly approve 4 (50%) forms prior to granting the exception requests.
- c. DTMB did not fully establish and implement effective security configurations for the MiSACWIS database. The MiSACWIS database management system contained potentially vulnerable database configurations.
- d. MDHHS did not have a process to identify and monitor high-risk transactions.
- e. MDHHS did not review user access semiannually for privileged accounts or annually for all other accounts.

Criteria

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

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges to authorized personnel. The policy also states that security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires that separation of duties must be implemented through assigned information system access authorizations and that privileged accounts and all other accounts should be reviewed for compliance with account settings and access permissions semiannually and annually, respectively. In addition, GAO's FISCAM recommends that compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties' conflicts exist.

Cause

For parts a. and b., MDHHS informed us that local office security coordinators and security administrators did not follow established policies and procedures regarding granting of MiSACWIS access.

For part c., DTMB informed us that it had not fully implemented all database specific configuration standards at the time of our review because DTMB is developing an organization-wide security framework for database security configuration management.

For part d., MDHHS informed us that it was establishing a process to identify and monitor high-risk transactions; however, this process was not fully in place during fiscal year 2020.

For part e., MDHHS informed us that it has established a process to monitor user accounts; however, this process was not fully in place during fiscal year 2020.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-009**CHAMPS Security Management and Access Controls**

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - ADP Risk Analysis and System Security Review
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-007
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-007
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

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

- a. DTMB did not fully establish and implement effective security configurations for the CHAMPS database. The CHAMPS database management systems contained potentially vulnerable database configurations.
- b. MDHHS did not ensure that 2 (40%) of 5 privileged users' application security agreements were properly approved or maintained.
- c. MDHHS did not review CHAMPS privileged user accounts for compliance with account management requirements semiannually.

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer HHS federal programs. Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel. The policy also states that security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions.

The Standard also requires agencies to review accounts to verify that they are still required and compliant with the account settings and access permissions identified in the Standard through semiannual certification of privileged accounts and annual certification of all other accounts.

Cause

For part a., DTMB informed us that it had not fully implemented all database specific configuration standards at the time of our review because DTMB is developing an organization-wide security framework for database security configuration management.

For part b., MDHHS informed us that because of a system error, both users were granted access that had been previously revoked.

For part c., MDHHS informed us that the system used for periodically reviewing user access was designed for reviewing user access annually. Also, MDHHS informed us that the semiannual user reviews were in development in September 2020 and were not fully implemented until fiscal year 2021.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-010**EGrAMS Security Management and Access Controls**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	202MI003W1003 10/1/2019 - 09/30/2020 202MI003W1006 10/1/2019 - 09/30/2020 202MI013W5003 10/1/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$148,777,313
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-008
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Coronavirus Relief Fund: CFDA 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 - 12/31/2021 SLT0247 03/01/2020 - 12/31/2021
Total Expenditures of Federal Awards	\$1,873,775,190
Total COVID-19 Expenditures	\$1,873,775,190
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): CFDA 93.323 and 93.323 (COVID-19)
Federal Award Identification Number (FAIN) and Year	NU50CK000510 08/01/2019 - 07/31/2020 NU50CK000510 08/01/2020 - 07/31/2021
Total Expenditures of Federal Awards	\$66,707,778
Total COVID-19 Expenditures	\$60,677,494
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Opioid STR: CFDA 93.788

Federal Award Identification Number (FAIN) and Year	H79TI080228 H79TI081712	05/01/2017 - 04/30/2020 09/30/2018 - 09/29/2020
Total Expenditures of Federal Awards	\$39,184,543	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Performance, and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

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

- a. MDHHS did not document its annual recertification of all 5 sampled non-privileged users to ensure that the users' access to 2020 grants and projects was assigned in accordance with their job responsibilities.
- b. MDHHS did not ensure that security access forms were properly approved prior to granting access for 1 (8%) of 12 EGRAMS users.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires that all user accounts should be reviewed for compliance with account management requirements annually.

Cause

For part a., MDHHS informed us that because of the nature of grant agreements, user access is recertified and rolled forward each year based on the original approved and signed access form. MDHHS also noted that the checklist used for the annual recertification is a job aid that is discarded after the reviewer completes the recertification.

For part b., MDHHS informed us that the form identified was not properly approved due to staff oversight.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-011

MDE, Security Management and Access Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Child Nutrition Cluster: CFDA 10.553, 10.555, 10.555 (COVID-19), 10.556, and 10.559
Federal Award Identification Number (FAIN) and Year	172MI060N1099 10/01/2016 - 09/30/2017 182MI060N1099 10/01/2017 - 09/30/2018 192MI060N1099 10/01/2018 - 09/30/2019 202MI060N1099 10/01/2019 - 09/30/2020 202MI060N8503 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$617,255,613
Total COVID-19 Expenditures	\$214,022,575
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Reporting, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19)
Federal Award Identification Number (FAIN) and Year	202MI053Y8732 10/01/2019 - 09/30/2020 202MI053Y8005 10/01/2019 - 09/30/2020 202MI053Y8105 10/01/2019 - 09/30/2020 202MI124Q2204 10/01/2019 - 09/30/2020 202MI054Y8703 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,076,121
Total COVID-19 Expenditures	\$12,936,015
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring
Type of Finding	Significant Deficiency

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

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173
Federal Award Identification Number (FAIN) and Year	H027A170110 07/01/2017 - 09/30/2018 H027A170110-17A 07/01/2017 - 09/30/2018 H027A170110-17B 07/01/2017 - 09/30/2018 H173A170117 07/01/2017 - 09/30/2018 H027A180110 07/01/2018 - 09/30/2019 H027A180110-18A 07/01/2018 - 09/30/2019 H173A180117 07/01/2018 - 09/30/2021 H027A190110 07/01/2019 - 09/30/2020 H027A190110-19A 07/01/2019 - 09/30/2020 H173A190117 07/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$434,096,048
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-010
State Agency	Michigan Department of Education

Condition

MDE did not fully establish effective security management and access controls over the Michigan Electronic Grants System Plus (MEGS+), Cash Management System (CMS), Grant

Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS), and Michigan Nutrition Data (MiND). We noted:

- a. MDE did not consistently follow its established policies and procedures over the granting of access to MEGS+, CMS, and GEMS/MARS. Our review disclosed:
 - (1) MDE did not maintain the security access form for 1 (3%) of 37 sampled MEGS+ users. Of the 36 forms received, MDE did not properly approve 2 (6%) forms prior to granting access to MEGS+.
 - (2) MDE did not deactivate a user's account for 1 (8%) of 13 sampled CMS users.
 - (3) MDE did not grant access that was consistent with the approved security access form for 1 (4%) of 25 sampled GEMS/MARS new users.
- b. MDE did not review all privileged accounts on a semiannual basis for MEGS+ and MiND.
- c. MDE did not review all non-privileged accounts on an annual basis for MEGS+, CMS, GEMS/MARS, and MiND.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires that separation of duties must be implemented through assigned information system access authorizations and that accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts.

MDE is responsible for granting access to certain user roles within each system. MDE's process required a security access form to be completed and signed by an authorized official prior to access being granted.

Cause

For part a., MDE informed us that security administrators did not always follow established processes for granting and approving access.

For part b., MDE informed us that it inadvertently excluded accounts from its semiannual reviews of privileged users.

For part c., MDE informed us that it performs annual reviews on a sample basis for non-privileged accounts because of the volume of accounts.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE agrees with the finding.

FINDING 2020-012**Treasury, Cash Management Improvement Act - Recertification of Clearance Patterns**

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Child Nutrition Cluster: CFDA 10.553, 10.555, 10.555 (COVID-19), 10.556, and 10.559
Federal Award Identification Number (FAIN) and Year	172MI060N1099 10/01/2016 - 09/30/2017 182MI060N1099 10/01/2017 - 09/30/2018 192MI060N1099 10/01/2018 - 09/30/2019 202MI060N1099 10/01/2019 - 09/30/2020 202020N850342 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$617,255,613
Total COVID-19 Expenditures	\$214,022,575
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Michigan Department of Treasury

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	202MI003W1003 10/01/2019 - 09/30/2020 202MI003W1006 10/01/2019 - 09/30/2020 202MI013W5003 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$148,777,313
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A190099 08/11/2019 - 09/30/2019 H126A190100 08/11/2019 - 09/30/2019 H126A200099 10/01/2019 - 09/30/2020 H126A200100 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$98,852,439
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Department of Labor and Economic Opportunity and Michigan Department of Treasury

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Child Support Enforcement: CFDA 93.563
Federal Award Identification Number (FAIN) and Year	1901MICEST 10/01/2018 - 09/30/2019 1901MICES 10/01/2018 - 09/30/2019 2001MICEST 10/01/2019 - 09/30/2020 2001MICES 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$133,182,239
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568 and 93.568 (COVID-19)

Federal Award Identification Number (FAIN) and Year	19 01 MI LIEA 20 01 MI E5C3 20 01 MI LIEA 20 01 MI LIE4	10/01/2018 - 09/30/2020 03/27/2020 - 09/30/2021 10/01/2019 - 09/30/2021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$192,097,267	
Total COVID-19 Expenditures	\$30,850,756	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	19 01 MI FOST 20 01 MI FOST	10/01/2018 - 09/30/2019 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$134,712,248	
Total COVID-19 Expenditures	\$3,395,195	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Adoption Assistance: CFDA 93.659 and 93.659 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	19 01 MI ADPT 20 01 MI ADPT	10/01/2018 - 09/30/2019 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,921,669	
Total COVID-19 Expenditures	\$6,561,141	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Social Services Block Grant: CFDA 93.667	
Federal Award Identification Number (FAIN) and Year	20 01 MISOSR 20 01 MI TANF	10/01/2019 - 09/30/2021 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$123,505,800	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	

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

Condition

The Michigan Department of Treasury (Treasury) did not review and recertify the accuracy of the clearance patterns specified in its fiscal year 2020 agreement with the U.S. Department of the Treasury, referred to as the Treasury State Agreement (TSA). Our review disclosed that Treasury last reviewed and updated the clearance patterns in its fiscal year 2015 TSA. Treasury performed a review of some clearance patterns in February 2016; however, it did not use the results to update the clearance patterns for the fiscal year 2017 TSA. Therefore, Treasury should have recertified the accuracy of its clearance patterns prior to the December 2019 submission of the fiscal year 2020 TSA.

Criteria

Federal regulation 31 *CFR* 205.20 requires the clearance pattern to be based on at least three consecutive months of disbursement data to accurately represent the flow of federal funds and reflect seasonal or other periodic variations in clearance activity of the program to which it is applied. Also, federal regulation 31 *CFR* 205.22(b) states that the State must recertify the accuracy of a clearance pattern every five years.

Cause

Treasury informed us that it did not review and recertify the fiscal year 2020 TSA clearance patterns because it believed that it reviewed and updated the clearance patterns for the fiscal year 2017 TSA.

Effect

Failure to ensure the accuracy of clearance patterns could cause the State to inappropriately calculate the date it should request reimbursement from the U.S. Department of the Treasury for federal assistance programs, ultimately resulting in inaccurate calculation of interest obligations to the U.S. Department of the Treasury. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that Treasury review and recertify the accuracy of the clearance patterns specified in the TSA.

Management Views

Treasury agrees with the finding.

FINDING 2020-013

MDHHS, Cash Management - Cash Management Process

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and <i>CFDA</i> Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA</i> 10.557

Federal Award Identification Number (FAIN) and Year	202MI003W1003 202MI003W1006 202MI013W5003	10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$148,777,313	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558	
Federal Award Identification Number (FAIN) and Year	1901 MITANF 2001 MITANF	10/01/2018 - Until Expended 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-013	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Child Support Enforcement: CFDA 93.563	
Federal Award Identification Number (FAIN) and Year	1901MICES 1901MICEST 2001MICES 2001MICEST	10/01/2018 - 09/30/2019 10/01/2018 - 09/30/2019 10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$133,182,239	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-013	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568 and 93.568 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	19 01 MI LIEA 20 01 MI LIEA 20 01 MI LIE4 20 01 MI E5C3	10/01/2018 - 09/30/2020 10/01/2019 - 09/30/2021 10/01/2019 - 09/30/2021 03/27/2020 - 09/30/2021
Total Expenditures of Federal Awards	\$192,097,267	
Total COVID-19 Expenditures	\$30,850,756	
Compliance Requirement(s)	Cash Management	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	

Repeat Finding	2019-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI FOST 10/01/2018 - 09/30/2019 20 01 MI FOST 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$134,712,248
Total COVID-19 Expenditures	\$3,395,195
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Adoption Assistance: CFDA 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI ADPT 10/01/2018 - 09/30/2019 20 01 MI ADPT 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,921,669
Total COVID-19 Expenditures	\$6,561,141
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-013
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Social Services Block Grant: CFDA 93.667
Federal Award Identification Number (FAIN) and Year	20 01 MISOSR 10/01/2019 - 09/30/2021 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$123,505,800
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Cash Management
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-013
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not follow its established cash draw process to prepare reimbursement requests in accordance with the Cash Management Improvement Act (CMIA). In addition, MDHHS did not report complete and accurate information to Treasury for noncompliant cash draws.

Our results for programs with noncompliant cash draws are summarized in the following table:

CFDA Number(s)	Number (and Percentages) of		Treasury's Noncompliant Cash Draw Report	
	Cash Draws Reviewed	Noncompliant Cash Draws	Noncompliant Cash Draws Not Reported	Inaccurate Noncompliant Cash Draw Information Reported
10.557	22	2 (9%)	2	0
93.558	7	1 (14%)	0	0
93.563	9	1 (11%)	0	0
93.568	9	4 (44%)	1	0
93.658	7	2 (29%)	0	2
93.659	9	2 (22%)	0	1
93.667	6	1 (17%)	0	0
Total	69	13 (19%)	3	3

We noted:

- MDHHS did not prepare reimbursement requests in accordance with CMIA Subpart A for 13 (19%) of 69 cash draws reviewed.
- MDHHS did not accurately report the date funds were disbursed for 6 (46%) of 13 noncompliant Subpart A cash draws to Treasury for inclusion in the State's calculation of interest.

Criteria

Subpart A of federal regulation 31 *CFR* 205 requires state recipients to enter into agreements with the U.S. Department of the Treasury that prescribe specific methods of drawing down federal funds for selected large programs. The agreement requires that the state be liable for interest on federal funds from the date that federal funds are credited to a state account until the date those funds are paid out for program purposes. In addition, if the state adheres to the TSA, a federal liability may accrue from the day the state pays out its own funds for program purposes to the day federal funds are credited to the state's account.

Treasury issues an annual memorandum and a CMIA interest calculation template to State agencies requesting the agencies to complete the template to report any noncompliant draws.

Cause

For part a., MDHHS informed us that staffing limitations, competing priorities, and reduced working days due to the public health emergency contributed to the delay in the draws.

For part b., MDHHS informed us that its internal control and monitoring activities were not sufficient to ensure that MDHHS reported complete and accurate information to Treasury. In addition, staffing limitations, as well as competing priorities, contributed to the incomplete and inaccurate information reported to Treasury.

Effect

MDHHS limited its assurance that it complied with the agreed-upon funding techniques included in the CMIA agreement. Also, an increased risk exists that Treasury's calculation of the amount of interest owed to or due from the federal government is not accurate. For the programs with a

material weakness and material noncompliance, this determination was due to the high error rate of noncompliant cash draws and because these draws represented a significant amount of the total reimbursements for the program. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

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

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-014

MDHHS, Subrecipient Monitoring - Subaward Information

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: CFDA 10.557
Federal Award Identification Number (FAIN) and Year	202MI003W1003 10/01/2019 - 09/30/2020 202MI003W1006 10/01/2019 - 09/30/2020 202MI013W5003 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$148,777,313
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-014
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): CFDA 93.323 and 93.323 (COVID-19)
Federal Award Identification Number (FAIN) and Year	NU50CK000510 08/01/2019 - 07/31/2024 NU50CK000510 08/01/2019 - 07/31/2021
Total Expenditures of Federal Awards	\$66,707,778
Total COVID-19 Expenditures	\$60,677,494
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not report to its subrecipients all subaward information as required by the Uniform Guidance.

We noted for the fiscal year 2020 grants:

- a. MDHHS did not report the FAIN or federal award date to 2 (33%) of 6 WIC subrecipients reviewed.
- b. MDHHS provided an incorrect federal award date to 4 (67%) of 6 WIC subrecipients reviewed.
- c. MDHHS provided an incorrect federal award date for 6 (67%) of 9 ELC subrecipients reviewed.

Criteria

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

Cause

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

For parts b. and c., MDHHS informed us that human error led to providing its subrecipients with incorrect information.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-015

MDHHS, Subrecipient Monitoring - Risk Assessments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and <i>CFDA</i> Number	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): <i>CFDA</i> 93.323 and 93.323 (COVID-19)

Federal Award Identification Number (FAIN) and Year	NU50CK000510 NU50CK000510	08/01/2019 - 7/31/2024 08/01/2019 - 7/31/2021
Total Expenditures of Federal Awards	\$66,707,778	
Total COVID-19 Expenditures	\$60,677,494	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Opioid STR: CFDA 93.788	
Federal Award Identification Number (FAIN) and Year	H79TI080228 H79TI081712	05/01/2017 - 04/30/2020 09/30/2018 - 09/29/2021
Total Expenditures of Federal Awards	\$39,184,543	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not evaluate the subrecipients' risk of noncompliance with program requirements to determine the type of monitoring appropriate for:

- a. 9 (100%) of 9 ELC program subrecipients reviewed.
- b. 22 (52%) of 42 Opioid STR program subrecipients reviewed.

Criteria

Federal regulation 2 *CFR* 200.331(b) requires MDHHS to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

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

Cause

MDHHS informed us that internal control was not sufficient to ensure that risk assessments were completed for all program subrecipients.

Effect

Insufficient evaluation of subrecipients could increase subrecipients' and MDHHS's noncompliance with federal statutes, regulations, or the terms and conditions of federal awards. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS evaluate each subrecipient's risk of noncompliance with program requirements to determine the type of monitoring appropriate for each subrecipient.

Management Views

MDHHS agrees with the finding.

FINDING 2020-016

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Beneficiary Eligibility

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$6,714
Repeat Finding	2019-015
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$2,166 1905MI5021 - \$1,476 2005MI5021 - \$690
Repeat Finding	2019-015
State Agency	Michigan Department of Health and Human Services

Background

In 2014, federal regulations changed the methodology for determining eligibility for certain Medicaid Cluster and CHIP beneficiaries to a methodology using federal income tax data known as modified adjusted gross income (MAGI). Federal regulation 26 CFR 301.6103(a) prohibits an auditor from using federal income tax data unless in connection with an audit of the state agency responsible for the administration of the state tax law. For 2014 through 2018, auditors

were not expected to review MAGI eligibility determinations. Beginning in 2019, the U.S. Office of Management and Budget *Compliance Supplement* was revised requiring auditors to review MAGI eligibility determinations for both the Medicaid Cluster and CHIP programs.

We sampled 60 beneficiaries for each program and summarized the results of our eligibility review in the following table:

Medicaid and CHIP Eligibility Review

	Medicaid	CHIP
Total beneficiaries sampled	60	60
Number (and percent) of MAGI beneficiaries unable to test	12 (20.0%)	14 (23.3%)
Total likely number of MAGI beneficiaries unable to test	661,134	68,611
Total likely payments associated with above beneficiaries	\$1,964,648,867	\$74,057,496
Total beneficiaries reviewed	48	46
Number (and percent) of ineligible beneficiaries	6 (12.5%)	19 (41.3%)
Number (and percent) of undeterminable beneficiaries due to missing documentation	6 (12.5%)	2 (4.3%)
Number (and percent) of untimely eligibility determinations	1 (2.1%)	0 (0.0%)

For an estimated 661,134 Medicaid and 68,611 CHIP beneficiaries, we were unable to determine if MDHHS complied with federal laws and regulations related to MAGI-based eligibility because federal regulations prohibited our use of federal income tax data and the beneficiaries' case record did not contain other available income information. Other income information is not required to be included in the case record when a determination of eligibility is based on MAGI. However, if such information was available, we reviewed this information for eligibility purposes to accurately report the sample items that could not be tested.

The results of the testing for the remaining 48 Medicaid and 46 CHIP beneficiaries that we were able to review are summarized in the finding below.

Condition

MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for Medicaid services for 13 (27.1%) of 48 Medicaid and 21 (45.7%) of 46 CHIP cases. Our review disclosed:

- a. MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 6 (12.5%) of 48 Medicaid and 19 (41.3%) of 46 CHIP cases reviewed.
- b. MDHHS did not maintain case file documentation to support beneficiary eligibility for 6 (12.5%) of 48 Medicaid and 2 (4.3%) of 46 CHIP cases reviewed.
- c. MDHHS did not determine eligibility within the required time frame for 1 (2.1%) of 48 Medicaid cases reviewed.

Criteria

Federal regulations 42 *CFR* 435.1002(b) and 42 *CFR* 457.622(d) indicate that federal funding is available only for services provided to eligible beneficiaries. Federal regulations 42 *CFR* 435.914 and 42 *CFR* 457.965 require that case record documentation be maintained to support the eligibility decision. Federal regulations 42 *CFR* 435.10, 42 *CFR* 457.50, and 42 *CFR* 457.70 require MDHHS to specify in its State Plan the groups to whom Medicaid and CHIP are provided and the conditions of eligibility for individuals in those groups.

Cause

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

For parts b. and c., MDHHS indicated that internal control was not always sufficient to ensure document retention and timely determinations.

Effect

MDHHS cannot demonstrate compliance with established eligibility policies and procedures and, therefore, MDHHS cannot ensure that payments were made on behalf of eligible individuals. We consider this to be a material weakness and material noncompliance because MDHHS may have made payments on behalf of ineligible beneficiaries and because of the 27.1% Medicaid and 45.7% CHIP error rates. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$6,714 - Medicaid Cluster federal share.
- \$2,166 - CHIP federal share.
- \$2,841 - State share of costs that MDHHS inappropriately used as matching.

Recommendations

We recommend that MDHHS properly consider Medicaid and CHIP 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 eligibility determinations are made timely.

Management Views

MDHHS agrees with the finding.

FINDING 2020-017

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Expenditure Processing for Medical Payments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-016
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness for compliance requirements noted above and Material Noncompliance for Cash Management and Eligibility
Known Questioned Costs by FAIN	1905MI5021 - \$0 (unduplicated amount - \$850 included in Finding 2020-016) 2005MI5021 - \$0 (unduplicated amount - \$458 included in Finding 2020-016)
Repeat Finding	2019-016
State Agency	Michigan Department of Health and Human Services

Condition

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

On a quarterly basis, MDHHS transferred expenditure amounts from the Medicaid Cluster to CHIP by completing a summary-level adjustment determined by analyzing CHAMPS payment data and Bridges eligibility data. As a result, MDHHS identified that it incorrectly recorded \$124.6 million of CHIP medical payments to the Medicaid Cluster throughout fiscal year 2020.

However, we selected a sample of 37 beneficiaries that were transferred to CHIP and noted that 13 (35%) beneficiaries were not eligible for CHIP, but were in fact Medicaid eligible and therefore, should not have been transferred.

Criteria

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

Federal regulation 31 *CFR* 205 requires state recipients to enter into agreements with the U.S. Department of the Treasury that prescribe specific methods of drawing down federal funds for selected large programs.

Cause

MDHHS stated that the Bridges enhancement to correct eligibility classifications was delayed because of funding limitations and competing IT priorities. Also, MDHHS has not reevaluated its query language, or the results, since its initial creation in 2015.

Effect

MDHHS inappropriately transferred \$1,458 Medicaid Cluster expenditures to CHIP. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Also, of the \$124.6 million in quarterly transfers, MDHHS may have improperly received either federal Medicaid Cluster funds or federal CHIP funds depending on the accuracy of the transferred amount. After MDHHS recorded the quarterly summary-level adjustments in the accounting system, it returned the Medicaid Cluster funds to the federal government and appropriately received reimbursement from CHIP. The quarterly CHIP draws were not compliant with the State's CMIA agreement, which required weekly actual costs draws.

For the CHIP compliance requirements noted, we consider this to be a material weakness and material noncompliance because the \$124.6 million CHIP expenditures identified by MDHHS as inappropriately charged to and reimbursed by the Medicaid Cluster represented 45% of total CHIP expenditures and 35% of the sampled items were inappropriately transferred to CHIP.

Known Questioned Costs

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

- \$1,308 - federal share of CHIP payments made to providers for ineligible CHIP beneficiaries, of which \$1,308 is questioned in Finding 2020-016.
- \$150 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-018

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Transitional Medicaid and CHIP Eligibility

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778 and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2005MI5MAP	10/01/2019 - 09/30/2020
	2005MI5ADM	10/01/2019 - 09/30/2020
	2005MIINCT	10/01/2019 - 09/30/2020
	2005MIIMPL	10/01/2019 - 09/30/2020

Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$1,343,087
Repeat Finding	2019-017
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5021 10/01/2019 - 09/30/2021 1905MI5021 10/01/2018 - 09/30/2020
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$71,410 1905MI5021 - \$68,986 2005MI5021 - \$2,424
Repeat Finding	2019-017
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that renewals were processed on a timely basis for beneficiaries receiving transitional medical assistance.

Our query of 6,763 beneficiaries receiving transitional medical assistance for more than 12 months disclosed 6,408 Medicaid beneficiaries and 265 beneficiaries who were subsequently transferred to CHIP continued to receive benefit payments after the transitional eligibility period ended. Our review did not include beneficiaries who had accumulated more than 12 months of transitional medical assistance after March 31, 2020; because of the COVID-19 pandemic, MDHHS suspended most Medicaid Cluster and CHIP program closures through the end of fiscal year 2020.

Criteria

In accordance with federal regulation 42 *CFR* 435.10, MDHHS's Medicaid State Plan specifies that it provides extended medical coverage up to 12 months to families with dependent children terminated solely because of earnings, hours of employment, or loss of earned income disregards (although the provision expired in 1998, this is still permitted according to federal law 42 *USC* 1396r-6). Also, MDHHS's CHIP State Plan specifies that CHIP funds are used for providing expanded benefits under MDHHS's Medicaid State Plan. In addition, MDHHS developed policies and procedures related to the "transitional medical assistance" Medicaid coverage eligibility group that provides coverage for up to 12 months.

Cause

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

Effect

MDHHS paid Medicaid and CHIP providers \$1,414,497 during fiscal year 2020 on behalf of 6,408 Medicaid and 265 beneficiaries who were subsequently transferred to CHIP in the transitional eligibility groups for medical services provided after the allowed 12-month transitional period had expired. The 6,408 Medicaid and 265 CHIP beneficiaries received an average of 101 additional transitional Medicaid and CHIP coverage days, ranging from 29 to 1,157 days. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$1,343,087 - Medicaid Cluster federal share.
- \$71,410 - CHIP federal share.
- \$665,227 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that renewals are processed on a timely basis for beneficiaries receiving transitional medical assistance.

Management Views

MDHHS agrees with the finding.

FINDING 2020-019

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Eligibility Interface Errors

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-018
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021

Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-018
State Agency	Michigan Department of Health and Human Services

Background

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

Condition

MDHHS did not maintain documentation to support that eligibility records with identified errors and excluded from eligibility interface processing for 8 (53%) of 15 sampled daily interface runs were investigated, corrected, and resubmitted for processing as appropriate. Also, MDHHS did not investigate, correct, and resubmit for processing in a timely manner eligibility records with identified errors for 2 (13%) of 15 sampled daily interface runs.

Criteria

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

Cause

For 8 of the errors, MDHHS informed us that the errors were flagged as Bridges duplicate records. MDHHS stated that its central office does not document or conduct any further review on these errors to prevent duplication of effort and ensure maximum efficiency because Bridges duplicate records are included on a report for local offices to review. However, MDHHS could not provide documentation that the errors we noted were duplicate records and included in the Bridges report.

For 2 of the errors, MDHHS provided evidence that the errors were updated in CHAMPS; however, these records were updated after 30 days.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-020

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Medical Records

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$15
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	1905MI5021 - \$3,219
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS was unable to provide medical records to support 1 (17%) of 6 selected Medicaid fee-for-service claims and 1 (33%) of 3 selected CHIP fee-for-service claims.

Criteria

42 USC 1396a(a)(78) and 42 USC 1397gg(e)(1)(D) require providers to be enrolled with the State before providing medical assistance on a fee-for-service basis. When enrolling, providers

agree to keep any records necessary to disclose the extent of services the provider furnishes to beneficiaries. Also, State law requires licensed providers to keep and maintain medical records for a minimum of seven years.

Cause

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

Effect

Without medical records, MDHHS is unable to demonstrate that the services actually occurred or were medically necessary. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$15 - Medicaid Cluster federal share.
- \$3,219 - CHIP federal share.
- \$517 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-021

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Provider Eligibility

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

Repeat Finding	2019-019
State Agency	Michigan Department of Health and Human Services
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-019
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain all required disclosures or ensure that disclosures were timely updated and approved in CHAMPS for the Prepaid Inpatient Health Plan (PIHP) entities, MI Choice Waiver Program (MI Choice) entities, Medicaid Health Plan (MHP) entities, Dental Health Plan entities, or the Pharmacy Benefits Manager (PBM) during the audit period. In addition, MDHHS did not monitor its MI Choice entities' network of providers to ensure that the providers entered into provider agreements and made required disclosures.

Criteria

Federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106 and 42 *CFR* 457.935 require MDHHS to obtain certain identifying information from medical providers, including PIHP entities, MI Choice entities, MHP entities, Dental Health Plan entities, and its PBM. Disclosures are due when a fiscal agent or managed care entity submits a proposal, upon execution of a contract with the State, upon renewal or extension of the contract, or within 35 days after any change in ownership. These regulations also require MDHHS to obtain information such as identification information of the owners, agents, and managing employees and information on the ownership and control interest in the provider's subcontractors. In addition, these regulations state that federal assistance is not available to providers who fail to disclose the information. According to its Medicaid State Plan, MDHHS has established procedures for the disclosure of information by providers and fiscal agents as specified in federal regulations 42 *CFR* 455.104 through 42 *CFR* 455.106.

Cause

MDHHS stated that because of staff turnover and limited staff resources, it was unable to timely update and approve all required disclosures. In addition, limited staff resources resulted in the MI Choice entities' network of providers not being monitored for provider agreements and required disclosures.

Effect

MDHHS could potentially reimburse ineligible medical providers for medical services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDHHS obtain and timely update and approve CHAMPS for all required disclosures from PIHP entities, MI Choice entities, MHP entities, Dental Health Plan entities, and its PBM.

We also recommend that MDHHS monitor its MI Choice entities' network of providers to ensure that providers enter into provider agreements and make all required disclosures.

Management Views

MDHHS agrees with the finding.

FINDING 2020-022

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Provider Screening

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS had not fully established and implemented effective provider screening controls. In July 2020, MDHHS implemented a monthly process to document when providers were

screened in accordance with federal regulations. Our review of 55 sampled medical providers disclosed that 5 were missing one monthly screening between July and September 2020. In addition, MDHHS had not developed a process to identify interface failures that excluded providers from the required monthly screening process.

Criteria

Federal regulations 42 *CFR* 455.436 and 42 *CFR* 457.990 require MDHHS to screen certain provider information in federal databases at least monthly. Provider screenings, such as the List of Excluded Individuals/Entities and the Excluded Parties List System, are required to identify potentially ineligible medical providers.

Cause

MDHHS stated that because of limited staff resources, it was unable to ensure monthly screening occurred as required.

Effect

MDHHS could potentially reimburse ineligible medical providers for medical services. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDHHS fully establish and implement effective provider screening controls.

We also recommend that MDHHS develop a process to identify interface failures that excluded providers from the required monthly screening process.

Management Views

MDHHS agrees with the finding.

FINDING 2020-023

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Refunding of Federal Share of Overpayments

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2001MI5050	10/01/2019 - 09/30/2020
	2005MI5MAP	10/01/2019 - 09/30/2020
	2005MI5ADM	10/01/2019 - 09/30/2020
	2005MIINCT	10/01/2019 - 09/30/2020
	2005MIIMPL	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155	
Total COVID-19 Expenditures	\$661,558,125	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Refunding of Federal Share of Medicaid Overpayments to Providers	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	

Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Children's Health Insurance Program: CFDA 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	1905MI5021 10/01/2018 - 09/30/2020 2005MI5021 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$277,565,198
Total COVID-19 Expenditures	\$10,112,101
Compliance Requirement(s)	Allowable Costs/Cost Principles, Cash Management, and Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not accurately and timely report the federal share of fraud, waste, and abuse overpayments made to providers on the quarterly statement of expenditures report (CMS-64 report). We noted:

- a. MDHHS did not have adequate communication processes in place to ensure that receivables recorded in its Adult Services Authorized Payments (ASAP) system were accurately reflected on the reports that were used for preparation of the CMS-64 report, which resulted in inaccurately reporting \$42,473 and untimely reporting \$2.5 million of the federal share of overpayments.
- b. MDHHS did not have a process in place to identify overpayments that were returned late and to calculate the corresponding interest due to CMS as a result of late reporting.
- c. MDHHS did not have a process in place to ensure that receivables entered into CHAMPS as a result of an overpayment due to fraud, waste, and abuse were tracked separately, which resulted in recording overpayments on the incorrect CMS-64 line and returning the incorrect federal share.
- d. MDHHS did not report 8 (32%) of 25 sampled overpayments accurately or timely, such as incorrectly applying a federal medical assistance percentage rate, untimely reporting after the 1-year time reporting requirement lapsed, or untimely reporting collections received.

Criteria

Federal regulations 42 *CFR* 433.320 and 42 *CFR* 457.628 require MDHHS to refund the federal share of overpayments that are subject to recovery to CMS through a credit on its CMS-64 report. MDHHS must credit CMS with the federal share of overpayments subject to recovery on the earlier of the quarter in which the State recovers the overpayment from the provider or the quarter in which the 1-year period following discovery ends if no recovery is received. If the State does not refund the federal share of overpayments, the State will be liable for interest on the amount equal to the federal share of the non-recovered, non-refunded overpayment amount.

Cause

MDHHS stated that data entry error, staffing limitations, and a lack of sufficient communication within MDHHS regarding the necessary information to timely and accurately report overpayments on the CMS-64 report contributed to the inaccurate and untimely reporting. Also, MDHHS stated that overpayment receivables entered into CHAMPS were not properly reported because of the design of CHAMPS.

Effect

MDHHS did not ensure accurate and timely reporting in accordance with federal regulations for the federal share of fraud, waste, and abuse overpayments made to providers. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

We recommend that MDHHS accurately and timely report the federal share of fraud, waste, and abuse overpayments made to providers on the CMS-64 report.

Management Views

MDHHS agrees with the finding.

FINDING 2020-024

SNAP Cluster, CFDA 10.551 and 10.561, Special Tests and Provisions - System and Organization Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	SNAP Cluster: CFDA 10.551, 10.551 (COVID-19), and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2019 10/01/2018 - 09/30/2019 EBT - 2020 10/01/2019 - 09/30/2020 202MI100S2514 10/01/2019 - 09/30/2020 202MI100S2519 10/01/2019 - 09/30/2020 202MI100S2520 10/01/2019 - 09/30/2020 202MI100S8026 10/01/2019 - 09/30/2020 202MI100S8036 10/01/2019 - 09/30/2020 202MI122Q7503 10/01/2019 - 09/30/2020 202MI123Q3903 10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$2,672,960,195
Total COVID-19 Expenditures	\$309,898,969
Compliance Requirement(s)	Special Tests and Provisions - EBT Card Security
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-020
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS could improve its monitoring of the operating effectiveness of general controls, such as security, for the subservice organizations that provide various services to the State's electronic benefits transfer (EBT) service provider. We noted:

- a. MDHHS did not obtain a System and Organization Controls* (SOC) report of the subservice organizations that provide information system services, such as physical access and security, environmental security, and selected change management and logical security, to the State's EBT service provider and the subservice organization responsible for the security over the EBT card production, inventory, and issuance.
- b. MDHHS did not sufficiently review and evaluate the SOC report for the State's EBT service provider. For example, MDHHS's review did not include the auditor's opinion, scope of the SOC report, relevance of subservice organizations, or complementary user entity control considerations.

Criteria

Federal regulation 7 *CFR* 274.1(i)(1) requires the states to establish procedures to monitor SNAP benefit issuers to ensure their operations comply with SNAP requirements, including the identification and correction of deficiencies and to report any violations to the federal government. Also, federal regulation 7 *CFR* 274.1(i)(2) requires the states to obtain a SOC report by an independent auditor of the state EBT service provider regarding the issuance, redemption, and settlement of benefits under SNAP. The SOC report must follow EBT guidance as indicated in various federal regulations and Appendix VIII of the U.S. Office of Management and Budget (OMB) *Compliance Supplement* to the extent the guidelines relate to SNAP benefits.

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

The State of Michigan Financial Management Guide (FMG) (Part VII, Chapter 1, Section 1000) prescribes guidelines for departments to assess and manage risks associated with third-party relationships. Departments need to understand and/or evaluate risks and the controls each service organization designs, implements, and operates for the assigned operational process and how the service organization's internal control system impacts the department's internal control system. Also, the FMG provides required SOC report review procedures, including the use of the SOC Report Review Template to evaluate and review the auditor's opinion, management's assertion of the control environment, use of subservice providers, and complementary user entity controls.

Cause

For part a., MDHHS informed us that due to competing priorities, it was not able to fully research and evaluate the significance of services provided by the subcontractor's subservice providers.

For part b., MDHHS informed us that its internal control was not sufficient to ensure that all components of the SOC report review were documented.

* See glossary at end of report for definition.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-025

Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569, Special Tests and Provisions - Accountability for USDA Foods

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Food Distribution Cluster: CFDA 10.565, 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19)
Federal Award Identification Number (FAIN) and Year	202MI053Y8732 10/01/2019 - 09/30/2020 202MI053Y8005 10/01/2019 - 09/30/2020 202MI053Y8105 10/01/2019 - 09/30/2020 202MI124Q2204 10/01/2019 - 09/30/2020 202MI054Y8703 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,076,121
Total COVID-19 Expenditures	\$12,936,015
Compliance Requirement(s)	Special Tests and Provisions - Accountability for USDA Foods
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Condition

MDE did not perform adequate oversight to ensure eligible recipient agencies (ERAs) submitted the required information to accurately document the Emergency Food Assistance Program (TEFAP) (Food Commodities), CFDA 10.569 donated food shipments. We selected 3 of 29 ERAs and 2 TEFAP food receipt and distribution reports for each ERA. Our review disclosed MDE did not document its testing procedures or work performed when completing reconciliations of the 6 TEFAP reports during fiscal year 2020.

Criteria

Federal regulation 7 CFR 250.11(b) requires ERAs to provide notification of the receipt of donated food shipments to the federal Food and Nutrition Services (FNS), through electronic means, and must maintain an electronic record of receipt of all donated food shipments.

MDE requires ERAs to submit quarterly or monthly food receipt and distribution reports for reconciliation of donated food shipments to FNS Web-based supply chain management reports.

Cause

Although MDE completed this review for Commodity Supplemental Food Program, *CFDA* 10.565, it informed us that it had not established a sampling methodology and testing procedures related to the reconciliation of TEFAP food receipt and distribution reports.

Effect

Failure to comply with recordkeeping requirements may result in the loss or misuse of donated foods. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend that MDE perform adequate oversight to ensure that ERAs submit the required information to accurately document TEFAP donated food shipments.

We also recommend that MDE document its testing procedures and work performed when completing reconciliations of the TEFAP food receipt and distribution reports.

Management Views

MDE agrees with the finding.

FINDING 2020-026

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

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing and <i>CFDA</i> Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA</i> 10.557	
Federal Award Identification Number (FAIN) and Year	202MI003W1003	10/01/2019 - 09/30/2020
	202MI003W1006	10/01/2019 - 09/30/2020
	202MI013W5003	10/01/2019 - 09/30/2021
Total Expenditures of Federal Awards	\$148,777,313	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-021	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Condition

MDHHS and DTMB did not fully establish and implement effective security management and access controls for the Michigan Women, Infants, and Children Information System (MI-WIC) database. The MI-WIC database management systems contained potentially vulnerable database configurations.

Criteria

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

According to the GAO's FISCAM, access to the database should be controlled and monitored because direct access to it could allow an individual to bypass application controls* or gain unauthorized access to the operating system*. Also, according to FISCAM, entities should control access to audit logs.

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel. The policy also states that security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

Cause

DTMB informed us that it had not fully implemented all database specific configuration standards at the time of our review because DTMB is developing an organization-wide security framework for database security configuration management.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB fully establish and implement effective security management and access controls for the MI-WIC database.

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-027

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

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing and <i>CFDA</i> Number	WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>CFDA</i> 10.557	
Federal Award Identification Number (FAIN) and Year	202MI003W1003	10/01/2019 - 09/30/2020
	202MI003W1006	10/01/2019 - 09/30/2020
	202MI013W5003	10/01/2019 - 09/30/2021

* See glossary at end of report for definition.

Total Expenditures of Federal Awards	\$148,777,313
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-022
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not fully establish effective access controls over MI-WIC users. We noted:

- a. MDHHS did not ensure that it maintained documentation of the approval of non-local roles for 2 (8%) of 25 sampled users' application security agreements.
- b. MDHHS did not review privileged MI-WIC user accounts for compliance with account management requirements semiannually.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions. The Standard also requires agencies to review privileged user accounts for compliance with account management requirements semiannually.

Cause

For part a., MDHHS informed us that it did not have sufficient controls in place to maintain documentation.

For part b., MDHHS informed us that the semiannual user reviews were in development in September 2020 and were not fully implemented until fiscal year 2021.

Effect

Without effective access controls, individuals may obtain unauthorized or inappropriate access to MI-WIC. As a result, an increased risk exists that MDHHS cannot ensure the security of the MI-WIC application and data used to issue MI-WIC benefits.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS establish effective access controls over MI-WIC users.

Management Views

MDHHS agrees with the finding.

FINDING 2020-028

Section 8 Project-Based Cluster, CFDA 14.182 and 14.856, Special Tests and Provisions - Vacant Units - Quality Control Reviews

Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Section 8 Project-Based Cluster: CFDA 14.182 and 14.856
Federal Award Identification Number (FAIN) and Year	Not Applicable
Total Expenditures of Federal Awards	\$379,686,656
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Vacant Units
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

The Michigan State Housing Development Authority (MSHDA) did not ensure that it completed quality control reviews for 3 (12%) of 25 sampled vendor-approved special claim payments.

Criteria

Federal regulations 24 *CFR* 880.611(c) and 24 *CFR* 880.608(f) require the property owner to reduce claims for assistance on vacant units except for instances in which special claims* are allowed, such as for vacancy losses*, unpaid rent, and tenant damages on eligible units. The U.S. Department of Housing and Urban Development's (HUD's) Annual Contributions Contract* with MSHDA requires MSHDA to verify and authorize payments only on valid Section 8 special claims. MSHDA's contract with the vendor requires that the vendor process claims, approve where appropriate, and complete special claims for regular vacancy, unpaid rent, and tenant damages.

MSHDA's quality control process is to monthly sample and review special claim payments processed by the vendor, which includes matching the data from the back-up documentation to the submitted forms. As necessary, MSHDA notifies the vendor of claims that require correction.

Cause

MSHDA stated that because of time constraints and competing priorities, it did not complete all of these reviews.

Effect

MSHDA limited its assurance that the payments to properties for special claims complied with federal regulations. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

* See glossary at end of report for definition.

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA complete quality control reviews for vendor-approved special claim payments.

Management Views

MSHDA agrees with the finding.

FINDING 2020-029

Coronavirus Relief Fund, CFDA 21.019, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Inappropriate Payroll Expenditures

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Coronavirus Relief Fund: CFDA 21.019 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLT0040 03/01/2020 - 12/31/2021 SLT0247 03/01/2020 - 12/31/2021
Total Expenditures of Federal Awards	\$1,873,775,190
Total COVID-19 Expenditures	\$1,873,775,190
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	SLT0247 - \$843,790
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Corrections and Michigan Department of State Police

Condition

MDOC and Michigan Department of State Police (MSP) inappropriately used the Coronavirus Relief Fund (CRF) for unallowable payroll expenditures, totaling \$843,790. We noted:

- a. \$512,053 for MDOC payroll expenditures related to retirement and payroll taxes, which were incurred prior to March 1, 2020. During its fiscal year-end closing procedures, MDOC inappropriately allocated the expenditures to CRF.
- b. \$180,932 for MDOC payroll expenditures related to back pay, longevity payments, lump sum payments, and deferred wage payments, which were not incurred because of the COVID-19 public health emergency or were incurred prior to March 1, 2020.
- c. \$150,805 for MSP payroll expenditures related to deferred wage payments, which we determined to be unallowable because these lump sum payments to the employees' 401(k) plans, upon departure, were for services performed prior to fiscal year 2020.

Criteria

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

Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), Section 5001(d), requires CRF funds be used to cover only those costs which are necessary expenditures incurred due to the COVID-19 public health emergency; were not accounted for in the State's most recently approved budget as of March 27, 2020; and were incurred during the period which began March 1, 2020 and ends December 31, 2021.

U.S. Department of the Treasury's CRF Guidance for State, Territorial, Local and Tribal Governments, effective June 30, 2020 and updated September 2, 2020, indicates that in all cases for a cost to be considered incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time. Also, in all cases it must be necessary that performance or delivery of goods and services take place during the covered period. In addition, CRF Guidance provided examples of unallowable expenditures, such as workforce bonuses other than hazard pay or overtime, severance pay, and legal settlements. Further, CRF Guidance indicates that covered benefits include costs of all types of leave, such as vacation, family-related, sick, and jury duty.

Cause

For part a., MDOC believed that the expenditures were allowable because the pay period ended after March 1, 2020, and the expenditures were recorded after March 1, 2020.

For part b., MDOC believed these payments were allowable based on the U.S. Department of the Treasury's Guidance. Further, MDOC believed that longevity payments and lump sum payments were not workforce bonuses.

For part c., MSP believed that because the deferred payments to departed employees were distributed to the employees' 401(k) plans, these payroll expenditures were eligible costs under CRF.

Effect

MDOC and MSP made payments for unallowable expenditures for the COVID-19 emergency. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$843,790 - federal share.

Recommendation

We recommend that MDOC and MSP use CRF for allowable payroll expenditures.

Management Views

MDOC and MSP agree with the finding.

FINDING 2020-030

Coronavirus Relief Fund, CFDA 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Emergency Purchases Documentation

Federal Agency	U.S. Department of the Treasury	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Coronavirus Relief Fund: CFDA 21.019 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	SLT0040	03/01/2020 - 12/31/2021
	SLT0247	03/01/2020 - 12/31/2021

Total Expenditures of Federal Awards	\$1,873,775,190
Total COVID-19 Expenditures	\$1,873,775,190
Compliance Requirement(s)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$37,297 SLT0247 - Undeterminable (part a.) SLT0247 - \$37,297 (part b.)
Repeat Finding	Not Applicable
State Agency	Department of Technology, Management, and Budget

Background

We originally reported this matter in the following OAG performance audit reports:

- COVID-19 Expenditures, State of Michigan (000-2000-20B), located at audgen.michigan.gov/wp-content/uploads/2020/09/r000200020B-3322.pdf
- COVID-19 Expenditures, State of Michigan (000-2000-20C), located at audgen.michigan.gov/wp-content/uploads/2021/01/r000200020C-0707.pdf
- COVID-19 Expenditures, State of Michigan (000-2000-20D), located at audgen.michigan.gov/wp-content/uploads/2021/06/r000200020D-4562.pdf

The State needs to establish sufficient internal control to ensure the receipt of all goods and services for the COVID-19 emergency (Observation 1 – 000-2000-20B). Also, the State did not maintain documentation to support payment and receipt of COVID-19 emergency purchases totaling \$10.4 million from March 10, 2020 through November 30, 2020 (Exhibit 2 – 000-2000-20B, 000-2000-20C, and 000-2000-20D). We completed follow-up procedures of applicable transactions to determine the impact on the fiscal year 2020 Coronavirus Relief Fund (CRF).

Condition

DTMB did not maintain sufficient documentation to support payment and receipt of goods and services purchased for the COVID-19 emergency for 11 CRF transactions reported in the performance audits. We noted:

- DTMB did not document the receipt of goods for 8 (73%) purchases, totaling \$4,803,550. Initially, DTMB recorded the expenditures to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program. Subsequently, DTMB reclassified the expenditures to CRF. During its year-end closing procedures, DTMB estimated the costs of all unused goods purchased for the COVID-19 emergency as of September 30, 2020 and reclassified the estimated amount to inventory. We determined the questioned costs to be undeterminable because DTMB cannot determine if the \$4.8 million remained charged to CRF or moved to inventory.
- DTMB did not maintain documentation to support the performance of services for 3 (27%) payments to vendors. We identified known questioned costs of \$37,297.

Criteria

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

Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), Section 5001(d), requires CRF funds be used to cover only those costs that are necessary expenditures incurred due to the COVID-19 public health emergency; were not accounted for in the State's most recently approved budget as of March 27, 2020; and were incurred during the period which began March 1, 2020 and ends December 31, 2021.

In addition, U.S. Department of the Treasury's CRF Guidance for State, Territorial, Local and Tribal Governments, effective June 30, 2020 and updated September 2, 2020, indicates that in all cases for a cost to be considered incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time. Also, in all cases it must be necessary that performance or delivery of goods and services take place during the covered period.

Cause

For part a., DTMB informed us that the immediate demand for COVID-19 related goods provided additional challenges that are not typically encountered during routine receiving processing procedures.

For part b., DTMB informed us that controls were not sufficient to ensure that required documentation was appropriately maintained in the accounting records.

Effect

DTMB may have made payments for ineligible expenditures for COVID-19 emergency. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- Undeterminable (part a.).
- \$37,297 - federally funded (part b.).

Recommendation

We recommend that DTMB maintain sufficient documentation to support payment and receipt of all goods and services purchased for the COVID-19 emergency.

Management Views

DTMB agrees with the finding.

FINDING 2020-031

Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Interim Financial Expenditure Reports

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Special Education Cluster (IDEA): CFDA 84.027 and 84.173	
Federal Award Identification Number (FAIN) and Year	H027A170110	07/01/2017 - 09/30/2018
	H027A170110-17A	07/01/2017 - 09/30/2018
	H027A170110-17B	07/01/2017 - 09/30/2018
	H173A170117	07/01/2017 - 09/30/2018
	H027A180110	07/01/2018 - 09/30/2019
	H027A180110-18A	07/01/2018 - 09/30/2019
	H173A180117	07/01/2018 - 09/30/2021

FAIN and Year (Continued)	H027A190110	07/01/2019 - 09/30/2020
	H027A190110-19A	07/01/2019 - 09/30/2020
	H173A190117	07/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$434,096,048	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Education	

Condition

MDE did not monitor the activities of the subrecipients by reviewing interim financial expenditure reports (IFERs) in a timely manner for 4 of 18 subrecipients reviewed. MDE reviewed each of these 4 IFERs over 300 days after it was received.

Criteria

Federal regulation 2 *CFR* 200.331(d) requires MDE to monitor the subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and terms and conditions of the subaward, and to review financial and performance reports. MDE requires the subrecipients to submit an IFER in MEGS+ within 60 days after the end of a school year during the multi-year grant period. MDE compares the expenditures disclosed on the IFER to the approved budget to identify significant discrepancies.

Cause

MDE informed us that the IFER reviews were not completed timely because of staff and supervisor oversight.

Effect

MDE may not identify in a timely manner subrecipients that used funds for unauthorized purposes. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE monitor the activities of the subrecipients by reviewing IFERs in a timely manner.

Management Views

MDE agrees with the finding.

FINDING 2020-032

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management and Program Income - Cash Management and Program Income Processes

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Rehabilitation Services - Vocational Rehabilitation Grants to States: CFDA 84.126
Federal Award Identification Number (FAIN) and Year	H126A190099 08/11/2019 - 09/30/2019 H126A190100 08/11/2019 - 09/30/2019 H126A200099 10/01/2019 - 09/30/2020 H126A200100 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$98,852,439
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Cash Management and Program Income
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-033
State Agency	Department of Labor and Economic Opportunity

Background

Executive Order No. 2019-13, effective August 11, 2019, transferred this program from MDHHS and Department of Licensing and Regulatory Affairs (LARA) to LEO; however, MDHHS maintained accounting responsibility for one grant until the U.S. Department of Education transferred access rights to LEO.

Condition

LEO and MDHHS did not design their cash draw processes to prepare reimbursement requests in accordance with the CMIA agreement and program income requirements. In addition, LEO was responsible for completing the annual interest report and did not report complete information to the Michigan Department of Treasury (Treasury) for these noncompliant draws.

Our review of the cash draws disclosed:

- a. LEO and MDHHS did not properly prepare reimbursement requests in accordance with the CMIA agreement for 9 (90%) of 10 cash draws reviewed.
- b. LEO did not report or reported incomplete information for 5 (56%) of 9 noncompliant cash draws in part a. to Treasury for inclusion in the State's calculation of interest due to the federal government. The incomplete information included the dates that funds were disbursed and federal draw amounts.
- c. LEO did not appropriately deduct monthly program income received for amounts up to \$1,199,913 for 4 (80%) of 5 sampled cash draws. Overall, LEO did not utilize in a timely manner \$3,586,062 of program income received for the first 7 months of the audit period.

Criteria

Subpart A of federal regulation 31 CFR 205 requires state recipients to enter into agreements with the U.S. Department of the Treasury that prescribe specific methods of drawing down federal funds for selected large programs. The agreement requires that the state be liable for

interest on federal funds from the date federal funds are credited to a state account until the date those funds are paid out for program purposes.

Treasury issues an annual memorandum and a CMIA interest calculation template to State agencies requesting the agencies to complete the template to report any noncompliant draws.

Federal regulation 34 *CFR* 361.63 requires LEO to disburse available program income funds before requesting additional funds from the federal agency.

Cause

LEO informed us that it did not assign staff to complete cash draws until December 2019 and spent several months afterward developing cash draw and program income processes. In addition, LEO's process was contrary to the CMIA as it requested federal reimbursement two days prior to the scheduled deposit date instead of the required one day and did not initially include all program expenditures.

LEO informed us that its internal control and monitoring activities were not sufficient to ensure that it reported complete information to Treasury.

Effect

LEO limited its assurance that it complied with the agreed-upon funding techniques between the State and the federal government included in the CMIA agreement. In addition, LEO drew \$3,586,062 in program funds early that should have been paid using program income from October 2019 to April 2020. Also, an increased risk exists that Treasury's calculation of the amount of interest owed to or due from the federal government is not accurate. As a result, the federal grantor agency could issue sanctions or disallowances related to noncompliance.

We considered this to be a material weakness and material noncompliance because of the high error rates and because these noncompliant draws represented a significant amount of the total reimbursements for the program.

Known Questioned Costs

None.

Recommendations

We recommend that LEO design its cash draw process to prepare reimbursement requests in accordance with the CMIA agreement and program income requirements.

We also recommend that LEO report complete noncompliant cash draw information to Treasury.

Management Views

LEO agrees with the finding.

FINDING 2020-033

CCDF Cluster, CFDA 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - MWBC Child Care System User Access

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596

Federal Award Identification Number (FAIN) and Year	G1803MICCDF	10/01/2017 - 09/30/2018
	G1901MICCDD	10/01/2018 - 09/30/2019
	G1901MICCDF	10/01/2018 - 09/30/2019
	G1901MICCDM	10/01/2018 - 09/30/2019
	G2001MICCDD	10/01/2019 - 09/30/2020
	G2001MICCDF	10/01/2019 - 09/30/2020
	G2001MICCDM	10/01/2019 - 09/30/2020
	2001MICCC3	03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527	
Total COVID-19 Expenditures	\$85,529,526	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-046	
State Agencies	Michigan Department of Education and Department of Licensing and Regulatory Affairs	

Background

In accordance with the interagency agreement between MDE and LARA for fiscal year 2020, LARA was responsible for processing and reviewing the required child care provider criminal history checks outlined in the CCDF State Plan. LARA is responsible for maintaining the Michigan Workforce Background Check (MWBC) Child Care System used to conduct and record the results of the child care providers' criminal history checks.

Condition

LARA did not establish effective access controls over the MWBC Child Care System users. We noted:

- a. LARA did not maintain documentation that access was requested for the 1 user that received access during fiscal year 2020.
- b. LARA did not ensure that users' access was appropriate based on the roles and responsibilities of their job functions. We noted 9 users with access rights beyond what was necessary to perform their job responsibilities.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions.

Cause

For part a., LARA informed us that it used an e-mail process to request and approve access and this documentation was not retained.

For part b., LARA informed us that due to system limitations users were granted access beyond their job responsibilities. Also, LARA informed us that it informally monitored these users; however, it did not document its monitoring activities.

Effect

Without effective user access controls, individuals may obtain unauthorized or inappropriate access or make inappropriate updates to the MWBC Child Care System.

Known Questioned Costs

None.

Recommendation

We recommend that MDE and LARA establish effective user access controls over the MWBC Child Care System.

Management Views

MDE and LARA agree with the finding.

FINDING 2020-034

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	G1901MICCDD - \$829
Repeat Finding	2019-047
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Condition

MDE and MDHHS did not ensure compliance with federal laws and regulations relating to client eligibility for CCDF Cluster child care payments for 8 (14%) of 60 cases. Our review disclosed:

- a. MDHHS did not maintain sufficient documentation to support the client's eligibility determination for 3 (5%) of 60 cases reviewed. We noted incomplete supporting documentation related to the clients' categorical eligibility.
- b. MDHHS case record documentation was inconsistent with client eligibility information entered in Bridges for 4 (7%) of 60 cases reviewed. We noted for one case, the authorized hours of care in Bridges exceeded the client's documented need for hours of child care services. For two cases, the documentation did not support the family contribution rate used to calculate the payment for child care services. For the final case, there was no documentation to verify that the parent or substitute parent used an eligible provider.
- c. MDHHS did not appropriately categorize the client's eligibility based on the supporting documentation in the case record for 1 (2%) of 60 cases reviewed. We determined this did not affect the client's eligibility for child care services or level of benefits.

Criteria

Federal regulation 45 *CFR* 98.20 provides eligibility requirements for child care services and permits MDE to establish eligibility requirements in addition to those outlined in the section as long as the additional requirements are not in violation of the regulation. Federal regulation 45 *CFR* 98.16(i)(5) requires that MDE identify additional eligibility requirements in its CCDF State Plan. MDE's CCDF State Plan for Federal Fiscal Years 2019-2021 provides specific requirements for client, child, and provider eligibility. Also, CCDF program policy deems clients are either income eligible or categorically eligible if they participate in certain other programs such as TANF. The client's income or categorical eligibility determines the client's level of benefits, and the child must be assigned to an eligible provider.

Federal regulation 45 *CFR* 98.55 allows states to claim expenditures to be matched at the federal medical assistance percentage rate for allowable activities, as described in the approved state plan. In order to receive federal matching funds for a fiscal year, states must also expend an amount of nonfederal funds for child care activities in the state that is at least equal to the state's share of expenditures for the fiscal years 1994 or 1995 (whichever is greater) under Sections 402(g) and 402(i) of the federal Social Security Act as these sections were in effect before October 1, 1995, and the expenditures must be for allowable services or activities, as described in the approved state plan.

Cause

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

Effect

We consider this to be a material weakness and material noncompliance because MDE may have made payments on behalf of ineligible clients and because of the overall high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$829 - federal share.
- \$378 - State share of costs that MDE inappropriately used as matching expenditures for CCDF Cluster funds.

Recommendation

We recommend that MDE and MDHHS maintain sufficient documentation and ensure that Bridges appropriately reflects supporting documentation to support client eligibility was determined in accordance with eligibility requirements.

Management Views

MDE and MDHHS agree with the finding.

FINDING 2020-035

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Finding	2019-049
State Agencies	Michigan Department of Education and Department of Licensing and Regulatory Affairs

Background

In accordance with the interagency agreement between MDE and LARA for fiscal year 2020, LARA was responsible for performing on-site inspections and licensing of child care providers. LARA completes on-site inspections to issue licenses, to renew licenses at the end of the license period, and to perform an interim inspection during the license period.

Condition

MDE and LARA did not maintain sufficient documentation to support that child care providers met applicable health and safety requirements to be eligible for CCDF Cluster payments. During our review of sampled CCDF Cluster payments to 52 licensed providers, we noted:

- a. LARA could not verify that 32 (62%) providers with license renewals prior to our sampled payments met the ongoing training for the minimum required health and safety training topics because the State had not updated its licensing rules until December 18, 2019 to include all topics in federal regulation 45 *CFR* 98.41.
- b. LARA interim inspections did not include a review of all health and safety requirements.
- c. LARA did not perform timely annual on-site inspections for 10 (19%) licensed providers. We noted that LARA performed the on-site inspections from 14 to 17 months after the last on-site inspection.
- d. LARA did not maintain documentation to support that it granted an extension when the license period had expired for 1 provider with a license renewed during fiscal year 2020.

Criteria

Federal regulation 45 *CFR* 98.41 states that the lead agency (MDE) shall have in effect under State, local, or tribal law requirements that are designed, implemented, and enforced to protect the health and safety of children and provides the minimum health and safety topics that must include training on and be applicable to child care providers of services. The regulation also allows for MDE to include additional requirements determined to be necessary to promote child development and to protect children's health and safety as long as the additional requirements are not inconsistent with the parental choice safeguards. Federal regulation 45 *CFR* 98.44 requires MDE to identify in its CCDF State Plan established requirements for pre-service or orientation training in the established health and safety standards and for ongoing professional development that maintains and updates the health and safety standards described in federal regulation 45 *CFR* 98.41.

Federal regulation 45 *CFR* 98.42(b)(2) states that MDE shall certify in its CCDF State Plan that it has monitoring policies and practices applicable to all child care providers eligible to deliver services for which assistance is provided under the CCDF Cluster. MDE must require inspections of licensed child care providers at licensure and not less than annually for compliance with all health and safety requirements described in federal regulation 45 *CFR* 98.41 and fire standards.

Section 5 of MDE's CCDF State Plan for Federal Fiscal Years 2019-2021 provides the State's standards and monitoring processes to ensure providers meet health and safety requirements in the federal regulations.

Cause

MDE and LARA were not able to finalize changes needed to their monitoring of provider health and safety requirements until December 18, 2019.

Effect

We consider this to be a material weakness and material noncompliance because of the high error rates and because child care providers may not have complied with all applicable health and safety requirements to receive CCDF Cluster funds resulting in potential improper

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

Known Questioned Costs

Undeterminable.

Recommendation

We recommend MDE and LARA maintain sufficient documentation to support child care providers meet applicable health and safety requirements to be eligible for CCDF Cluster payments.

Management Views

MDE and LARA agree with the finding.

FINDING 2020-036

CCDF Cluster, CFDA 93.575 and 93.596, Allowable Costs/Cost Principles - Calculation of Authorized Hours

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	G2001MICCDD - \$73,177
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Condition

MDE and MDHHS did not ensure Bridges calculated authorized hours for licensed exempt child care providers in accordance with MDE's policy. We noted that MDE and MDHHS overpaid \$73,177 to 1,560 child care providers for 44,487 unauthorized hours.

Criteria

Federal regulation 45 CFR section 98.67 requires MDE to account for CCDF Cluster funds in accordance with the laws and procedures used for expending and accounting for its own funds. CCDF program policy provides for payments to licensed exempt providers not to exceed 90 authorized hours per child biweekly.

Cause

Due to competing MDE priorities, the May 2019 work request to limit the authorized hours for payment at 90 hours biweekly had not been programmed into Bridges.

Effect

MDE and MDHHS made payments for services that were not authorized. In addition, providers could continue to bill and be paid for hours that exceed the 90 hours biweekly limit. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$73,177 - overpayments made to license exempt child care providers from October 1, 2019 through September 30, 2020.

Recommendation

We recommend that MDE and MDHHS ensure that Bridges calculates authorized hours for licensed exempt child care providers in accordance with MDE's policy.

Management Views

MDE and MDHHS agree with the finding.

FINDING 2020-037

CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Fraud Detection and Repayment

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	CCDF Cluster: CFDA 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	G1803MICCDF 10/01/2017 - 09/30/2018 G1901MICCDD 10/01/2018 - 09/30/2019 G1901MICCDF 10/01/2018 - 09/30/2019 G1901MICCDM 10/01/2018 - 09/30/2019 G2001MICCDD 10/01/2019 - 09/30/2020 G2001MICCDF 10/01/2019 - 09/30/2020 G2001MICCDM 10/01/2019 - 09/30/2020 2001MICCC3 03/27/2020 - 09/30/2023
Total Expenditures of Federal Awards	\$307,166,527
Total COVID-19 Expenditures	\$85,529,526
Compliance Requirement	Special Tests and Provisions - Fraud Detection and Repayment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-050
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services

Background

In accordance with the interagency agreement between MDE and MDHHS for fiscal year 2020, MDHHS was responsible for working with MDE to recoup funds from any provider or client that had an outstanding financial obligation. MDE, as the lead agency, was responsible for establishing a recoupment policy and approving MDHHS's collection efforts. MDE and MDHHS identified child care payments for repayment during the intentional program violation (IPV) review process. If certain criteria were met, this process may have led to the conviction of child care clients and providers on fraud charges.

Condition

MDHHS's Bridges does not routinely send automated notices to providers and clients who had been convicted of fraud and were late in remitting required payments. In addition, MDE and

MDHHS had not developed an interim manual process during fiscal year 2020 until such time that this can be automated in Bridges.

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

Criteria

Federal regulation 45 *CFR* 98.60(i) requires MDE to recover child care payments that are the result of fraud from the individual responsible for committing the fraud.

Cause

Because of competing priorities, the delinquency date for collections had not been programmed into the Bridges Benefit Recovery System to allow for automated tracking of delinquent claims and MDE had not established a manual recoupment policy for MDHHS's collection and referral of claims to Treasury.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE and MDHHS agree with the finding.

FINDING 2020-038

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$2,138

Repeat Finding	2019-051
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure that beneficiary eligibility was updated in CHAMPS. As a result, MDHHS issued \$3,007 for 21 (70%) of 30 payments sampled from a \$2,374,466 population of beneficiary payments with no corresponding Medicaid coverage.

Criteria

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

Cause

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

Effect

MDHHS made payments on behalf of ineligible beneficiaries. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$2,138 - federal share of payments made to providers on behalf of ineligible beneficiaries.
- \$869 - State share of payments made to providers on behalf of ineligible beneficiaries.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-039

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - MiAIMS User Access for HHP Management Activities

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2005MI5MAP	10/01/2019 - 09/30/2020
	2005MI5ADM	10/01/2019 - 09/30/2020
	2005MIINCT	10/01/2019 - 09/30/2020
	2005MIIMPL	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155	
Total COVID-19 Expenditures	\$661,558,125	

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-052
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not establish effective access controls over Michigan Adult Integrated Management System (MiAIMS) users. MiAIMS is utilized to record Home Help Program (HHP) case management activities and process payment authorizations. HHP payments totaled \$374.6 million in fiscal year 2020. We noted:

- a. MDHHS did not consistently follow its established policies and procedures over its annual review of all MiAIMS users. Our review of the MiAIMS user validation reports completed for its April 2020 annual review disclosed:
 - (1) MDHHS did not ensure that the local office security coordinators (LOSCs) always documented the action taken to validate the appropriateness of 309 (33%) of 931 MiAIMS user accounts.
 - (2) MDHHS did not ensure that LOSCs signed 1 of 7 reports. The LOSC's signature is required on the MiAIMS user validation report to confirm the accuracy of the user's approved level and location of MiAIMS access.
- b. MDHHS did not consistently follow its established policies and procedures over the granting of access to MiAIMS. Our review disclosed:
 - (1) MDHHS did not maintain documentation for 1 of 7 sampled security agreements.
 - (2) MDHHS did not ensure that security agreements were properly approved prior to granting access for 3 of 6 sampled users.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job function. The Standard also requires that separation of duties must be implemented through assigned information system access authorizations and that all user accounts should be reviewed for compliance with account management requirements annually.

Cause

For part a., MDHHS informed us that LOSCs did not receive adequate training regarding the April 2020 review process, which resulted in an inconsistency of how LOSCs completed their annual review. Also, MDHHS informed us that user access controls utilizing the Database Security Application (DSA) were delayed until August 2020 and finalized in December 2020.

For part b., MDHHS informed us that LOSCs and supervisors did not receive adequate training regarding the MiAIMS user access process.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-040

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible HHP Payments

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$1,244
Repeat Finding	2019-053
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not prevent or timely recover payments for HHP services in which the client no longer met eligibility requirements. We noted:

- a. MDHHS overpaid for 17 (68%) of 25 sampled clients who were hospitalized. The overpayments for the 17 hospitalized clients totaled \$1,389.

- b. MDHHS overpaid for 2 (25%) of 8 sampled clients who were in a nursing facility. The overpayments for the 2 clients totaled \$403.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the Adult Services Manual (ASM) to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM Section 135 prohibits payment for HHP services on days that a client is admitted to a hospital or nursing home and for all subsequent days of hospitalization, including the day of discharge. Beginning June 1, 2020, ASM Section 135 allows payment for HHP services on the day a client is discharged from the hospital.

Cause

MDHHS informed us that the post-payment review process is complicated by the lag time (up to one year) associated with MDHHS receiving and processing hospital and nursing facility claims and delays in changes to clients' level of care. In addition, MDHHS's Office of Inspector General prioritized high-dollar cases and had not yet reviewed the remaining cases. Also, MDHHS informed us that the monthly hospitalization report only identifies claims where the length of stay is three or more days, resulting in shorter hospital stays not being reviewed.

Effect

MDHHS paid a total of \$1,792 for ineligible services from October 1, 2019 through September 30, 2020 for individuals who did not qualify for them because they were hospitalized or were in a nursing facility. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$1,244 - federal share of amounts paid for HHP services for clients from October 1, 2019 through September 30, 2020 who were either hospitalized or in a nursing facility during that same time period.
- \$548 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS prevent or timely recover payments for HHP services in which the client no longer met eligibility requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2020-041

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Health Services and Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$13,823
Repeat Finding	2019-054
State Agency	Michigan Department of Health and Human Services

Condition

As originally reported in the performance audit of Home Health Services, Michigan Department of Health and Human Services (391-0700-15), located at audgen.michigan.gov/wp-content/uploads/2016/07/r391070015.pdf, MDHHS did not ensure that home health agencies (HHAs) always maintained appropriate documentation (Finding 1).

Our review of HHAs' documentation of services provided to 15 beneficiaries disclosed that beneficiaries' plans of care did not include all required elements for 13 (87%) of 15 beneficiaries reviewed. Some of the missing elements included the provider's National Provider Identifier, the role of family or support person, and the activities permitted.

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of home health services for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid home health fee-for-service (FFS) claims. In addition, federal regulation 45 *CFR* 75.403 requires that costs conform to any limitations or exclusions and be consistent with policies and procedures that apply to the federal award.

Cause

MDHHS informed us that its standard notifications had not resolved the issue for plans of care with missing information.

Effect

MDHHS did not ensure that HHAs maintained appropriate documentation to support payments made to the HHAs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$13,823 - Federal share of payments made during fiscal year 2020 on behalf of sampled beneficiaries without approval and documentation to support services received.
- \$4,391 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure that HHAs maintain appropriate documentation.

Management Views

MDHHS agrees with the finding.

FINDING 2020-042

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Help Payment Oversight

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$225
Repeat Finding	2019-055
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not review home help provider invoices to help ensure that home help payments were reflective of the services provided and accurately calculated.

We noted MDHHS overpaid for:

- 3 (30%) of 10 sampled payments to individual providers, totaling \$269, for services not supported by the monthly invoice.
- 1 (13%) of 8 sampled payments to agency providers, totaling \$74, for services not reduced by 50% when the client is in a shared living arrangement with other adults who reside in the home.

Criteria

Federal regulation 42 *CFR* 435.10 requires MDHHS to specify in its State Plan the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups. MDHHS's Medicaid State Plan states that it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services.

ASM Section 135 requires individual providers to submit monthly invoices through CHAMPS for reimbursement.

ASM Section 120 requires payments for instrumental activities of daily living (IADL) assessed hours to be reduced by 50% when the client is in a shared living arrangement with other adults who reside in the home, unless the IADLs are completed separately from others who reside in the home.

Cause

For part a., although the Electronic Service Verifications/Paper Service Verifications collect information on completed services, there was no automated review to determine if all services were provided before payment was issued.

For part b., MDHHS informed us that staff provided inadequate worker documentation in case files to support a full IADL payment.

Effect

MDHHS paid a total of \$343 for services from October 1, 2019 through September 30, 2020 that were not supported by home help provider invoices or accurately calculated. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$225 - federal share.
- \$118 - State share.

Recommendation

We recommend that MDHHS review home help provider invoices to help ensure that home help payments are reflective of the services provided and accurately calculated.

Management Views

MDHHS agrees with the finding.

FINDING 2020-043

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Practitioner Reimbursement

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)

Federal Award Identification Number (FAIN) and Year	2005MI5MAP 2005MI5ADM 2005MIINCT 2005MIIMPL	10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155	
Total COVID-19 Expenditures	\$661,558,125	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	2005MI5MAP - \$200,506	
Repeat Finding	2019-057	
State Agency	Michigan Department of Health and Human Services	

Condition

As originally reported in our performance audit of Medicaid Practitioner Fee-for-Service Reimbursement, Department of Community Health (391-0713-13), located at audgen.michigan.gov/finalpdfs/13_14/r391071313.pdf, MDHHS did not ensure proper payment of practitioner fee-for-service (FFS) claims. We conducted follow-up procedures during the fiscal year 2020 single audit and identified one reportable condition that continued to impact single audit conclusions related to FFS claims paid for beneficiaries enrolled in an MHP.

Criteria

According to its Medicaid State Plan, MDHHS provides coverage of practitioner services for eligible Medicaid beneficiaries. Also, MDHHS's policy contained in its Medicaid Provider Manual establishes limitations, restrictions, and other requirements that must be met in order for MDHHS to reimburse Medicaid practitioner FFS claims. In addition, Subpart E of federal regulation 45 *CFR* 75 requires that costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award.

Cause

MDHHS stated that eligibility and enrollment are not static, and that CHAMPS is not the system of record for eligibility. CHAMPS must make payments to FFS providers and managed care entities based upon the eligibility and enrollment on the system at the time the payment is made. This sometimes resulted in monthly capitation payments to MHPs for the same months in which FFS payments were made.

Effect

Based on follow-up procedures conducted during the fiscal year 2020 single audit, we determined that MDHHS made improper FFS practitioner payments of \$279,606 from October 1, 2019 through September 30, 2020. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$200,506 - federal share of improper payments made to providers from October 1, 2019 through September 30, 2020.
- \$79,100 - State share of costs that MDHHS inappropriately used as matching.

Recommendation

We recommend that MDHHS ensure proper payment of practitioner FFS claims for the Medicaid Cluster.

Management Views

MDHHS agrees with the finding.

FINDING 2020-044

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Special Tests and Provisions - MARIS IT General Controls

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Special Tests and Provisions - Utilization Control and Program Integrity and Medicaid Fraud Control Unit
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB did not fully establish and implement effective security management over the Medicaid Audit Recovery and Investigation System (MARIS) database. The MARIS database management system contained potentially vulnerable database configurations. Because of confidentiality concerns, we summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB management.

Criteria

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

State of Michigan Administrative Guide to State Government policy 1340.00 requires approved personnel to adequately manage the configuration of the State's systems, including retaining previous system configurations, configuring approved devices for high-risk areas, tracking and documenting system changes, and assigning privileges of authorized personnel. The policy also states that security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

Cause

DTMB informed us that it had not fully implemented all database specific configuration standards at the time of our review because DTMB is developing an organization-wide security framework for database security configuration management.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB fully establish and implement effective security management over MARIS.

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2020-045

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Special Tests and Provisions - MARIS User Access

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Special Tests and Provisions - Utilization Control and Program Integrity and Medicaid Fraud Control Unit
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-058, part b.
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not establish effective access controls over MARIS users. MDHHS staff use MARIS to track and investigate complaints alleging Medicaid fraud, waste, or abuse. We noted that MDHHS did not maintain documentation that specified the level of access required for 3 (30%) of 10 sampled users with access requests.

Criteria

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

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring that users are only granted access which is necessary to accomplish assigned tasks in accordance with roles and responsibilities of their job functions.

Cause

MDHHS informed us that when a user access request did not specify the level of access needed, it established the user's role based on the needs of their position.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS partially agrees with the finding. MDHHS agrees that documentation specifying the level of access required could not be located. However, the exceptions noted occurred prior to implementation of corrective action for the fiscal year 2019 finding and there was minimal risk that an Office of Inspector General (OIG) employee was provided an inappropriate level of access. The OIG documented the access review and approval process electronically within MiLogin.

The Medicaid Audit Recovery and Investigation System (MARIS) requires a two-step authorization to access the system. In one step, a user must request access to MARIS through the State of Michigan's Single Sign-On software, MiLogin. This is approved or denied by the MARIS business owner/division director through MiLogin. Additionally, all user access is assessed for continued need and role appropriateness on a semi-annual basis.

MARIS is used exclusively by the OIG. Any OIG new hire is accompanied with an administration-wide, new staff announcement, which defines the staff member's position/role in the administration, e.g., investigation or manager. All staff are established in MARIS by a MARIS system administrator within the OIG. If the administrator is unsure of the employee's role, they reach out to the employee's supervisor to obtain further information. Documentation was provided to show that an administration-wide announcement was sent out prior to approval of access for the identified users and the position announced was consistent with the level of access provided.

Auditor's Comments to Management Views

The exceptions noted occurred prior to implementation of the prior year's corrective action. However, as part of our single audit testing, we need to ensure controls are in place for the entire fiscal year even when prior year planned corrective action occurred during the fiscal year audited. Because MDHHS did not implement its updated process until August 1, 2020, and no new employee access requests occurred after that date, we were unable to test controls after implementation of corrective action. In addition, although MDHHS provided the administration-wide announcement, the announcement did not document the approved level of access and is not a viable replacement for a request and approval of access. Therefore, this finding stands as written.

FINDING 2020-046

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Allowable Costs/Cost Principles and Special Tests and Provisions - Medicaid Fraud Control Unit and Refunding of Federal Share of Medicaid Overpayments to Providers

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Medicaid Cluster: CFDA 93.775, 93.777, 93.777 (COVID-19), 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2001MI5050 10/01/2019 - 09/30/2020 2005MI5MAP 10/01/2019 - 09/30/2020 2005MI5ADM 10/01/2019 - 09/30/2020 2005MIINCT 10/01/2019 - 09/30/2020 2005MIIMPL 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$14,273,926,155
Total COVID-19 Expenditures	\$661,558,125
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Medicaid Fraud Control Unit and Refunding of Federal Share of Medicaid Overpayments to Providers
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2005MI5MAP - \$417,049
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Attorney General

Condition

MDHHS did not timely report the federal share of fraud, waste, and abuse overpayments identified by the Department of Attorney General's Health Care Fraud Unit. We identified 10 (56%) of 18 overpayments that were not reported timely, including \$417,049 that had not been refunded to the federal program.

Criteria

Federal regulation 42 *CFR* 433.320 requires MDHHS to refund the federal share of overpayments that are subject to recovery to CMS through a credit on its quarterly statement of expenditures. MDHHS must credit CMS with the federal share of overpayments subject to recovery on the earlier of the quarter in which the State recovers the overpayment from the provider or the quarter in which the one-year period following discovery ends if no recovery is received. If the State does not refund the federal share of overpayments, the State will be liable for interest on the amount equal to the federal share of the non-recovered, non-refunded overpayment amount.

Cause

MDHHS had not informed the Department of Attorney General's Health Care Fraud Unit that overpayments needed to be reported to a certain MDHHS employee for federal reporting purposes until September 2019. Therefore, although the Department of Attorney General's Health Care Fraud Unit informed MDHHS of collections received, it did not forward the information that an overpayment was established and collections were received to the appropriate MDHHS contact to ensure accurate and timely federal reporting. In addition, for certain cases, MDHHS failed to record the overpayments and associated collections after receiving the documentation.

Effect

MDHHS did not return \$417,049 of fraud, waste, and abuse overpayments. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$417,049 - federal share of overpayments not returned.

Recommendation

We recommend that MDHHS timely report the federal share of fraud, waste, and abuse overpayments identified by the Department of Attorney General's Health Care Fraud Unit.

Management Views

MDHHS agrees with the finding.

FINDING 2020-047

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), CFDA 93.323, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - LTC Facility COVID-19 Testing Reimbursements

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): CFDA 93.323 and 93.323 (COVID-19)
Federal Award Identification Number (FAIN) and Year	NU50CK000510 08/01/2019 - 07/31/2024 NU50CK000510 08/01/2019 - 07/31/2021
Total Expenditures of Federal Awards	\$66,707,778
Total COVID-19 Expenditures	\$60,677,494
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not have a process in place to ensure long-term care (LTC) facility COVID-19 testing reimbursement requests, totaling \$20.2 million, were reasonable and appropriate.

Criteria

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

Also, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be necessary and reasonable for the administration of the federal award and be in accordance with the relative benefits received by the program.

Cause

MDHHS informed us that due to limited resources, it had not implemented a testing protocol to sample and review detailed supporting documentation for these LTC facility reimbursements until after September 30, 2020.

Effect

MDHHS could not demonstrate that the costs complied with the applicable federal regulations ensuring reasonableness of the amounts requested. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS establish a process to ensure LTC facility COVID-19 testing reimbursement requests are reasonable and appropriate.

Management Views

MDHHS agrees with the finding.

FINDING 2020-048

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring - MARS User Access

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Labor and Economic Opportunity

Condition

LEO did not fully establish effective access controls over the Management of Awards to Recipients System (MARS). We noted that LEO did not review MARS user access semiannually for privileged accounts or annually for all other accounts. Michigan Works! Agencies used MARS to request reimbursement, report expenditures, and view financial data related to employment, education, and training services provided to TANF clients.

Criteria

Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance that the auditee is

managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

According to State of Michigan Administrative Guide to State Government policy 1340.00, security controls must be implemented to protect State of Michigan information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State of Michigan information.

SOM Technical Standard 1340.00.020.01 requires agencies to review accounts to verify that they are still required and compliant with account settings and access permissions identified in the Standard through semiannual certification of privileged accounts and annual certification for all other accounts.

Cause

LEO informed us that it believed recertifications were requested from MARS users as it transitioned to a work-from-home environment due to COVID-19; however, LEO was unable to provide this documentation.

Effect

Without effective user access controls, individuals may retain access to MARS that is no longer necessary to perform their job responsibilities.

Known Questioned Costs

None.

Recommendation

We recommend that LEO establish effective user access controls over MARS.

Management Views

LEO agrees with the finding.

FINDING 2020-049

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Non-Financial Eligibility Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$1,505 19 01 MI TANF - \$1,041 20 01 MI TANF - \$464
Repeat Finding	2019-038
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain or maintain sufficient non-financial case record documentation to support client eligibility for 10 (38%) of 26 sampled TANF assistance case records.

MDHHS did not obtain or maintain documentation such as complete application forms, verifications to support the age and relationship of the child to the adult on the case record, and inquiry regarding relevant felony prosecution history in order to demonstrate that the 10 families were in need of TANF assistance.

Criteria

Federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF assistance and job preparation services. Federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance. MDHHS's policies and procedures require that documentation used to verify eligibility be maintained in the case file.

Also, federal law 42 *USC* 608(a)(9)(A) states that a state may not provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime which is a felony under the laws of the place from which the individual flees.

In addition, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the state.

Cause

MDHHS informed us that controls were not sufficient to ensure that required verification documentation was maintained in the client's case record.

Also, MDHHS informed us that it suspended the fugitive felon policy because of litigation; therefore, MDHHS did not require workers to follow up on any client's unanswered fugitive felon questions.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS may have made payments to ineligible recipients and because of the high error rate noted. As a result, the federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$1,505 - federal share.
- \$52 - State share of costs that MDHHS inappropriately used as State maintenance of effort (MOE).

Recommendation

We recommend that MDHHS obtain and maintain sufficient non-financial case record documentation to support client eligibility for TANF assistance.

Management Views

MDHHS agrees with the finding.

FINDING 2020-050

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Income Eligibility Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Income Eligibility and Verification System
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	20 01 MI TANF - \$183
Repeat Finding	2019-039
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility. State Online Query (SOLQ) reviews and results were not documented in accordance with policy for 1 (4%) of 26 sampled TANF assistance case records.

Criteria

Federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF assistance and job preparation services. Federal regulations 45 *CFR* 205.51, 45 *CFR* 205.55, and 45 *CFR* 205.56 require states to have an IEVS to request, use, and verify income and benefit information when determining a client's eligibility for assistance. Also, federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance.

MDHHS's policies and procedures require caseworkers to verify client income at the time of application and redetermination through Consolidated Inquiry (CI) and SOLQ matches. Caseworkers are required to document the results of the CI and SOLQ matches in the case record within Bridges. The SOLQ match identifies retirement, survivors, and disability insurance; Social Security income; and Medicare benefits requested through IEVS.

Also, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the state.

Cause

MDHHS informed us that controls were not sufficient to ensure that required verification documentation was appropriately maintained in the client's case record.

Effect

MDHHS may have made payments to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$183 - federal share of payments made to recipients.
- \$20 - State share of costs that MDHHS inappropriately used as State MOE.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-051

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$1,048 19 01 MI TANF - \$524 20 01 MI TANF - \$524
Repeat Finding	2019-040
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure and retain documentation to demonstrate compliance with federal laws and regulations relating to annual eligibility redeterminations for 2 (10%) of 20 sampled TANF-funded adoption subsidy case records. For both cases, our review noted that MDHHS did not retain documentation to substantiate that the adoptive family met eligibility requirements.

MDHHS obtained eligibility information by conducting telephone interviews with adoptive parents but did not require the adoptive parent(s) to sign the annual eligibility redetermination

form. The parent's signature is required on the annual eligibility redetermination form to attest to the accuracy of the information to the best of their knowledge and belief.

Criteria

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

Also, federal regulation 45 *CFR* 260.20 requires that a family be needy in order to be eligible for TANF assistance. Federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance. Section 400.115i of the *Michigan Compiled Laws* requires the adoptive parent to file a report at least annually, and MDHHS developed an annual report form and instructions to comply with the *Michigan Compiled Laws*.

In addition, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the state.

Cause

MDHHS informed us that policy does not require the maintenance of the annual eligibility redetermination form in the case record. In addition, MDHHS informed us that policy does not address telephone interviews; therefore, a worker would not be prohibited from obtaining the information from the adoptive parent over the telephone and the worker is not required to send the adoptive parent(s) a confirmation of their responses.

Effect

MDHHS may have inappropriately made adoption subsidy payments to a family that did not qualify for TANF-funded adoption subsidy. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$1,048 - TANF-funded adoption subsidy payments.

Recommendation

We recommend that MDHHS ensure and retain documentation to demonstrate compliance with federal laws and regulations relating to annual eligibility redeterminations by retaining documentation.

Management Views

MDHHS partially agrees with the finding. Section 400.115i of the *Michigan Compiled Laws* does not specifically dictate the methodology the adoptive parent must utilize to submit the annual eligibility redetermination information. MDHHS's policy requires that the annual eligibility redetermination must be conducted with a parent and MDHHS allows flexibility for the parents to utilize and mail in the annual redetermination form, report the required information through a telephone interview with MDHHS staff, or to submit the required annual eligibility redetermination information electronically. To comply with federal documentation requirements, MDHHS staff complete the form on behalf of the parent during the phone interview, verbally

confirm the completed responses with the parent, and upload into the applicable database. The exceptions noted in the finding occurred prior to implementation of the updated office protocol that requires MDHHS staff to enter the responses on the form and verbally confirm the results with the parent.

Auditor's Comments to Management Views

Regardless of the timing of MDHHS's updated protocol, federal regulation 45 *CFR* 205.60(a) requires MDHHS to maintain records to support eligibility, including facts to support the client's need for assistance. In addition, federal regulation 45 *CFR* 75.2 defines an "improper payment" as any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper. Without the certification of both adoptive parents, if applicable, MDHHS does not have assurance of the accuracy of the information obtained over the phone and entered into its system. Therefore, the finding stands as written.

FINDING 2020-052

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Foster Care Assistance

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Activities Allowed or Unallowed and Allowable Costs/Cost Principles: Significant Deficiency and Noncompliance Eligibility: Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	20 01 MI TANF - \$16,771,384
Repeat Finding	2019-041
State Agency	Michigan Department of Health and Human Services

Background

The TANF block grant was created by the 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193). It replaced the Aid to Families with Dependent Children (AFDC) program. However, MDHHS was allowed to continue to provide emergency foster care services which was previously authorized in the State's approved AFDC Plan as in effect on September 30, 1995, or at the State's option, on August 21, 1996.

Condition

MDHHS inappropriately claimed \$16,771,384 of foster care expenditures for TANF federal reimbursement relating to foster care services that exceeded the emergency period of 364 days specified in MDHHS's TANF State Plan.

Criteria

Federal law 42 *USC* 604(a)(2) allows MDHHS to use TANF funds in any manner that MDHHS was authorized to use amounts received under an AFDC Plan in effect on September 30, 1995, or at State option, August 21, 1996. The State's prior AFDC Plan included emergency foster care assistance for children who were removed from their homes and were not eligible for

Foster Care - Title IV-E and limited the emergency foster care assistance to no more than 364 days.

In addition, Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the state.

Cause

MDHHS included these expenditures that were previously State funded in its fiscal year 2020 TANF claim for federal reimbursement because of the availability of federal funds and its belief that there is no time limit applicable for foster care expenditures if a child is placed with a relative. However, we noted that MDHHS separately calculated and claimed the allowable foster care expenditures that were for services provided up to and including 364 days and then completed a separate claim for foster care services that exceeded 364 days.

Effect

We consider this to be a material weakness and material noncompliance for the eligibility compliance requirement because MDHHS claimed \$16.8 million of expenditures that were not in accordance with the TANF State Plan and TANF laws and regulations. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$16,771,384 - federally funded.

Recommendation

We recommend that MDHHS only claim foster care expenditures for service dates up to the 364 days as authorized by MDHHS's TANF State Plan.

Management Views

MDHHS disagrees with the finding. MDHHS asserts that payments relating to foster care services that exceed the 364-day emergency period are allowable under the TANF State Plan. The foster care services for the days claimed up to and including 364 days are allowable under the previously approved AFDC plan and the foster care services for the days after 364 days are allowable under the current TANF State Plan so the calculations are performed separately.

Michigan's TANF State Plan, amended in fiscal year 2021 with changes effective as of January 1, 2020, states that support for children in foster care is an allowable TANF expense and clarifies that assistance for children placed with a licensed or unlicensed relative foster family has no time limit. The amended State Plan was approved by the Governor during January 2021 and the Administration for Children and Families (ACF) determined the State Plan to be sufficient for funding approval during April 2021. Historically, MDHHS does not receive any other formal communication, including separate approval, regarding the TANF State Plan from ACF. ACF allows states to use Federal TANF funds for child welfare expenditures that either are allowable under one of the four purposes of TANF or were previously authorized under an approved title IV-A or IV-F plan. Michigan uses TANF funds for both purposes, some to cover expenditures that were allowable under the 1995 Emergency Assistance plan and others that are allowable based on the rules and regulations of the TANF program. Expenditures for children living with unlicensed relatives and licensed relatives after 364 days are claimed under TANF Purpose 1. In a 2013 Q & A, ACF outlines the allowability of these

expenditures: States may use Federal TANF or State MOE funds to provide ongoing assistance and other benefits and services in "kinship care" situations where a child is placed with an adult relative.

Auditor's Comments to Management Views

MDHHS is allowed, according to federal law 42 USC 604(a)(2), to use TANF funds in any manner that MDHHS was authorized to use under the AFDC Plan in effect on September 30, 1995 or, at State option, August 21, 1996. MDHHS's prior AFDC Plan included emergency foster care assistance for children who were removed from their homes, were not eligible for Foster Care – Title IV-E, and limited the emergency foster care assistance to no more than 364 days.

Amending the TANF State Plan does not supersede federal law to allow MDHHS to claim emergency foster care services that exceed 364 days. In addition, as stated in the March 16, 2021 ACF letter sent to MDHHS:

Under section 402 of the Social Security Act, the Secretary of Health and Human Services has authority to determine completeness of a state's TANF plan but lacks the authority to approve or disapprove a plan. Therefore, the determination of completeness should not be construed as an approval of any particular activity, or as a determination that any particular expenditure is an allowable use of federal TANF or state maintenance-of-effort funds.

MDHHS also indicated that because the child is living with a relative (kinship care), the services meet TANF purpose one and MDHHS may claim expenditures for ongoing assistance and other benefits and services to needy caretaker relatives on behalf of children. Federal law 42 USC 602(a)(1) requires MDHHS to submit a State Plan that outlines how MDHHS intends to assist needy families to achieve the purposes of TANF; however, MDHHS's TANF State Plan did not describe kinship care services.

Therefore, the finding stands as written.

FINDING 2020-053

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Ineligible Emergency Foster Care Assistance

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	20 01 MI TANF - \$28,291
Repeat Finding	2019-042
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately consider a child's circumstances to ensure that the child met eligibility requirements for 3 (38%) of 8 sampled TANF-funded emergency foster care case records. We noted these 3 different circumstances:

- A child with a delinquent (juvenile justice) ward legal status.
- A child placed with an unlicensed relative.
- A child who did not live with a relative within the 6 months prior to the emergency application/removal from home.

Criteria

Federal law 42 USC 604(a)(2) allows MDHHS to use TANF funds in any manner that MDHHS was authorized to use amounts received under the State's AFDC Plan in effect on September 30, 1995, or at State option, August 21, 1996. The TANF funding guide states that MDHHS may expend federal funds for activities that were previously authorized under the State's prior AFDC Plan, including certain foster care and juvenile justice expenditures that could not otherwise be claimed under TANF federal laws and regulation for those who meet certain eligibility criteria. However, the prior AFDC Plan did not include juvenile justice or unlicensed relative programs (kinship care).

Also, ACF Program Instruction (TANF-ACF-PI-2015-02), effective on July 1, 2016, indicates the use of federal TANF funds to provide services to individuals who fall within the jurisdiction of the State's juvenile justice system do not meet any of the purposes of TANF unless previously authorized under the prior AFDC Plan. In addition, *Federal Register* 64:69 (12 April 1999) page 17,823 states that expenditures for residential care including services provided to children in the juvenile justice system do not meet any of the purposes of the TANF program.

Unlicensed relative placement services are unlicensed relatives who have placement of temporary abuse/neglect wards supervised by MDHHS or a contracted child placing agency that is eligible to receive foster care maintenance payments. These services are not allowed by the former AFDC Plan because they are not considered emergency foster care. These services could fall under TANF purpose 1, which allows the state to use funds to provide ongoing assistance and other benefits and services in "kinship care" situations where a child is placed with an adult relative; however, the TANF State Plan does not include "kinship care", non-emergency services, as an allowable activity.

AFDC Plan (Title IV-A) amendment approval, Attachment A, 3.a, Page 1, "Eligibility Conditions" criteria 3 states "A child at risk of out of home placement is living with one or both parents, or within 6 months prior to the month in which such assistance is requested has been living with a relative."

Cause

MDHHS believed that it included relevant data elements from MiSACWIS that were necessary to determine whether the claim should be considered a TANF Emergency Assistance expenditure.

Effect

MDHHS may have made emergency foster care payments on behalf of children who did not qualify for TANF federal reimbursement. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$28,291 - federally funded.

Recommendation

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

Management Views

MDHHS disagrees that a child with a dual court ward status should be ineligible for foster care abuse and neglect services. The child in the case identified was placed in foster care due to abuse/neglect and was also eligible for juvenile justice services; the TANF funded payments were for the youth's placement in foster care. The current TANF State Plan and the prior Aid to Families with Dependent Children (AFDC) Plan allow for emergency relief for emergency foster family care.

MDHHS disagrees that a child placed with an unlicensed relative should be ineligible for foster care abuse and neglect services. MDHHS's Emergency Assistance State Plan does not require that a child placed into foster care by court order be placed with a licensed relative. MDHHS utilized the child's status as a child placed in foster care due to abuse/neglect and the placement type and funding source to determine that this TANF funded payment was allowable.

MDHHS disagrees that the child was not living with a relative within the 6 months prior to the emergency removal from home. In this case, the youth did go absent immediately following the emergency removal and MiSACWIS only records the youth's physical placement on and after removal, not before. However, the youth's initial funding eligibility record supports that they were living with a specified relative within the 6 months prior to the emergency removal.

Auditor's Comments to Management Views

MDHHS may use TANF funds for emergency foster care services if those services were previously authorized under the prior AFDC Plan. However, the TANF-ACF-PI-2015-2 and Federal Register 64:69 (12 April 1999) page 17,823 specify that the use of federal TANF funds, including expenditures for residential care for individuals in the juvenile justice system do not meet any of the purposes of the TANF program. At the time of residential care, the child was in the juvenile justice system with a dual court ward status of abuse/neglect and delinquent. Consequently, these services were not authorized under the prior AFDC Plan and as a result, the child was not eligible for TANF funding.

In addition, unlicensed relative placement services are not allowed by the former AFDC plan since they are not considered emergency foster care.

Also, our review disclosed the child in question did not live with a relative within the 6 months prior to the emergency application/removal from home; therefore, those services are not eligible for TANF funding.

Therefore, the finding stands as written.

FINDING 2020-054

Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Employment and Training Payroll Costs

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable

Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558	
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF	10/01/2018 - Until Expended
	20 01 MI TANF	10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	20 01 MI TANF - \$76,262	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Department of Labor and Economic Opportunity	

Condition

MDHHS inappropriately claimed federal reimbursement from the TANF program for LEO's Food Assistance Employment and Training (FAE&T) payroll expenditures of \$76,262 which should have been claimed under the Supplemental Nutrition Assistance Program (SNAP).

LEO utilized Random Moment Sampling to identify costs for FAE&T Program activities. MDHHS and LEO have an interagency agreement that provides for the use of SNAP funds for these activities.

Criteria

Subpart E of federal regulation 2 *CFR* 200 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the administration of the federal award, be in accordance with the relative benefits received by the program, and be consistent with policies and procedures that apply to both the federal award and other activities of the state.

Cause

MDHHS informed us that it included these expenditures in its TANF claim for reimbursement because LEO inadvertently identified these as TANF funded during its Random Moment Sampling process.

Effect

MDHHS inappropriately received federal TANF reimbursement for expenditures that should have been reimbursed from SNAP. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$76,262 - federal share of payments.

Recommendations

We recommend that MDHHS claim federal reimbursement from SNAP for LEO's FAE&T payroll expenditures.

We also recommend that LEO allocate FAE&T costs identified from its Random Moment Sampling process to SNAP.

Management Views

MDHHS and LEO agree with the finding.

FINDING 2020-055

Temporary Assistance for Needy Families, CFDA 93.558, Special Tests and Provisions - Penalty for Refusal to Work

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Penalty for Refusal to Work
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-044
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately document its determination for granting good cause for 3 (5%) of 61 TANF recipients reviewed who were not participating in employment-related activities.

Criteria

Federal regulation 45 *CFR* 261.14 requires MDHHS to reduce or terminate assistance of those recipients who refuse to engage in work and are not subject to good cause exceptions established by MDHHS. MDHHS's TANF State Plan states that if a person fails at application to participate in employment-related activities without good cause, the family is ineligible for assistance and that if a recipient fails to participate in employment-related activities without good cause, the family loses its eligibility for assistance for a minimum of three calendar months and up to a lifetime sanction. In addition, Bridges Eligibility Manual item 233A requires MDHHS to document the good cause determination in Bridges on the noncooperation screen as well as in the case comments.

Cause

MDHHS informed us that this was an oversight.

Effect

MDHHS may have inappropriately paid TANF funds to individuals who were ineligible because of failure to comply with employment requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS appropriately document its determination for granting good cause for TANF recipients who do not participate in employment-related activities.

Management Views

MDHHS agrees with the finding.

FINDING 2020-056

Temporary Assistance for Needy Families, CFDA 93.558, Special Tests and Provisions - Lack of Child Care for Single Custodial Parent of Child Under Age Six

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Temporary Assistance for Needy Families: CFDA 93.558
Federal Award Identification Number (FAIN) and Year	19 01 MI TANF 10/01/2018 - Until Expended 20 01 MI TANF 10/01/2019 - Until Expended
Total Expenditures of Federal Awards	\$705,765,794
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Lack of Child Care for Single Custodial Parent of Child Under Age Six
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-045
State Agency	Michigan Department of Health and Human Services

Condition

In 1 (9%) of the 11 case records reviewed, MDHHS did not properly determine TANF benefits when a parent did not engage in required employment-related activities because of their inability to obtain needed child care for a child under the age of six.

Criteria

Federal regulation 45 *CFR* 261.15(a) states that MDHHS may not reduce or terminate assistance based on an individual's refusal to engage in required work if the recipient is a single custodial parent caring for a child under age six who has a demonstrated inability to obtain needed child care. Federal regulation 45 *CFR* 261.56(a) specifies the reasons for demonstrating inability to obtain needed child care are that appropriate child care is not within a reasonable distance, informal child care by a relative or under other arrangements is unavailable or unsuitable, or formal child care is not appropriate and affordable. MDHHS's policies and procedures require that a claim of good cause, including inability to obtain needed child care, must be verified and documented in the case file.

Cause

MDHHS informed us that controls were not sufficient to ensure that the local office staff reinstated the case after the good cause determination was documented in the client's case record.

Effect

MDHHS inappropriately discontinued TANF benefits for an eligible family. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS properly determine TANF benefits when a parent cannot engage in required employment-related activities because of their inability to obtain needed child care for a child under the age of six.

Management Views

MDHHS agrees with the finding.

FINDING 2020-057

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

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Low-Income Home Energy Assistance: CFDA 93.568 and 93.568 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI LIEA 10/01/2018 - 09/30/2020 20 01 MI LIEA 10/01/2019 - 09/30/2021 20 01 MI LIE4 10/01/2019 - 09/30/2021 20 01 MI E5C3 03/27/2020 - 09/30/2021
Total Expenditures of Federal Awards	\$192,097,267
Total COVID-19 Expenditures	\$30,850,756
Compliance Requirement(s)	Eligibility
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	20 01 MI LIEA - \$6,245
Repeat Finding	2019-064
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client eligibility; examples include the verification of the client's income, eligible household size, and proof of energy crisis for 15 (42%) of 36 sampled LIHEAP-funded State Emergency Relief (SER) energy payments.

Criteria

Federal law 42 USC 8624 requires that the State expend funds in accordance with the LIHEAP State Plan and allows MDHHS to use LIHEAP funds to intervene in energy-related crisis situations and assist eligible households to meet the costs of home energy.

MDHHS policy requires county/district office caseworkers to verify and include certain assets or income of SER group members during intake in order to determine eligibility for SER energy services. Also, the policy states that the payment amount must match the amount on the past due or shut-off notice.

In addition, federal regulation 45 CFR 96.30 requires that MDHHS's fiscal control and accounting procedures permit the tracing of LIHEAP funds to document that MDHHS did not use LIHEAP funds in violation of restrictions and prohibitions of LIHEAP laws and federal regulations.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure that county/district office caseworkers adhered to established policies and procedures.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS may have made payments on behalf of ineligible recipients and because of the high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

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

- \$6,245 - LIHEAP-funded SER energy payments.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-058

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

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing and CFDA Number	Foster Care - Title IV-E: CFDA 93.658 and 93.658 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	1901MIFOST	10/01/2018 - 09/30/2019
	2001MIFOST	10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$134,712,248	
Total COVID-19 Expenditures	\$3,395,195	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2019-066	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not submit accurate financial reports to ACF. Our review of the Foster Care - Title IV-E Program quarterly financial reports noted that MDHHS overstated the Institutional Care caseload amounts by a combined 100 cases in the second quarter and 15 cases in the third quarter for our two sampled counties.

Criteria

Federal regulation 2 *CFR* 200.302(b)(2) requires grantees to submit accurate financial data in accordance with a grant program's reporting requirements. The reporting instructions include specific details for reporting information such as expenditures and information on children assisted for the quarter that has just ended.

Cause

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

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS improve its internal control and submit accurate Foster Care - Title IV-E Program financial reports.

Management Views

MDHHS agrees with the finding.

FINDING 2020-059

Adoption Assistance, CFDA 93.659, Matching, Level of Effort, and Earmarking and Reporting - Annual Adoption Savings Calculation and Accounting Report

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Adoption Assistance: CFDA 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	19 01 MI ADPT 10/01/2018 - 09/30/2019 20 01 MI ADPT 10/01/2019 - 09/30/2020
Total Expenditures of Federal Awards	\$113,921,669
Total COVID-19 Expenditures	\$6,561,141
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking and Reporting
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2019-069
State Agency	Michigan Department of Health and Human Services

Condition

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

MDHHS utilizes a query to determine applicable only status and non-applicable status cases to calculate the required savings for applicable only status cases. We noted the following in our review of MDHHS's query results:

- a. One (3%) of the 30 cases determined by MDHHS to be applicable only status was not accurately accounted for in this status. The status was actually non-applicable and MDHHS inappropriately reported savings associated with this case.
- b. MDHHS did not rerun its corrected query to report accurate savings for fiscal years 2015, 2016, and 2017. The amount of savings reported for these fiscal years is \$20,602,079 (42%) of the total cumulative \$49,458,957 savings reported on the fiscal year 2020 report.

Criteria

Federal law 42 *USC* 673 (a)(8)(A) requires MDHHS to calculate savings realized as a result of applying revised eligibility requirements during the fiscal year.

Federal law 42 *USC* 673(a)(8)(D)(i) requires MDHHS to spend an amount equal to the calculated savings on any service provided to children of families under Part B or E of Title IV of the federal Social Security Act.

Federal laws 42 *USC* 673(a)(8)(B)(ii) and 42 *USC* (a)(8)(B)(iii) require MDHHS to report annually to HHS the savings realized and how the savings were spent on the Annual Adoption Savings Calculation and Accounting Report.

Cause

For part a., MDHHS informed us that it worked with the federal government to develop the query to calculate the savings; however, inaccurate query criteria were not always detected.

For part b., MDHHS informed us that competing priorities impacted its ability to rerun its query to determine the accurate savings for the prior fiscal years.

Effect

MDHHS may have improperly calculated savings and inaccurately reported the information to HHS. We consider this to be a material weakness because the prior year's savings amounts for the uncorrected fiscal years is 42% of the total savings reported. The federal grantor agency could issue sanction or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2020-060

Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036 , Reporting - Accuracy of Financial Reports

Federal Agency	U.S. Department of Homeland Security
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Disaster Grants - Public Assistance (Presidentially Declared Disasters): CFDA 97.036 and 97.036 (COVID-19)
Federal Award Identification Number (FAIN) and Year	4195DRMIP00000001 09/25/2014 4381DRMIP00000001 08/02/2018 4494DRMIP00000001 03/27/2020 4547DRMIP00000001 07/09/2020
Total Expenditures of Federal Awards	\$131,969,106
Total COVID-19 Expenditures	\$123,877,183
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency

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

Condition

MSP did not submit accurate financial reports to the U.S. Department of Homeland Security (DHS). MSP submits quarterly reports for each Presidentially declared disaster project to DHS. Our review of 4 sampled project quarterly reports disclosed:

- a. MSP understated the total recipient share required for all 4 sampled financial reports. We noted:
 - (1) For disaster project 4381, MSP understated the recipient's share by \$937,053 and \$1,034,247 in the third and fourth quarter reports, respectively.
 - (2) For disaster project 4494, MSP understated the recipient's share by \$9,511,967 and \$11,749,535 in the third and fourth quarter reports, respectively.
- b. MSP understated the recipient share of expenditures for 2 of 4 sampled financial reports. For disaster project 4381, MSP understated the recipient's share by \$426,254 and \$683,845 in the third and fourth quarter reports, respectively.

Criteria

Federal regulation 2 *CFR* 200.302(b)(2) requires grantees to submit accurate financial data in accordance with a grant program's reporting requirements. The reporting instructions include specific details for reporting information, such as recipient share of expenditures.

Cause

MSP informed us that the errors resulted from an inaccurate federal financial participation rate used to calculate and report the recipient's share of expenditures, which was not detected during MSP's approval process.

Effect

MSP may have diminished DHS's ability to ensure appropriate oversight and monitoring of Disaster Grants - Public Assistance (Presidentially Declared Disasters) funds. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MSP improve its internal controls and submit accurate financial reports to DHS.

Management Views

MSP agrees with the finding.

FINDING 2020-061

Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036, Subrecipient Monitoring - Subrecipient Audits

Federal Agency	U.S. Department of Homeland Security
Pass-Through Entity	Not Applicable
Assistance Listing and CFDA Number	Disaster Grants - Public Assistance (Presidentially Declared Disasters): CFDA 97.036 and 97.036 (COVID-19)
Federal Award Identification Number (FAIN) and Year	4195DRMIP00000001 09/25/2014 4381DRMIP00000001 08/02/2018 4494DRMIP00000001 03/27/2020 4547DRMIP00000001 07/09/2020
Total Expenditures of Federal Awards	\$131,969,106
Total COVID-19 Expenditures	\$123,877,183
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of State Police

Condition

MSP did not appropriately monitor its subrecipients to ensure that they complied with the Uniform Guidance. MSP utilized a tracking sheet to identify those subrecipients that required a single audit and a checklist to document its review of subrecipient single audits. We noted:

- a. MSP did not include 17 (77%) of 22 subrecipients on its 2019 tracking sheet. We determined that 4 (24%) of these 17 subrecipients required a single audit. We reviewed the Federal Audit Clearinghouse (FAC) and noted these 4 single audit reports were submitted to the FAC in fiscal year 2020. MSP should have completed its management reviews and issued any required decision letters for 3 of these reports during fiscal year 2020.
- b. MSP did not appropriately identify or document if a subrecipient required a single audit for 2 of 5 subrecipients on its tracking sheet. Therefore, MSP did not monitor these subrecipients to ensure the status or submission of their single audit reports. We verified that both subrecipients obtained the required single audits.
- c. MSP did not fully document its review of the single audit reports for 2 sampled subrecipients. We noted MSP did not verify the accuracy of its subaward information reported on the subrecipients' SEFAs. We reviewed the related audit reports and noted that 1 subrecipient reported its public assistance disaster expenditures with an inaccurate CFDA number.

Criteria

Federal regulation 2 CFR 200.501 requires non-federal entities who expend \$750,000 or more in federal awards during their fiscal year to obtain a single audit for that fiscal year. Also, federal regulation 2 CFR 200.331(f), as amended by *Federal Register* 85:157 (13 August 2020), pages 49,557 and 49,558, requires the pass-through entity to verify that these subrecipients are audited as required by Subpart F of the Uniform Guidance, Audit Requirements, when it is expected that the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded the \$750,000 threshold. In addition, federal regulation 2 CFR 200.521 requires MSP to issue a management decision letter on the appropriateness of all audit findings

related to its federal awards and the subrecipient's corrective action plan within six months of receiving the related single audit report.

Cause

For parts a. and b., MSP informed us that the employee assigned to review single audits misread the query to identify subrecipients, which led to some fiscal year 2019 subrecipients not being included for review.

For part c., MSP informed us that limited resources impacted its ability to review subrecipients' expenditures reported on the SEFA.

Effect

MSP limited the State's assurance that subrecipients complied with grant requirements and implemented correction action for audit findings to prevent future sanctions or disallowed costs, which could necessitate adjustments to MSP's records. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MSP appropriately monitor its subrecipients to ensure that they comply with the Uniform Guidance.

Management Views

MSP agrees with the finding.

Findings Identified by Other Auditors

FINDING 2020-062

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-002.

FINDING 2020-063

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-003.

FINDING 2020-064

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-004.

FINDING 2020-065**Unemployment Insurance, CFDA 17.225**

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-005.

FINDING 2020-066**Unemployment Insurance, CFDA 17.225**

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-006.

FINDING 2020-067**Unemployment Insurance, CFDA 17.225**

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-007.

AUDITEE SECTION



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

DAVID P. MASSARON
DIRECTOR

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2020

Prior Audit Findings Related to Financial Statements

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2018
Finding Title: Improved guidance and oversight needed for third party service organization monitoring.

Finding: The State should enhance its oversight of third-party service organizations.

Current Status: State agencies and the Office of Internal Audit Services (OIAS) partially corrected the deficiencies noted in the finding. State agencies and OIAS corrected parts a., b., c.(1), and c.(2) of the finding.

Reason(s) For Recurrence: For part c.(3), the Michigan Department of Health and Human Services (MDHHS) had competing priorities that resulted in delays with reviewing Service Organization Controls (SOC) reports. In addition, the OIAS form was updated during May 2020. For part c.(4), MDHHS experienced delays in receiving one SOC report from the vendor as they were finalizing the report with the SOC auditors. In addition, MDHHS did not identify the two subservice contractors referenced in the initial subcontractor's SOC report until the initial subcontractor's SOC report was received and reviewed. For part c.(5), MDHHS continues to improve the SOC report review process.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2018
Finding Title: Improvements needed to limit access to confidential information in SIGMA.

Finding: Various State agencies did not sufficiently limit access to confidential information to appropriate users of the information in the Statewide Integrated Governmental Management Applications (SIGMA) system.

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

Reason(s) For Recurrence: For part a., the confidential information was not redacted properly, as it could be viewed upon magnification, but was not visible to the naked eye. For part b., corrective action was still in progress during fiscal year 2020 and involved modification of various subsystems as well as collaboration between MDHHS and the Department of Technology, Management, and Budget (DTMB).

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

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: Finding 3

Initial Year Written: Fiscal Year 2013

Finding Title: Continued improvements needed to processes for establishing and monitoring tax receivables and payables.

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

Current Status: Treasury and OFM partially corrected the deficiencies noted in the finding. Treasury and OFM corrected parts b., d., and h. of the finding.

Reason(s) For Recurrence: For part a., specific internal control weaknesses identified were different in nature than the prior audit and prior year corrective addition did not address the issues noted for fiscal year 2020. For parts c. and g., recurrence is due to resource constraints. For part e., Treasury was in the process of refining new report scripts and did not fully implement its planned corrective actions in fiscal year 2020. For part f., recurrence was due to a training issue.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 4, parts a. and e. through h.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: Finding 4

Initial Year Written: Fiscal Year 2019

Finding Title: MiCARS Internal Control

Finding: Various State agencies should improve the Michigan Cashiering and Receivable System (MiCARS) internal control to help ensure the completeness and accuracy of the State of Michigan (SOM) Comprehensive Annual Financial Report.

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

Reason(s) For Recurrence: Corrective action was not fully implemented during fiscal year 2020 due to limited resources, necessary system enhancements and the need to look at various types of transactions.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 5
Initial Year Written: Fiscal Year 2019
Finding Title: Improvements needed for interface controls
Finding: The Michigan Department of Transportation (MDOT) and Michigan State Police (MSP) did not establish and implement complete interface controls over SIGMA to ensure that all data exchanged between SIGMA and other State information systems was processed completely, accurately, and timely.

Current Status: MDOT and MSP partially corrected the deficiencies noted in the finding. MDOT corrected part a. of the finding.

Reason(s) For Recurrence: For part b., MSP began implementation of corrective action; however, work from home, the hiring freeze and lack of time did not allow for complete correction. A significant amount of financial resources were dedicated to financial transactions related to the pandemic. The limited resources did not allow for updating and reviewing procedures.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 6
Initial Year Written: Fiscal Year 2017
Finding Title: Improvements needed to various departments' financial accounting practices.

Finding: Various State agencies and OFM, within SBO, did not have sufficient internal control to help ensure the accuracy of the accounting information recorded in the SOM Comprehensive Annual Financial Report.

Current Status: State agencies and OFM partially corrected the deficiencies noted in the finding. Part e.(3) is no longer applicable. The methodology was re-evaluated and it was determined that deficiencies did not exist for financial statement purposes. State agencies and OFM corrected parts a. through d., e.(2), f., g., h.(1), and h.(3).

Reason(s) For Recurrence: For part e.(1), corrective action was delayed in fiscal year 2020 due to competing priorities. For part h.(2), MDOT did

not implement corrective action until December 2020 because time was needed to design and implement controls.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 6, parts a.(1), and b.(3).

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 7
Initial Year Written: Fiscal Year 2018
Finding Title: Improvement needed for financial accounting practices related to capital assets.

Finding: Various State agencies and OFM, within SBO, did not have sufficient internal control in place to ensure the existence and accuracy of the State's capital assets recorded in the SOM Comprehensive Annual Financial Report.

Current Status: State agencies and OFM partially corrected the deficiencies noted in the finding. State agencies and OFM corrected part b. of the finding.

Reason(s) For Recurrence: The Department of Natural Resources did not fully implement its planned corrective actions in fiscal year 2020 because time was needed to update policies and procedures and train staff. DTMB review procedures did not ensure that equipment was properly removed from SIGMA upon disposal in all instances.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 8
Initial Year Written: Fiscal Year 2012
Finding Title: Improvements needed to MDOT accounts payable.

Finding: MDOT did not have sufficient internal control in place to evaluate the dates of service when processing payments and liquidating prior year accounts payable estimates.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: Finding 9
Initial Year Written: Fiscal Year 2019
Finding Title: Medicaid payables and receivables
Finding: MDHHS should enhance internal control to prevent, or detect and correct, misstatements and help ensure the accuracy of Medicaid accruals.

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

Reason(s) For Recurrence: Corrective action was delayed in fiscal year 2020 due to competing priorities.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 6, part a.(1).

Prior Audit Findings Related to Federal Awards

Audit Period: October 1, 2016 through September 30, 2017
Finding Number: 2017-021
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, Subrecipient Monitoring - Subaward Information

Finding: The Michigan Department of Education (MDE) did not report to its subrecipients all subaward information as required by the Uniform Guidance.

Current Status: MDE partially corrected the deficiencies noted in the finding. MDE corrected part b. of the finding in fiscal year 2018.

Reason(s) for Recurrence: The information needed is pulled from several sources and the Office of Health and Nutrition Services (OHNS) is migrating to a new operating system, NexSys, which caused delays. The ticket to initiate corrective action was not opened until fiscal year 2021.

Corrective Action: A ticket was opened during fiscal year 2021 with a Michigan Nutrition Data information technology (IT) contractor within MDE to include the indirect cost rate and the closeout terms and conditions on the Grant Award Notifications (GANs). MDE anticipates corrective action will be complete by January 2022.

Audit Period: October 1, 2017 through September 30, 2018
Finding Number: 2018-022
Initial Year Written: Fiscal Year 2016
Finding Title: DTMB, Procurement and Suspension and Debarment - Lack of Required Contract Provisions

Finding: DTMB did not include all applicable required provisions in 15 (83%) of 18 sampled contracts of federal awards executed during fiscal year 2018.

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

Audit Period: October 1, 2017 through September 30, 2018
Finding Number: 2018-028
Initial Year Written: Fiscal Year 2018
Finding Title: Child and Adult Care Food Program, CFDA 10.558, Subrecipient Monitoring - Subaward Information

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

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

Reason(s) for Recurrence: The information needed is pulled from several sources and OHNS is migrating to a new operating system. NexSys, which caused delays. The ticket to initiate corrective action was not opened until fiscal year 2021.

Corrective Action: A ticket was opened during fiscal year 2021 with an MDE IT contractor within MDE to include the indirect cost rate and the closeout terms and conditions on the GANs. MDE anticipates corrective action by January 2022.

Audit Period: October 1, 2017 through September 30, 2018
Finding Number: 2018-035
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Procurement and Suspension and Debarment - Procurement Procedures

Finding: The Department of Military and Veterans Affairs (DMVA) did not ensure that all procurements followed State policies and procedures.

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

Audit Period: October 1, 2017 through September 30, 2018
Finding Number: 2018-038
Initial Year Written: Fiscal Year 2018
Finding Title: Highway Planning and Construction Cluster, CFDA 20.205 and 20.219, Cash Management - Timeliness of Cash Draws

Finding: MDOT did not request vendor and construction payment cash draws in accordance with the Cash Management Improvement Act (CMIA) agreement. In addition, MDOT did not report complete and accurate information to Treasury for noncompliant cash draws.

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

Audit Period: October 1, 2017 through September 30, 2018

Finding Number:	2018-040
Initial Year Written:	Fiscal Year 2018
Finding Title:	Title I Grants to Local Educational Agencies, CFDA 84.010, Subrecipient Monitoring - Management Decisions
Finding:	MDE did not issue the required management decisions in a timely manner for 1 (13%) of 8 subrecipient single audit reports with findings selected for review.
Current Status:	MDE corrected the deficiencies noted in the finding as of October 2019.
Audit Period:	October 1, 2017 through September 30, 2018
Finding Number:	2018-042
Initial Year Written:	Fiscal Year 2018
Finding Title:	Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Eligibility - Eligibility Determinations
Finding:	MDHHS did not complete eligibility determinations in a timely manner for 6 (16%) of 38 case records reviewed.
Current Status:	The Department of Labor and Economic Opportunity (LEO) corrected the deficiencies noted in the finding.
Audit Period:	October 1, 2017 through September 30, 2018
Finding Number:	2018-081
Initial Year Written:	Fiscal Year 2018
Finding Title:	Homeland Security Biowatch Program, CFDA 97.091, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Improper Employee Activity Charged
Finding:	The Department of Environment, Great Lakes, and Energy (EGLE) internal control over travel and personnel costs were not effective and resulted in the issuance of disciplinary action for 4 employees and 1 supervisor, including the dismissal of 2 employees.
Current Status:	EGLE corrected the deficiencies noted in the finding as of August 1, 2020.
Audit Period:	October 1, 2018 through September 30, 2019
Finding Number:	2019-001
Initial Year Written:	Fiscal Year 2018
Finding Title:	Access Limitations for Confidential Information in SIGMA
Finding:	MDHHS, the Department of Licensing and Regulatory Affairs (LARA), and MDE did not sufficiently limit access to confidential information to appropriate users of the information in SIGMA.

Current Status: The departments partially corrected the deficiencies noted in the finding. LEO corrected part b. of the finding related to the Vocational Rehabilitation Grants to States program.

Reason(s) For Recurrence: For part a., LEO and SIGMA developers encountered delays as they weighed options for determining the most cost-effective solution. Remediation efforts continue for removal of previously housed information; however, the system changes to correct the ongoing deficiency have been implemented.

MDHHS remediation efforts continue; however, the system changes to correct the deficiency were not implemented at the time of review. All modifications were completed by March 31, 2021

For part b., the inclusion of transaction support with client information was due to staff oversight.

Corrective Action: See corrective action for Finding 2020-001.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-002
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Interface and Change Controls

Finding: MDHHS and DTMB did not ensure that effective interface and change controls were implemented for the Bridges Integrated Automated Eligibility Determination System (Bridges) related to eligibility and benefit level for the 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 Children's Health Insurance Program (CHIP).

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

Reason(s) For Recurrence: For parts a. and b., MDHHS and DTMB determined that consistent design requirements were not in place when the Bridges interfaces were designed and implemented. The Bridges Modernization project, which includes work related to this process, has been paused.

For part c., the coronavirus disease of 2019 (COVID-19) State of Emergency resulted in many priorities being shifted to support emergency activities.

Corrective Action: See corrective action for Finding 2020-003.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-003

Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Security Management and Access Controls

Finding: MDHHS and DTMB had not established effective security management and access controls over Bridges users.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. DTMB corrected part e. of the finding as of December 2019.

Reason(s) For Recurrence: For part a., MDHHS internal control and monitoring activities were not sufficient to ensure that incompatible role exception requests were maintained and updated annually.

For parts b. and f., MDHHS internal control and monitoring activities were not sufficient to ensure timely completion and maintenance of security monitoring reports because of a lack of resources.

For part c., DTMB's development of an organization-wide security framework for database security configuration management was not completed during fiscal year 2020.

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

For part g., MDHHS internal control and monitoring activities need improvement to ensure timely completion and maintenance of security monitoring reports.

For part h., MDHHS has developed reports to identify some high-risk transactions processed by non-local office users; however, the reports did not identify all high-risk transactions.

Corrective Action: See corrective action for Finding 2020-004.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-004
Initial Year Written: Fiscal Year 2016
Finding Title: Income Eligibility and Verification System

Finding: MDHHS and DTMB did not request and obtain Income Eligibility and Verification System (IEVS) information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs.

Current Status:	<p>MDHHS and DTMB partially corrected the deficiencies noted in the finding. MDHHS corrected part g. of the finding.</p> <p><u>Reason(s) For Recurrence:</u> For parts a. through d., MDHHS and DTMB devoted valuable IT resources to the Bridges Modernization Project rather than correcting deficiencies in the current version of Bridges. The Bridges Modernization project has been paused.</p> <p>For parts e. and h., MDHHS disagreed and did not implement corrective action.</p> <p>For part f., COVID-19 priorities have resulted in staffing and time constraints.</p> <p><u>Corrective Action:</u> See corrective action for Finding 2020-006.</p>
Audit Period: Finding Number: Initial Year Written: Finding Title:	<p>October 1, 2018 through September 30, 2019</p> <p>2019-005</p> <p>Fiscal Year 2016</p> <p>ADP Security Program</p>
Finding:	MDHHS and DTMB did not ensure that a comprehensive automated data processing (ADP) security program was established for information systems used to administer their federal programs.
Current Status:	<p>MDHHS and DTMB did not correct the deficiencies noted in the finding.</p> <p><u>Reason(s) For Recurrence:</u> MDHHS and DTMB have focused resources on federal and State mandates while also maintaining operational needs and addressing IT security risks highlighted in prior audits. Limited resources at MDHHS and DTMB have caused delays in the completion of a comprehensive ADP security program.</p> <p><u>Corrective Action:</u> See corrective action for Finding 2020-007.</p>
Audit Period: Finding Number: Initial Year Written: Finding Title:	<p>October 1, 2018 through September 30, 2019</p> <p>2019-006</p> <p>Fiscal Year 2014</p> <p>MiSACWIS Security Management and Access Controls</p>
Finding:	MDHHS and DTMB had not established effective security management and access controls over the Michigan Statewide Automated Child Welfare Information System (MiSACWIS).
Current Status:	<p>MDHHS and DTMB partially corrected the deficiencies noted in the finding. DTMB corrected part d. of the finding as of December 2019.</p> <p><u>Reason(s) For Recurrence:</u> For parts a. and b., MDHHS local office security coordinators and security administrators did not always follow</p>

established policies and procedures regarding granting of MiSACWIS access. MDHHS was still in the process of implementing the Database Security Application (DSA) during fiscal year 2020.

For part c., MDHHS had not yet finished developing and implementing the process on a Statewide basis due to resource constraints needed to develop and implement the process on a Statewide basis.

For part e., MDHHS was establishing a process to identify and monitor high-risk transactions; however, this process was not in place during fiscal year 2020.

For part f., MDHHS was still in the process of implementing the DSA during fiscal year 2020.

Corrective Action: See corrective action for Finding 2020-008.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-007
Initial Year Written: Fiscal Year 2013
Finding Title: CHAMPS Security Management and Access Controls

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

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. DTMB corrected part b. of the finding as of December 2019.

Reason(s) For Recurrence: For part a., DTMB implemented new operating system standards; however, DTMB was still in the process of developing an organization-wide security framework for database security during fiscal year 2020.

For part c., corrective action was not implemented until March 2020 due to competing priorities.

For part d., the system used for periodically reviewing user access was designed for reviewing access annually.

Corrective Action: See corrective action for Finding 2020-009.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-008
Initial Year Written: Fiscal Year 2018
Finding Title: EGrAMS Security Management and Access Controls

Finding: MDHHS had not established effective security management and access controls over Electronic Grants Administration and Management System (EGrAMS) users.

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

Reason(s) For Recurrence: For part a., user access is recertified and rolled forward each year based on the original approved and signed access form because of the nature of grant agreements. Also, the checklist used for the annual recertification is a job aid that is discarded after the reviewer completes the recertification.

Corrective Action: See corrective action for Finding 2020-010.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-009
Initial Year Written: Fiscal Year 2013
Finding Title: MDE, IT General Controls

Finding: MDE and DTMB did not fully establish effective general controls over the Michigan Electronic Grants System Plus (MEGS+), Cash Management System (CMS), and Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS).

Current Status: MDE and DTMB corrected part a. of the finding as of September 2020 and corrected part b. of the finding as of April 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-010
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, IT Security Management and Access Controls

Finding: MDE did not fully establish effective security management and access controls over MEGS+, CMS, and GEMS/MARS.

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

Reason(s) For Recurrence: For part a., MDE experienced unprecedented challenges related to COVID-19 and the transition to remote work; therefore, alternative procedures were implemented during the transition.

For part b., MDE was not aware it needed to include review of all non-MDE privileged users.

For part c., MDE is still in consultation with DTMB to understand the State's changes to IT standards regarding verifying non-privileged accounts.

Corrective Action: See corrective action for Finding 2020-011.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-011
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Completeness and Accuracy of the PACAP

Finding: MDHHS did not ensure that it had a complete and accurate narrative in its amended Public Assistance Cost Allocation Plan (PACAP).

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-012
Initial Year Written: Fiscal Year 2014
Finding Title: MDHHS, PACAP - Inappropriate PACAP Allocation

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

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-013
Initial Year Written: Fiscal Year 2018
Finding Title: MDHHS, Cash Management - Cash Management Process

Finding: MDHHS did not follow its established cash draw process to prepare reimbursement requests in accordance with the CMIA. In addition, MDHHS did not report complete and accurate information to Treasury for noncompliant cash draws.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected the deficiencies noted in the finding for the Disability Insurance/Supplemental Security Income (SSI) Cluster and part a. for the Substance Abuse Prevention and Treatment Block Grant (SAPT) program. Part b. is no longer applicable for SAPT as this program was not included in the CMIA agreement for fiscal year 2020. MDHHS did not correct the deficiencies noted for the programs included in Finding 2020-013 and for the Vocational Rehabilitation Grants to States program.

Reason(s) for Recurrence: For part a., MDHHS had not yet fully developed a grant draw tracking database at the time of review due to staffing limitations, as well as competing priorities.

Corrective Action: See corrective action for Finding 2020-013 and 2020-032.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-014
Initial Year Written: Fiscal Year 2018
Finding Title: MDHHS, Subrecipient Monitoring - Subaward Information

Finding: MDHHS did not report to its subrecipients all subaward information as required by the Uniform Guidance.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected the deficiencies noted in the finding for TANF and the Child Support Enforcement (CSE) programs. For the Crime Victim Assistance program, MDHHS corrected the deficiencies related to the Federal Award Identification Number, however, MDHHS did not correct the deficiencies related to the federal award date. MDHHS did not correct the deficiencies noted for the programs included in Finding 2020-014 and the Block Grants for Prevention and Treatment of Substance Abuse program.

Reason(s) for Recurrence: For part a., the information was not available at the time that MDHHS developed and executed the subawards and MDHHS did not amend the subawards to include the information once it became known.

For part b. and c., human error led to providing its subrecipients with incorrect information.

Corrective Action: See corrective action for Finding 2020-014.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-015
Initial Year Written: Fiscal Year 2008
Finding Title: MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Beneficiary Eligibility

Finding: MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for Medicaid services for 6 (11.2%) of 54 Medicaid cases and 22 (51.2%) of 43 CHIP cases.

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

Reason(s) for Recurrence: For part a., MDHHS did not properly consider all available beneficiary information when determining beneficiary eligibility because of system issues and staff actions.

For part b., internal controls were not always sufficient to ensure that documentation was retained.

Corrective Action: See corrective action for Finding 2020-016.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-016
Initial Year Written: Fiscal Year 2018
Finding Title: MDHHS, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; and Matching, Level of Effort, and Earmarking - Expenditure Processing for Medical Payments

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

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

Reason(s) For Recurrence: Due to funding limitations and competing IT priorities, there were delays in prioritizing the Bridges enhancement to correct eligibility classifications for development.

Corrective Action: See corrective action for Finding 2020-017.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-017
Initial Year Written: Fiscal Year 2015
Finding Title: MDHHS - Transitional Medicaid and CHIP Eligibility

Finding: MDHHS did not ensure that renewals were processed on a timely basis for beneficiaries receiving transitional medical assistance.

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

Reason(s) for Recurrence: There was a breakdown of internal processes that caused the delay in timely renewals of some beneficiaries within the transitional medical assistance aid category. COVID-19 priorities have also delayed implementation of corrective action.

Corrective Action: See corrective for Finding 2020-018.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-018
Initial Year Written: Fiscal Year 2017

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

Finding: MDHHS did not maintain documentation to support that eligibility records with identified errors and excluded from eligibility interface processing for 8 (53%) of 15 sampled daily interface runs were investigated, corrected, and resubmitted for processing as appropriate. Also, MDHHS did not investigate, correct, and resubmit for processing in a timely manner eligibility records with identified errors for 1 (7%) of 15 sampled daily interface runs.

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

Reason(s) For Recurrence: MDHHS staffing was not sufficient to ensure timely remediation. COVID-19 priorities have also delayed implementation of corrective action.

Corrective Action: See corrective action for Finding 2020-019.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-019

Initial Year Written: Fiscal Year 2008

Finding Title: MDHHS, Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility

Finding: MDHHS did not obtain all required disclosures or ensure that disclosures were timely updated and approved in CHAMPS for the Prepaid Inpatient Health Plan (PIHP) entities, MI Choice Waiver Program (MI Choice) entities, Medicaid Health Plan entities, the Dental Health Plan entity, or the Pharmacy Benefits Manager during the audit period. In addition, MDHHS did not monitor its MI Choice entities' network of providers to ensure that the providers entered into provider agreements and made required disclosures.

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

Reason(s) for Recurrence: Due to staff turnover and limited staff resources, MDHHS was unable to timely update and approve all required disclosures. In addition, limited resources resulted in the MI Choice entities' network of providers not being monitored for provider agreements and required disclosures.

Corrective Action: See corrective action for Finding 2020-021.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-020

Initial Year Written: Fiscal Year 2018

Finding Title: SNAP Cluster, CFDA 10.551 and 10.561, Special Tests and Provisions - System and Organization Controls

Finding: MDHHS could improve its monitoring effectiveness of general controls, such as security, for the subservice organizations that provide various services to the State's electronic benefits transfer service provider.

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

Reason(s) for Recurrence: Due to competing priorities, MDHHS was not able to fully research and evaluate the significance of services provided by the subcontractor's subservice providers.

Corrective Action: See corrective action for Finding 2020-024.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-021

Initial Year Written: Fiscal Year 2015

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

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

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. DTMB corrected part b. as of December 2019.

Reason(s) for Recurrence: DTMB had not fully implemented all database specific configuration standards at the time of review.

Corrective Action: See corrective action for Finding 2020-026.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-022

Initial Year Written: Fiscal Year 2019

Finding Title: WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Allowable Costs/Cost Principles - MI-WIC User Access

Finding: MDHHS did not fully establish effective access controls over MI-WIC users.

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

Reason(s) For Recurrence: The semiannual user reviews were in development in September 2020 and were not fully implemented until fiscal year 2021.

Corrective Action: See corrective action for Finding 2020-027.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-023
Initial Year Written: Fiscal Year 2018
Finding Title: WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Special Tests and Provisions - Compliance Buys of High-Risk Vendors

Finding: MDHHS did not conduct compliance buys on a minimum of 5% of the 1,604 vendors authorized by MDHHS as of October 1, 2018.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-024
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Period of Performance - Propriety of Expenditures

Finding: DMVA did not ensure that supervisors properly approved 3 (10%) of 29 sampled employee timesheets.

Current Status: DMVA corrected the deficiencies noted in the finding as of December 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-025
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Cash Management - Timeliness of Cash Draws

Finding: DMVA did not fully design its cash draw process to prepare reimbursement requests in accordance with the CMIA agreement. In addition, DMVA did not report complete and accurate information to Treasury for noncompliant cash draws.

Current Status: DMVA did not correct the deficiencies noted in part a. of the finding. The deficiencies noted in part b. of the finding are no longer applicable. CFDA 12.401 is not included in the CMIA agreement for fiscal year 2020.

Reason(s) for Recurrence: For part a., DMVA's practice was to send the airbase billings for a particular month all at one time. Also, DMVA waits for actual in-kind assistance amounts before sending billings to the federal government in order to reflect the correct federal share.

However, this causes DMVA to consistently bill much later than 60 days after the month's close or potentially bill without sufficient funding.

Corrective Action: DMVA has changed their practice to send the reimbursement request as soon as sufficient funding is available. Also, DMVA has reached out to the United States Property and Fiscal Office (USPFO) for guidance on billing for in-kind assistance.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-026
Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Ineligible Requests for Reimbursement

Finding: DMVA did not ensure that it had executed cooperative agreement modifications with sufficient funding before it submitted 57 (10%) of 593 requests for reimbursement of program expenditures totaling \$2,415,424 to the USPFO.

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

Reason(s) for Recurrence: DMVA did not account for estimated in-kind assistance when calculating funding available.

Corrective Action: DMVA will adjust its process to properly factor in the in-kind assistance amount.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-027
Initial Year Written: Fiscal Year 2018
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Notifications for Appendices Exceeding 90% Threshold

Finding: DMVA did not notify the USPFO when 2 (17%) of 12 fiscal year 2019 appendices exceeded 90% of the Annual Funding Program (AFP) limitation amount.

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

Reason(s) for Recurrence: Recurrence was due to an oversight.

Corrective Action: DMVA management will review the spreadsheets monthly to check if the percentage of AFP obligated exceeds 90%.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-028

Initial Year Written: Fiscal Year 2016
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Disclosure of Obligations

Finding: DMVA did not properly disclose obligations of \$18,875 for 2 (14%) of 14 program expenditures on extension requests sent to the USPFO.

Current Status: DMVA corrected the deficiencies noted in the finding as of June 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-029
Initial Year Written: Fiscal Year 2018
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401, Period of Performance - Timeliness of Appendix Final Accounting

Finding: DMVA did not submit on a timely basis a final accounting of all funding and disbursements for 2 (10%) of 21 appendix agreements that closed during fiscal year 2019.

Current Status: DMVA corrected the deficiencies noted in the finding as of June 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-030
Initial Year Written: Fiscal Year 2019
Finding Title: Grants to States for Construction of State Home Facilities, CFDA 64.005, Cash Management - Overdrawn Funds

Finding: DMVA overdraw \$31,875 in federal funds during fiscal year 2019 for construction costs that it did not pay to the contractor.

Current Status: DMVA corrected the deficiencies noted in the finding as of July 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-031
Initial Year Written: Fiscal Year 2019
Finding Title: Grants to States for Construction of State Home Facilities, CFDA 64.005, Procurement and Suspension and Debarment - Required Provisions

Finding: DMVA and DTMB did not include all applicable required provisions in both contracts executed during fiscal year 2019 for the construction of two new veterans homes.

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

Reason(s) for Recurrence: Recurrence was due to a misunderstanding of which award documents needed modification.

Corrective Action: The departments will complete another modification to add the provisions.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-032
Initial Year Written: Fiscal Year 2019
Finding Title: Grants to States for Construction of State Home Facilities, CFDA 64.005, Special Tests and Provisions - Wage Rate Requirements

Finding: DMVA and DTMB did not ensure that the State complied with wage rate requirements for the two federally funded veterans home construction projects valued at \$71,000,266 and \$62,969,063.

Current Status: DMVA and DTMB corrected the deficiencies noted in the finding. The departments corrected part a. of the finding as of April 2021 and DMVA corrected part b. of the finding as of June 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-033
Initial Year Written: Fiscal Year 2018
Finding Title: Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management - Cash Management Process

Finding: LARA did not design its cash draw process to prepare reimbursement requests in accordance with the CMIA Agreement. In addition, LEO was responsible for completing the annual interest report and did not report complete and accurate information to Treasury for these noncompliant cash draws.

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

Reason(s) for Recurrence: LEO misunderstood and overestimated how long it took for draw requests to be fulfilled. In addition, internal control and monitoring activities were insufficient to ensure that complete information was reported to Treasury.

Corrective Action: See corrective action for Finding 2020-032.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-034
Initial Year Written: Fiscal Year 2019
Finding Title: Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Matching, Level of Effort, and Earmarking - Pre-Employment Transition Services Earmarking Threshold

Finding: LARA and MDHHS did not design its State Vocational Rehabilitation Services earmarking process to ensure that it reserved and expended

sufficient pre-employment transition services based on the federal grant award.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-035
Initial Year Written: Fiscal Year 2019
Finding Title: Supporting Effective Instruction State Grants, CFDA 84.367, Subrecipient Monitoring - Management Decisions

Finding: MDE did not issue required management decisions in a timely manner for 1 (14%) of 7 subrecipient single audit reports with findings selected for review.

Current Status: MDE corrected the deficiencies noted in the finding as of October 2019.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-036
Initial Year Written: Fiscal Year 2019
Finding Title: Student Support and Academic Enrichment Program, CFDA 84.424, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Use of Funds

Finding: MDE did not ensure that 2 (20%) of 10 of the local educational agencies that received \$30,000 or more in Student Support and Academic Enrichment Program funds used a portion of the funds to support one or more activities pertaining to the effective use of technology.

Current Status: MDE corrected the deficiencies noted in the finding as of September 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-037
Initial Year Written: Fiscal Year 2018
Finding Title: Aging Cluster, CFDA 93.044, 93.045, and 93.053, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - AIS FIRST User Access

Finding: MDHHS did not establish effective access controls over Aging Information System (AIS) Financial Information Reporting System Tool (FIRST) application users.

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

Reason(s) for Recurrence: MDHHS provided the user roles necessary for the individual's job responsibilities even if the role was not identified on the paper security agreement. MDHHS was in the process of implementing improved AIS FIRST system functionality to better manage AIS FIRST access and access rights.

Corrective Action: MDHHS replaced the paper security agreements with AIS FIRST system functionality during October 2019 to better manage AIS FIRST access and access rights.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-038
Initial Year Written: Fiscal Year 2011
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Non-Financial Eligibility Documentation

Finding: MDHHS did not maintain sufficient non-financial case record documentation to support client eligibility for 11 (55%) of 20 sampled TANF Cluster assistance case records.

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

Reason(s) for Recurrence: MDHHS did not have sufficient controls in place to ensure that required verification documentation was maintained in the client's case record. In addition, MDHHS initially suspended the fugitive felon policy because of litigation and as a result, MDHHS did not require workers to follow-up on any client's unanswered fugitive felon questions.

Corrective Action: See corrective action for Finding 2020-049.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-039
Initial Year Written: Fiscal Year 2014
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Special Tests and Provisions - Income Eligibility Documentation

Finding: MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility.

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

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

Corrective Action: See corrective action for Finding 2020-050.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-040
Initial Year Written: Fiscal Year 2017
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Lack of Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Finding: MDHHS did not conduct an annual eligibility redetermination to ensure that the adoptive family met eligibility requirements for 1 (5%) of 19 sampled TANF Cluster-funded adoption subsidy case records.

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

Reason(s) for Recurrence: Controls were not sufficient to ensure that the required documentation was obtained prior to issuing benefit payments.

Corrective Action: See corrective action for Finding 2020-051.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-041
Initial Year Written: Fiscal Year 2019
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Foster Care Assistance

Finding: MDHHS inappropriately claimed for federal reimbursement TANF Cluster funded foster care expenditures of \$2,065,385 for services related to the unlicensed relative and enhanced foster care programs which were not included in MDHHS's TANF State Plan.

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

Reason(s) for Recurrence: MDHHS disagreed and did not implement corrective action.

Corrective Action: See corrective action for Finding 2020-052.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-042
Initial Year Written: Fiscal Year 2018
Finding Title: TANF Cluster, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Emergency Foster Care Assistance

Finding: MDHHS did not appropriately consider a child's household circumstances to ensure that the child met eligibility requirements for 1 (8%) of 12 sampled TANF Cluster-funded emergency foster care case records.

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

Reason(s) for Recurrence: MDHHS disagreed and did not implement corrective action.

Corrective Action: See corrective action for Finding 2020-053.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-043
Initial Year Written: Fiscal Year 2016
Finding Title: TANF Cluster, CFDA 93.558, Special Tests and Provisions - Child Support Non-Cooperation

Finding: MDHHS did not appropriately and timely sanction TANF Cluster families who did not cooperate with establishing paternity and child support orders in 8 (13%) of the 60 case records reviewed.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-044
Initial Year Written: Fiscal Year 2016
Finding Title: TANF Cluster, CFDA 93.558, Special Tests and Provisions - Penalty for Refusal to Work

Finding: MDHHS did not appropriately apply refusal to work sanction requirements for 4 (7%) of the 61 TANF Cluster cases reviewed.

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

Reason(s) for Recurrence: Lack of documentation was due to staff oversight.

Corrective Action: See corrective action for Finding 2020-055.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-045
Initial Year Written: Fiscal Year 2019
Finding Title: TANF Cluster, CFDA 93.558, Special Tests and Provisions - Lack of Child Care for Single Custodial Parent of Child Under Age Six

Finding: In 1 (8%) of the 12 case records reviewed, MDHHS did not properly determine TANF Cluster benefits when a parent did not engage in required employment-related activities because of their inability to obtain needed child care for a child under the age of six.

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

Reason(s) for Recurrence: Controls were not sufficient to ensure that the local office staff reinstated the case after the good cause determination was documented in the client's case record.

Corrective Action: See corrective action for Finding 2020-056.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-046

Initial Year Written: Fiscal Year 2019

Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - MWBC Child Care System User Access

Finding: LARA did not establish effective access controls over Michigan Workforce Background Check (MWBC) Child Care System users.

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

Reason(s) for Recurrence: LARA had not fully developed and implemented an Access and Security Agreement form that clearly defines MWBC Child Care System user access roles and requires users to abide by applicable federal and state laws and LARA security policies.

Corrective Action: See corrective action for Finding 2020-033.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-047

Initial Year Written: Fiscal Year 2005

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

Finding: MDE and MDHHS did not ensure compliance with federal laws and regulations relating to client eligibility for CCDF Cluster child care payments for 7 (18%) of 40 cases.

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

Reason(s) for Recurrence: Internal control and monitoring activities were not sufficient to ensure that MDHHS maintained or appropriately

considered the required verification documentation in the client's case record to support eligibility.

Corrective Action: See corrective action for Finding 2020-034.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-048
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, Cash Management - Cash Management Process

Finding: MDE did not follow its established cash draw process and prepare reimbursement requests in accordance with the CMIA agreement for the CCDF Cluster. In addition, MDE did not report complete and accurate information to Treasury for noncompliant cash draws.

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

Reason(s) for Recurrence: For part c., MDE did not implement corrective action until after fiscal year 2020.

Corrective Action: For part c., MDE changed its CMIA tracking spreadsheet and began to use Treasury's receipt date to record the revenue starting October 1, 2020.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-049
Initial Year Written: Fiscal Year 2019
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Provider Health and Safety Requirements

Finding: MDE and LARA did not maintain sufficient documentation to support that child care providers met applicable health and safety requirements to be eligible for CCDF Cluster payments.

Current Status: MDE and LARA partially corrected the deficiencies noted in the finding. The departments corrected parts b. and e. of the finding during fiscal year 2020.

Reason(s) for Recurrence: For part a. LARA had not updated its licensing rules by the end of fiscal year 2019. The licensing rules were updated in December 2019. For part c. LARA had not fully developed and implemented a checklist of required health and safety topics to be completed at each licensing visit. For parts d. and f., LARA had not fully revised its policy regarding interim inspections and documentation.

Corrective Action: See corrective action for Finding 2020-035.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-050
Initial Year Written: Fiscal Year 2011
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, Special Tests and Provisions - Fraud Detection and Repayment

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

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

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

Reason(s) for Recurrence: The delinquency date for collections had not been programmed into the Bridges Benefit Recovery System to allow for automated tracking of delinquent claims and MDE had not established a manual recoupment policy for MDHHS's collection and referral of claims to Treasury.

Corrective Action: See corrective action for Finding 2020-037.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-051
Initial Year Written: Fiscal Year 2017
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Payments on Behalf of Ineligible Beneficiaries

Finding: MDHHS did not ensure that beneficiary eligibility was updated in CHAMPS.

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

Reason(s) for Recurrence: Because of system and interface issues in both Bridges and CHAMPS, eligibility information was not always properly updated, resulting in beneficiaries appearing eligible in CHAMPS and payments being processed based on that eligibility.

Corrective Action: See corrective action for Finding 2020-038.

Audit Period: October 1, 2017 through September 30, 2018
Finding Number: 2019-052

Initial Year Written: Fiscal Year 2018
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - MiAIMS User Access

Finding: MDHHS did not establish effective access controls over Michigan Adult Integrated Management System (MiAIMS) users.

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

Reason(s) for Recurrence: Due to limited resources, MDHHS had not fully developed or implemented the new process for the approval and monitoring of MiAIMS user access at the time of review. The process was fully implemented as of March 31, 2021.

Corrective Action: See corrective action for Finding 2020-039.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-053
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Ineligible HHP Payments

Finding: MDHHS did not ensure that Home Help Program (HHP) clients met HHP eligibility criteria prior to paying for HHP services.

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

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

Corrective Action: See corrective action for Finding 2020-040.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-054
Initial Year Written: Fiscal Year 2015
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Health Services and Documentation

Finding: MDHHS did not ensure that home health agencies always maintained appropriate documentation.

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

Reason(s) for Recurrence: Standard notifications have not resolved the issue of plans of care with missing information.

Corrective Action: See corrective action for Finding 2020-041.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-055

Initial Year Written: Fiscal Year 2019

Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Home Help Payment Oversight

Finding: MDHHS did not review home help provider invoices to help ensure that home help payments were reflective of the services provided, accurately calculated, and properly approved.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of the finding in June 2020.

Reason(s) for Recurrence: For part a., system changes will take several years to fund and develop.

For part b., staff provided inadequate worker documentation in case files to support a full instrumental activities of daily living payment.

Corrective Action: See corrective action for Finding 2020-042.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-056

Initial Year Written: Fiscal Year 2013

Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Agency Provider Overpayments

Finding: MDHHS did not ensure that providers paid at the agency rate were on MDHHS's list of approved agencies.

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

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-057

Initial Year Written: Fiscal Year 2013

Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking - Practitioner Reimbursement

Finding: MDHHS did not ensure proper payment of practitioner fee-for-service claims.

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

Reason(s) for Recurrence: Eligibility and enrollment are not static, and CHAMPS is not the system of record for eligibility. CHAMPS must make payments to fee-for-service providers and managed care entities based upon the eligibility and enrollment on the system at the time the payment is made.

Corrective Action: See corrective action for Finding 2020-043.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-058
Initial Year Written: Fiscal Year 2019
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Special Tests and Provisions - MARIS User Access

Finding: MDHHS did not establish effective access controls over Medicaid Audit Recovery and Investigation System (MARIS) users.

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

Reason(s) for Recurrence: For part b., when a user access request did not specify the level of access needed, MDHHS established the user's role based on the needs of their position.

Corrective Action: See corrective action for Finding 2020-045.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-059
Initial Year Written: Fiscal Year 2018
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Special Tests and Provisions - Long-Term Care Facility Audits

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

Current Status: The deficiencies noted for the finding are no longer applicable because MDHHS obtained a state plan amendment effective November 1, 2019 that removed the requirement to conduct on-site visits at least once every four years.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-060
Initial Year Written: Fiscal Year 2019

Finding Title:	Immunization Cooperative Agreements, CFDA 93.268, Period of Performance - Expenditures Incurred Outside the Period of Performance
Finding:	MDHHS requested and received reimbursement of \$363,694 for local health department immunization action plan expenditures which were incurred outside the period of performance noted in the federal grant award.
Current Status:	MDHHS corrected the deficiencies noted in the finding as of June 2020.
Audit Period:	October 1, 2018 through September 30, 2019
Finding Number:	2019-061
Initial Year Written:	Fiscal Year 2018
Finding Title:	Immunization Cooperative Agreements, CFDA 93.268, Special Tests and Provisions - MCIR General Controls
Finding:	MDHHS and DTMB did not fully establish effective general controls over the Michigan Care Improvement Registry (MCIR).
Current Status:	MDHHS and DTMB partially corrected the deficiencies noted in the finding. DTMB corrected part c. as of December 2019.
	<u>Reason(s) for Recurrence:</u> For part a., MDHHS had not fully implemented a process to document Change and Release Management requirements during the audit period.
	For part b., DTMB had not fully implemented all database specific configuration standards.
	<u>Corrective Action:</u> For part a., MDHHS began using a new change management system and has new procedures documented and fully implemented. Contract ownership will shift from MDHHS to DTMB during fiscal year 2023.
	For part b., DTMB will develop an organization-wide security framework for database security configuration management.
Audit Period:	October 1, 2018 through September 30, 2019
Finding Number:	2019-062
Initial Year Written:	Fiscal Year 2018
Finding Title:	Immunization Cooperative Agreements, CFDA 93.268, Special Tests and Provisions - MCIR User Access Controls
Finding:	MDHHS did not establish effective access controls over MCIR users.
Current Status:	MDHHS corrected the deficiencies noted in the finding during November 2019.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-063
Initial Year Written: Fiscal Year 2019
Finding Title: Child Support Enforcement, CFDA 93.563, Period of Performance - Use of Incorrect Federal Grant Funds for Reimbursement

Finding: MDHHS did not ensure that it requested reimbursement for CSE expenditures using the appropriate federal CSE grant funds.

Current Status: The deficiencies noted in the finding are no longer valid based on a federal management decision on this issue.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-064
Initial Year Written: Fiscal Year 2016
Finding Title: Low-Income Home Energy Assistance, CFDA 93.568, Eligibility - Eligibility Determinations

Finding: MDHHS did not maintain sufficient documentation of its efforts to evaluate client eligibility, including the verification of the client's income, assets, and past due notifications received from energy providers for 11 (34%) of 32 sampled LIHEAP-funded State Emergency Relief energy payments.

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

Reason(s) for Recurrence: MDHHS's internal control and monitoring activities were not sufficient to ensure that county/district office caseworkers adhered to established policies and procedures.

Corrective Action: See corrective action for Finding 2020-057.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-065
Initial Year Written: Fiscal Year 2017
Finding Title: Foster Care - Title IV-E, CFDA 93.658, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Eligibility - Background Checks

Finding: MDHHS did not ensure that all necessary foster home records checks and out-of-state child abuse and neglect registry checks were completed prior to issuing foster care maintenance payments.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-066
Initial Year Written: Fiscal Year 2018

Finding Title: Foster Care - Title IV-E, CFDA 93.658, Reporting - Accuracy of Financial Reports

Finding: MDHHS did not submit accurate financial reports to the U.S. Department of Health and Human Services' (HHS) Administration for Children and Families.

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

Reason(s) for Recurrence: MDHHS's internal control and monitoring activities were not sufficient to ensure that financial reports were accurate.

Corrective Action: See corrective action for Finding 2020-058.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-067
Initial Year Written: Fiscal Year 2018
Finding Title: Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking - Payments to Ineligible Participants

Finding: MDHHS did not ensure that adoption assistance payments were made to eligible adoptive parents for 20 (48%) of 42 cases identified by MDHHS as potential ineligible program payments.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-068
Initial Year Written: Fiscal Year 2019
Finding Title: Adoption Assistance, CFDA 93.659, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking – Adoption Assistance Payments

Finding: MDHHS did not ensure that adoption assistance payments to adoptive parents were accurately calculated in accordance with the negotiated rate for 3 (8%) of 40 cases reviewed.

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-069
Initial Year Written: Fiscal Year 2015
Finding Title: Adoption Assistance, CFDA 93.659, Matching, Level of Effort, and Earmarking and Reporting - Annual Adoption Savings Calculation and Accounting Report

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

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

Reason(s) for Recurrence: MDHHS worked with the federal government to develop a query to calculate the savings; however, inaccurate query criteria were not always detected.

Corrective Action: See corrective action for Finding 2020-059.

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-070

Initial Year Written: Fiscal Year 2017

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

Finding: MDHHS did not have adequate controls in place to help ensure that it would meet the maintenance of effort requirement for State expenditures.

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

Audit Period: October 1, 2018 through September 30, 2019

Finding Number: 2019-071

Initial Year Written: Fiscal Year 2016

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

Finding: MDHHS did not evaluate 12 (43%) of 28 subrecipients' risk of noncompliance with program requirements. In addition, MDHHS did not consider subrecipient risk assessment scores when determining appropriate monitoring activities.

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

Reason(s) for Recurrence: The risk of noncompliance was not properly evaluated because MDHHS's Bureau of Community Services did not have a cohesive monitoring activities protocol among its divisions during the fiscal year.

Corrective Action: MDHHS's Bureau of Community Services staff will develop a risk monitoring activities protocol that is cohesive across all divisions, including for SAPT. As part of this development, the Bureau is researching all potential options for remediation including the development of appropriate site visit tools and monitoring schedules for its various divisions. The Bureau will also determine if the PIHP site visit schedule will aid with risk monitoring for multiple divisions.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-072
Initial Year Written: Fiscal Year 2019
Finding Title: Disability Insurance/SSI Cluster, CFDA 96.001, Reporting - Accuracy of Reports

Finding: MDHHS did not report the correct number of hours that the Disability Insurance/SSI Cluster employees worked in its fiscal year 2019 third quarter Time Report of Personnel Services for Disability Determination Services (SSA-4514).

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

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-073
Initial Year Written: Fiscal Year 2017
Finding Title: Unemployment Insurance, CFDA 17.225

Finding: See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2019, Finding 2019-001

Current Status: The Unemployment Insurance Agency (UIA) did not correct the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Summary Schedule of Prior Audit Findings, Finding 2019-001

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-074
Initial Year Written: Fiscal Year 2017
Finding Title: Unemployment Insurance, CFDA 17.225

Finding: See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2019, Finding 2019-002

Current Status: UIA did not correct the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Summary Schedule of Prior Audit Findings, Finding 2019-002

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-075
Initial Year Written: Fiscal Year 2019
Finding Title: Unemployment Insurance, CFDA 17.225

Finding: See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2019, Finding 2019-003

Current Status: UIA corrected the deficiencies noted in the finding in 2021. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Summary Schedule of Prior Audit Findings, Finding 2019-003

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-076
Initial Year Written: Fiscal Year 2018
Finding Title: Unemployment Insurance, CFDA 17.225

Finding: See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Administration Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2019, Finding 2019-001

Current Status: UIA corrected the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Administration Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Summary Schedule of Prior Audit Findings, Finding 2019-001



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

DAVID P. MASSARON
DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 1

Calculating fund balance and net position

Management Views

The Office of Financial Management (OFM) and Michigan Department of Health and Human Services (MDHHS) agree that year-end closing procedures should be updated to ensure that guidance used during the year-end closing process is current and reflective of generally accepted accounting principles and State policy.

Planned Corrective Action

For part a.1., OFM will improve its written procedures for preparation and review of the net investment in capital assets entry. OFM corrected the calculations for the State Building Authority bond splits during year-end and will use this methodology moving forward.

For part a.2., OFM changed its approach for determining unspent proceeds for outstanding bonds for fiscal year 2020, and the calculation that resulted in the error is no longer used.

For part a.3., OFM will update written procedures to ensure the calculation includes the latest information.

For part b., OFM will update their written procedure to ensure that long-term receivables are correctly classified in the appropriate fund balance classification.

For part c., OFM will update their internal procedure to ensure that combined funds are correctly entered into the appropriate fund balance classification column of the Governmental Accounting Standards Board (GASB) 54 analysis spreadsheets.

For part d., MDHHS has updated their year-end procedures to include work project and maintenance operating project encumbrances in their year-end review and encumbrance roll process.

Anticipated Completion Date

Part a.1. OFM will update its written procedures by August 1, 2021.

Part a.2. Completed

Part a.3. OFM will update its written procedures by August 1, 2021.

Part b. June 30, 2021

Part c. June 30, 2021

Part d. Completed

Responsible Individual(s)

Part a. Tony Thelen and Brandon McAndrew, OFM

Part b. Anna Lewis, OFM

Part c. Anna Lewis, OFM

Part d. Steve Bendele, MDHHS

Finding 2

Financial accounting practices related to capital assets

Management Views

State agencies and OFM agree that internal controls related to the existence and accuracy of the State's capital assets should be improved.

Planned Corrective Action

For part a.1., the Department of Natural Resources (DNR) updated their equipment policy and procedures on November 5, 2020, which provides specific instructions on how to handle equipment disposals. Two departmentwide trainings were conducted February 23 and February 25 on the inventory piece of the policy which involved approximately 180 department staff. Additional training is being planned for the summer of 2021 to cover the remaining portions of the policy. DNR has also worked with the Michigan Department of Transportation (MDOT) Accounting Service Center (ASC) to implement additional reviews of equipment assets in the Statewide Integrated Governmental Management Applications system (SIGMA) during the year-end closing process to verify additions and disposals are completed timely and accurately. The Department of Technology, Management, and Budget (DTMB) will conduct more thorough reviews to validate the existence of information technology (IT) equipment assets and ensure assets are properly removed from SIGMA upon disposal.

For part a.2., DTMB will conduct more thorough reviews to ensure capital assets are properly recorded.

For part b. 1., the applicable amortization schedule was updated in fiscal year 2020. In addition, MDOT has implemented reporting solutions that will decrease the amount of manual involvement in the compilation of data.

For part b.2., DNR has implemented an additional control to review each land purchase included in the summary land entry at year-end to ensure any associated buildings are recorded properly and that we do not duplicate any assets as both land and buildings. DNR has also worked with the MDOT ASC to implement additional reviews of capital assets recorded in SIGMA to verify entries are recorded timely and accurately. DTMB will conduct more thorough reviews of costs related to software development projects to ensure that only development costs are appropriately capitalized.

Anticipated Completion Date

Part a.1. DNR: September 30, 2021

DTMB: December 2021

Part a.2. DTMB: Completed

Part b.1. MDOT, OFM: Completed

Part b.2. DNR: Completed

DTMB: Completed

Responsible Individual(s)

Part a.1. Amy Henderson, DNR
Rachel Hodge and Tim Martin, DTMB
Part a.2. Rachel Hodge and Tim Martin, DTMB
Part b.1. Tony Thelen, OFM
Adam Feldpausch, MDOT
Part b.2. Amy Henderson, DNR
Rachel Hodge and Tim Martin, DTMB

Finding 3

Access to confidential information in SIGMA

Management Views

State agencies and OFM agree and will implement procedures to limit access to confidential information to appropriate users of the information.

Planned Corrective Action

For part a.1., the Michigan Department of Corrections (MDOC) will use appropriate redaction software to ensure confidential information cannot be seen when magnified or will eliminate the documentation in SIGMA. MDOC is also in the process of working with SIGMA to have the applicable attachments already in SIGMA removed.

For part a.2., the Michigan Department of State (MDOS) reviewed all document attachments in SIGMA that would potentially have confidential data uploaded for fiscal year 2020 to ensure the data did not include confidential information. Documents were removed if they were not correctly redacted, and redacted documents were uploaded. Going forward, MDOS will redact confidential information on documents prior to uploading them into SIGMA. Training was provided to staff and documented to ensure that staff have the necessary knowledge to identify and redact confidential information on all documents prior to uploading into SIGMA.

For part b., the various MDHHS subsystems that interface to SIGMA, including the Michigan Statewide Automated Child Welfare Information System (MiSACWIS) and Bridges Integrated Automated Eligibility Determination System (Bridges), have been modified by DataStage to prevent personally identifiable information (PII) data from being interfaced into SIGMA Financial. In addition, modifications were made to SIGMA to accommodate the electronic funds transfer (EFT) remittance advice. Currently, SIGMA and DTMB are in the process of redacting PII information that was previously interfaced to SIGMA Financial. The redaction of all PII data in SIGMA Financial is on track to be completed by August 31, 2021.

Anticipated Completion Date

Part a.1. MDOC: September 30, 2021
Part a.2. MDOS: Completed
Part b. MDHHS: August 31, 2021

Responsible Individual(s)

Part a.1. Tori Ellison and Krista Ward, MDOC
Part b.1. Robin Keene, MDHHS
Part b.2. Lisa Brewer-Walraven, Michigan Department of Education (MDE)

Finding 4
Establishment and monitoring of tax receivables and payables

Management Views

The Michigan Department of Treasury (Treasury) and OFM agree that internal control related to tax accruals should continue to be improved.

Planned Corrective Action

Part a.1. Treasury has made corrections to the GASB 34 workbook excel formulas to eliminate the risk of understating assets and deferred inflows in the General Fund and School Aid Fund moving forward.

Part a.2. Treasury has updated procedures to mitigate understating current year corporate income tax (CIT) revenue used in the calculation of the estimated future CIT receivable which is used to book the General Fund assets and deferred inflows of resources in the governmental activities of the government-wide financial statements.

Part a.3. Treasury has updated its procedures to mitigate the overstatement of use tax revenues used in the estimate of the use tax receivables including the risk of double counting use tax revenues distributed to the Local Community Stabilization Authority.

Part b. The Treasury individual income tax (IIT) legacy system does not have the capability to be reconciled to SIGMA as the legacy system does not have a general ledger module. Compensating controls include reconciling all IIT revenue recorded in SIGMA to the State's banking records and bank statements. Treasury is currently working towards replacing the legacy system and the ability to reconcile to SIGMA is included in the new system specifications. Until the system is replaced Treasury will continue to rely on the compensating controls. The amounts noted by the OAG are estimated misstatements and not known misstatements as a true method to determine a known misstatement, if any, is not possible in the legacy system.

Part c. The design of the SAP report used for recording withholding payments for tax accruals relies on taxpayers to accurately file the correct filing period the payments apply to. If a taxpayer does not file a payment to the correct filing period it could be problematic for tax accrual reporting. Treasury agrees that further dialogue with State agencies may benefit the future accuracy of their filings.

Part d. Treasury will update procedures to reevaluate recorded CIT liabilities if the refund amount changes prior to the Annual Report's audit opinion date.

Part e. Treasury has developed additional procedures to enhance internal controls to ensure accuracy of tax accruals. Additional staff will be trained on these procedures.

Part f. Treasury, beginning in fiscal year 2020 closing, began creating scripts in SIGMA Business Intelligence to compare to the estimates used to book estimated November tax accruals calculated in the tax accrual database and subsequently booked in SIGMA. This process was close to being completed prior to book closing completion but not fully refined to a comprehensive process by the audit opinion date. This process will be fully functional for the fiscal year 2021 closing.

Part g. Treasury is working with DTMB to determine the actual availability and accuracy of a report in SAP that may allow for review and determination if a sales tax accrual should be booked to the Comprehensive Transportation Fund.

Part h. Desk procedures will be updated, and additional supervisory review will be completed to help ensure that there are not transposition errors on the collected data which could lead to a misstatement in the State Education Tax receivable.

Anticipated Completion Date

Part a. Completed

Part b. September 30, 2023

Part c. September 30, 2021

Part d. September 30, 2021

Part e. December 31, 2021

Part f. December 31, 2021

Part g. November 30, 2021

Part h. September 30, 2021

Responsible Individual(s)

Part a. Tim Johnson, Treasury

Part b. Tim Johnson, Treasury

Part c. Tim Johnson, Treasury

Part d. Mike Vincent, Treasury

Part e. Tim Johnson, Treasury

Part f. Tim Johnson, Treasury

Part g. Tim Johnson, Treasury

Part h. Larry Steckelberg, Treasury

Finding 5

MiCARS internal control

Management Views

State agencies and OFM agree that internal controls related to the Michigan Cashiering and Receivable System (MiCARS) transactions should continue to be enhanced to help ensure the completeness and accuracy of the Annual Report.

Planned Corrective Action

For part a., Michigan State Police (MSP) will update the Interface Feedback Reconciliation procedure to ensure all transaction types are reconciled and to have the results of the reconciliation reviewed by a separate individual to ensure completeness and accuracy.

For part b., MSP will update the Interface Feedback Reconciliation procedure to have the reconciliation conducted by a person that is separate from the person performing adjustments in MiCARS. Additional procedures will be written for monitoring the Interface Feedback Reconciliation process and reviewing all adjustments which will be done by separate individuals from those that perform the reconciliation and enter adjustments.

For part c., MSP implemented a new procedure on October 1, 2020, to require prior approval of manual invoices greater than \$25,000. A system enhancement of MiCARS to require approval of the entry of all manual invoices is in the testing phase and is expected to be implemented

prior to year-end 2021. MSP will write a procedure for approval and monitoring of invoice adjustments. The procedures will ensure that approval, entering and reviewing adjustments will be done by separate individuals. The Michigan Department of Agriculture and Rural Development (MDARD) will be working with the MDOT ASC regarding implementation of a new process where we select a sample of approved invoices sent to SIGMA. The testing of the sample will determine whether the amount entered into SIGMA matches the approved amount and whether the account coding is correct. MDOT will implement a monthly process where we select a sample approved invoices sent to SIGMA to ensure that the amount entered matches the approved amount. DNR will be implementing a new invoice approval enhancement within the MiCARS application. The Department of Environment, Great Lakes, and Energy (EGLE) will be reviewing procedures for all Drinking Water Lab invoices, refunds, deposits, and reclassifications as well as manual entries. Procedures will be updated as applicable to enhance internal controls.

Anticipated Completion Date

Part a. MSP: June 30, 2021

Part b. MSP: June 30, 2021

Part c. MSP, MDARD, MDOT: June 30, 2021

Part c. DNR: September 30, 2021

Part c. EGLE: December 31, 2021

Responsible Individual(s)

Parts a., and b., Doug Spitzley and Dave Morris, MSP

Part c. Doug Spitzley and Dave Morris, MSP; Sylvia Renteria, MDARD; Adam Feldpausch, MDOT; Sharon Schafer, DNR; Paul McDonald, EGLE

Finding 6

Various departments financial accounting practices

Management Views

State agencies and OFM agree that internal controls should be improved to help ensure the accuracy of the accounting information recorded in the Annual Report. However, for part a.(1)(c), MDHHS was aware of the Women, Infants, and Children (WIC) rebate receivable prior to any involvement from the Office of the Auditor General (OAG) and planned to correct the amount prior to closing.

Planned Corrective Action

Part a.1. MDHHS plans to record actual amounts for the Special Needs Access Fund liability and the WIC rebate receivable in mid-December of each year instead of recording estimates of these amounts early in the closing process and then adjusting them when actual payments are processed. MDHHS will evaluate the feasibility of developing a report that compares estimated Michigan Public Health Institute Electronic Grants Administration and Management System (EGrAMS) liabilities to actual payments and then adjusting to actual amounts when differences are material prior to future book closings. In addition, MDHHS is developing a training that will incorporate more information related to recording these liabilities at year-end.

Part a.2. MDHHS will work with applicable program offices to ensure the maintenance of sufficient documentation to support accounts payable recorded for the Foster Care program.

Part b.1. MDOT has updated its year-end processes to ensure the Gordie Howe International Bridge accounting entries are included in an applicable checklist.

Part b.2. MDOT will expand its outreach efforts and will provide additional training to staff on understanding payables. MDOT will also individually meet with program areas to provide guidance during year-end.

Part b.3. MDOT implemented an internal semi-annual review starting December 2020. The review will address any clean-up needed for user lists across the state.

Part c.1. DTMB has established a process to record administrative contract fee revenue in the year in which it is earned.

Part c.2. DTMB will continue to review and improve year-end accounting processes for information technology vendors to properly account for expenditures in the correct fiscal year when processing payments and establishing accounts payable.

Anticipated Completion Date

Part a.1. MDHHS: September 30, 2021

Part a.2. MDHHS: September 30, 2021

Part b.1. MDOT: Completed

Part b.2. MDOT: Completed

Part b.3. MDOT: Completed

Part c.1. DTMB: Completed

Part c.2. DTMB: December 2021

Responsible Individual(s)

Part a.1. Steve Bendele, MDHHS

Part a.2. Steve Bendele, MDHHS

Part b.1. Andrea Mowry, MDOT

Part b.2. Deb Brown, MDOT

Part b.3. Dan Burns, MDOT

Part c.1. Michelle Gleason and Jennifer Gibson, DTMB

Part c.2. Heather Hammond, DTMB

Finding 7

Third party service organization monitoring

Management Views

State agencies and OFM agree that internal controls related to the oversight of third party service organizations should continue to be enhanced.

Planned Corrective Action

For part a., agency procedures will be updated as needed as to help ensure appropriate and timely oversight of third party service organizations.

For part b., for one identified subservice provider, MDHHS will work with the identified vendor to obtain the required System and Organization Controls (SOC) report. The remaining identified subservice providers are subcontractors to a subcontractor. For these subservice providers,

MDHHS will evaluate the significance of the services these subservice providers may be providing and determine if MDHHS needs to obtain and review the SOC reports.

For part c., MDHHS will evaluate the Complementary User Entity Controls (CUEC) from the identified SOC reports on an annual basis and document the results on the required Office of Internal Audit Services template in the proper format. For one SOC report identified the CUECs were evaluated, reviewed, and copied to the required template during the audit period, but documentation of this review on the required template will be improved for future reviews.

Anticipated Completion Date

Part a. Treasury and MDOS: Completed

Part a. MDHHS: June 30, 2021

Part b. MDHHS: September 30, 2021

Part c. MDHHS: March 31, 2022

Responsible Individual(s)

Part a. Bruce Hanses, Treasury; Jeanette Hensler, Bagya Kodur, Andrew Piper, Anthony Spagnuolo, and Pratin Trivedi, MDHHS

Part b. Bagya Kodur, Andrew Piper, and Anthony Spagnuolo, MDHHS

Part c. Jeanette Hensler, Bagya Kodur, Andrew Piper, Anthony Spagnuolo, and Pratin Trivedi, MDHHS

Findings Related to Federal Awards

Finding 2020-001

Access Limitations for Confidential Information in SIGMA

Management Views

MDHHS, the Department of Labor and Economic Opportunity (LEO), and MDE agree with the finding.

Related to the Rehabilitation Services – Vocational Rehabilitation Grants to States program, Michigan Rehabilitation Services (MRS) and the Michigan Bureau of Services for Blind Persons (BSBP) both identified certain client PII within SIGMA payment records for a limited number of vendor transactions, so that the vendors could discern which client accounts they are receiving payment for.

A disclosure of client PII to LEO fiscal personnel by the State agencies for administration of the Vocational Rehabilitation (VR) program is permitted pursuant to 34 *CFR* 361.38(b). Therefore, LEO fiscal personnel viewing BSBP or MRS client PII in a SIGMA payment record does not create a deficient practice. BSBP and MRS were previously unaware that additional SIGMA users could also view this information. Once BSBP and MRS became aware of this issue they initiated action to end this practice.

Planned Corrective Action

For part a., MDHHS's Financial Support Division has continued to work collaboratively with subsystem leads, MDHHS Compliance, DTMB DataStage, and SIGMA to discuss the best approach to mitigate PII information in SIGMA. MDHHS has determined the most efficient and cost-effective way to mitigate PII information within SIGMA is with modifications to the data by DTMB DataStage and not the individual subsystems. In addition, modifications were made to

SIGMA to accommodate the EFT remittance advice. The free format remittance file is now sent directly from DataStage to SIGMA Vendor Self Service, where it is accessible to the vendor. All modifications were completed by March 31, 2021.

Currently, SIGMA and DTMB are in the process of redacting PII information that was previously interfaced to SIGMA Financial. The redaction of all PII data in SIGMA Financial is on track to be completed by August 31, 2021.

MDHHS's corrective actions are also applicable to the Child Care and Development Fund (CCDF) Cluster.

LEO collaborated with DTMB's Center for Solutions (CSS) and Enterprise Information Services and Business Intelligence (EIS/BI) to leverage the solution created with MDHHS. On May 19, 2021, modifications were completed and implemented that restricts the visibility of the PII necessary for vendors to properly apply BSBP or MRS payments on behalf of their clients. The PII no longer appears on the SIGMA remittance advice screen visible to other departments' staff. The payment information now appears in SIGMA Vendor Self Service, the secure State web portal where vendors log into their accounts and view the information. LEO is evaluating the need and steps necessary to redact PII data previously interfaced to SIGMA Financial.

For part b., MDHHS is no longer attaching documentation with confidential information into SIGMA. These documents are now being retained in Content Manager which has security restricted to only necessary MDHHS and audit staff. MDHHS fully implemented this process by October 31, 2018. During May 2021, MDHHS sent out a reminder to exclude PII information from supporting documentation.

Anticipated Completion Date

a. MDHHS: August 31, 2021

LEO: Modifications to restrict visibility of PII going forward are complete. An anticipated completion date related to evaluation and redaction of data previously interfaced has not yet been determined.

b. Completed

Responsible Individual(s)

a. Robin Keene, MDHHS

Mike Pemble and Bill Columbo, LEO

Nancy Palmateer and Ben Mulka DTMB

b. Kidada Smith, MDHHS

Finding 2020-002

SIGMA High-Risk Activity Monitoring

Management Views

LEO and MDOC agree with the finding.

Planned Corrective Action

For part a., LEO initiated a process in May 2021 to immediately address the backlog of unreviewed override reports covering the period January 1, 2021 through May 3, 2021. The assigned individual is tasked with completing two override reports per week – the current week's report plus one overdue from the prior period - until the backlog is eliminated. LEO also

increased supervisory oversight by requiring the individual tasked with completing the reviews to provide weekly status updates and verifiable evidence of work completed.

For part b., MDOC has been in communication with SIGMA Security regarding its internal monitoring process. MDOC has determined that monitoring reports MI-SW-0013 Summary of Overrides and MI-SW-0016 Bypass Approvals can be modified to include comment fields that are utilized by MDOC staff when performing bypass or override that will provide more efficient monitoring of MDOC's large number of bypass approvals and overrides. MDOC staff have met with SIGMA Security to implement some changes to the monitoring reports and continue to monitor high-risk activities to help management in identifying any anomalies that are discovered.

Anticipated Completion Date

a. December 31, 2021

b. August 1, 2021

Responsible Individual(s)

a. Elizabeth Berger, LEO

Lisa Simmer, LEO

b. Bidhan Redey, MDOC

Finding 2020-003

Bridges Interface Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., based on MDHHS's authorization, DTMB resumed work on developing the file control and batch summary tables used to reconcile the Bridges interfaces, which will 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., DTMB, in conjunction with MDHHS, is establishing procedures to account for interfaced records and to ensure records identified with errors and excluded from interface processing are investigated, corrected, and resubmitted for processing as appropriate.

For part c., during May 2021, the MDHHS Compliance and Data Governance Bureau re-evaluated the current inventory of data sharing agreements and believes that all data sharing agreements are now in place.

Anticipated Completion Date

a. and b. August 31, 2021

c. Completed

Responsible Individual(s)

a. and b. Nathan Buckwalter and Cindy Peruchietti, DTMB

c. Jim Bowen and Deon Nelson, MDHHS

Finding 2020-004
Bridges Security Management and Access Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For parts a., b., d., and e., MDHHS will develop and implement the Database Security Application (DSA) Bridges form which establishes a method to document user access request approval electronically; a method to more completely document incompatible role approval electronically; and methods to more completely and regularly monitor users utilizing the DSA Periodic Access Review (PAR) and/or Form Initiated Renewal on Expiration processes which automatically creates appropriate renewal requests along with automatically submitting drop access requests for users that have not completed the required periodic and/or renewal access review.

For part c., DTMB is developing an organization-wide security framework for database security configuration management.

For part f., MDHHS established a monthly documentation and storage repository in May 2020 for all Bridges local office high-risk transaction report reconciliations. MDHHS will also continue to work with Application Security to provide trainings, job aids, and webinars through the Information Security SharePoint page.

For part g., to ensure timeliness issues are addressed, MDHHS's Economic Stability Administration (ESA) implemented a process for receiving and reviewing the high-risk transactions reports in May 2020 and sent guidance to staff during June 2021 to begin using eSignatures and dates.

Anticipated Completion Date

- a., b., d., and e. MDHHS has not yet determined an anticipated completion date due to budget concerns.
- c. DTMB has not yet determined an anticipated completion date.
- f. Ongoing
- g. Completed

Responsible Individual(s)

- a., b., d., and e. Deon Nelson and Jim Bowen, MDHHS
- c. Cindy Peruchietti and Nathan Buckwalter, DTMB
- f. Candy Calvert, MDHHS
- g. Candy Calvert and Laurie Johnson, MDHHS

Finding 2020-005
Bridges Change Management Process

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

MDHHS and DTMB transitioned to a new change management tool as of September 30, 2020. The new change management tool contains documentation of testing results, approvals to implement changes in the production environment, and post implementation approvals.

Anticipated Completion Date

Completed

Responsible Individual(s)

Cindy Peruchietti, DTMB
Nathan Buckwalter, DTMB
Candy Calvert, MDHHS

Finding 2020-006

Income Eligibility and Verification System

Management Views

MDHHS and DTMB agree with parts a. through d., f., g., and i. of the finding. MDHHS disagrees with parts e. and h. of the finding.

For part e., MDHHS disagrees that the Income Eligibility and Verification System (IEVS) information is required to be requested and obtained for recipients funded by Temporary Assistance for Needy Families (TANF) adoption subsidies. Guidance from the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF) states that if income or citizenship and alienage are not eligibility criteria for receipt of the benefit, then verification of income or citizenship and alienage through IEVS is unnecessary. Citizenship and alienage are not eligibility criteria for adoption subsidy as eligibility is based on the child and not the adoptive parents.

For part h., MDHHS disagrees that IEVS information is required to be requested and obtained for modified adjusted gross income (MAGI) based recipients since eligibility is verified upon determination through the MAGI eligibility determination process and then granted for a 12-month continuous eligibility period. Requesting and obtaining IEVS information throughout the eligibility period would be irrelevant since eligibility is continuous.

Planned Corrective Action

For part a., MDHHS and DTMB are still working to establish effective processing controls over Bridges interfaces to ensure that the data exchanged between Bridges and IEVS data sources are processed accurately, completely, and timely (see Finding 2020-003, Bridges Interface Controls).

For parts b., c., and d., related to TANF, the Supplemental Nutrition Assistance Program (SNAP) Cluster, and Medicaid Cluster, MDHHS's ESA 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. ESA is unable to make any technical changes at this time due to budget constraints.

For part e., MDHHS will update the TANF State Plan to specify that income, social security number, criminal background, and citizenship validation is only required at initial eligibility.

For part f., MDHHS will continue to work internally, and with the National Technical Information Service and the Social Security Administration, to be able to download and utilize the Death Master file.

For part g., MDHHS has now resumed its regular process and will obtain all quarterly wage records going forward.

For part h., MDHHS disagrees and does not intend to take further action.

For part i., the 13 files that were identified as missing had issues due to the eligibility archival backup process on various migrations that took place in 2020. The migrations have now been completed and the eligibility archival process has been returned to a stable state.

Anticipated Completion Date

- a. August 31, 2021
- b., c., and d. Ongoing
- e. September 30, 2021
- f. MDHHS has not yet determined an anticipated completion date.
- g. Completed
- h. Not applicable
- i. Completed

Responsible Individual(s)

- a. and i. Cindy Peruchietti and Nathan Buckwalter, DTMB
- b., c., d., and g. Terrence Beurer, Joshua Rivera, Dawn Sweeney, MDHHS
- e. Kenton Schulze, MDHHS
- f. Brant Cole, MDHHS
- h. Logan Dreasky, MDHHS

Finding 2020-007
ADP Security Program

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

MDHHS will work with DTMB Agency Services on developing a plan, utilizing the Michigan Continuity Management Solution service to perform the following:

For part a., MDHHS will develop business continuity plans for the systems identified with missing plans and MDHHS will review and test the plans identified with missing elements.

For part b., MDHHS will assess, identify, and prioritize the completion of the disaster recovery plans (DRP) for the systems cited in the audit finding in accordance with the State of Michigan Technical Standard 1340.00.070.02 (Information Technology Disaster Recovery Planning Standard). DTMB will support the completion of the DRPs as well as the testing of the necessary DRPs based on this assessment and based on guidance in the identified standard. Budget constraints could impact the completion and testing of the DRPs; as such, the corrective action implementation date has not yet been determined.

Anticipated Completion Date

- a. April 21, 2022
- b. MDHHS has not yet determined an anticipated completion date.

Responsible Individual(s)

Jack Harris, DTMB
Cindy Peruchietti, DTMB
Nathan Buckwalter, DTMB
Dave Roach, DTMB
Jim Bowen, MDHHS

Finding 2020-008

MiSACWIS Security Management and Access Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For parts a., b., and e., MDHHS is still working to implement the DSA, which will establish a method to document user access request approval electronically, a method to more completely document incompatible role approval electronically, and methods to more completely and regularly monitor users by automatically removing access for users that have not submitted appropriate renewal requests and automatically removing access for privileged users that have not received a required periodic access review.

For part c., DTMB is developing an organization-wide security framework for database security configuration management.

For part d., MDHHS, along with DTMB, is still working on identifying and documenting the high-risk transactions within the MiSACWIS application and to develop the procedures for properly monitoring those transactions. A plan for implementing and maintaining those procedures will also be completed.

Anticipated Completion Date

- a., b., and e. July 31, 2021
- c. DTMB has not yet determined an anticipated completion date.
- d. February 28, 2022

Responsible Individual(s)

- a., b., e. Jim Bowen and Deon Nelson, MDHHS
- c. Cindy Peruchietti and Nathan Buckwalter, DTMB
- d. Kim Chapin, MDHHS, and Cindy Peruchietti and Nathan Buckwalter, DTMB

Finding 2020-009

CHAMPS Security Management and Access Controls

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., DTMB is developing an organization-wide security framework for database security configuration management.

For part b., MDHHS implemented a system fix in March 2020. In addition, during October 2020, MDHHS implemented a reconciliation process that utilizes an existing Community Health Automated Medicaid Processing System (CHAMPS) online search to identify high-risk CHAMPS users and reconciles to the high-risk users on the DSA report. MDHHS will follow up on any identified exceptions.

For part c., MDHHS began reviewing privileged user access semi-annually through the PAR process within the DSA beginning September 2020.

Anticipated Completion Date

- a. DTMB has not yet determined an anticipated completion date.
- b. and c. Completed

Responsible Individual(s)

- a. Cindy Peruchietti and Nathan Buckwalter, DTMB
- b. and c. Jim Bowen and Deon Nelson, MDHHS

Finding 2020-010

EGrAMS Security Management and Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS developed an EGrAMS User Access Annual Reconciliation Survey. The first EGrAMS User Access Annual Reconciliation Survey was sent to supervisors in December 2020 to verify that their staff have the appropriate EGrAMS security access, and the process was completed in March 2021. Going forward, the annual reconciliation survey will be sent to supervisors in October of each fiscal year.

MDHHS communicated the importance of security access approval requirements to Bureau of Grants and Purchasing (BGP) staff during May 2021 and will continue to monitor BGP employee workloads to determine if additional support is needed.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jeanette Hensler, MDHHS

Finding 2020-011

MDE, Security Management and Access Controls

Management Views

MDE agrees with the finding.

During the audit period, MDE experienced unprecedented challenges related to COVID-19, mandatory furloughs, and required alternative work locations. These activities negatively impacted the department's ability to perform routine processes and related documentation across all program areas. While the department quickly adapted to meet changing work needs, MDE acknowledges all processes may not have been completed, or the required documentation of tasks may not have been readily accessible.

Planned Corrective Action

For part a., as MDE transitions from the Michigan Electronic Grants System Plus (MEGS+) and the Cash Management System to the new NexSys system in the fall of 2021, MDE will review and update processes and procedures over granting access to NexSys. MDE's agency security officer will continue to share requirements for access controls and the MDE policy on security management for MDE information systems with all business owners. The Grant Electronic Monitoring System/Michigan Administrative Review System will fully transition to an online authorization process by the end of 2021 and MDE will update IT policies and procedures accordingly.

For part b., MDE will revise policies and procedures to include review of all non-MDE privileged users of MEGS+. MDE also revised Michigan Nutrition Data (MiND) reporting procedures to include all servers to properly capture all privileged MiND users as of June 2020.

For part c., as MDE awaits clarification from DTMB on changes to IT standards regarding verifying non-privileged accounts, the department will direct relevant office directors to review and make necessary changes to office practices to meet MDE and DTMB policies governing IT security. MDE strives to improve processes and documentation.

MDE is assessing controls and appropriate processes for identified MDE applications to comply with State standards. MDE's understanding from consultation with DTMB is that DTMB is reviewing the State's technical standards and procedures and is developing a set of tailored security control and access control baselines based on the National Institute of Standards and Technology control framework to ensure the controls for each information system are appropriate for the types of information it processes.

Anticipated Completion Date

a. and b. December 31, 2021

c. MDE has not yet determined an anticipated completion date.

Responsible Individual(s)

Dave Judd, MDE

Mike Flaminio, MDE

Finding 2020-012

Treasury, Cash Management Improvement Act – Recertification of Clearance Patterns

Management Views

Treasury agrees with the finding. Starting in 2015 and through 2019, there were a series of manager and staff turnovers that disrupted continuity in the Cash Management Improvement Act (CMIA) program. The turnover, in conjunction with inadequate procedure documentation

and staff misunderstanding of documentation stored on the State network contributed to the review and recertification not being performed.

Planned Corrective Action

Treasury will work with State agencies to develop clearing patterns for every program, or program component, that uses a funding technique that requires a clearing pattern in the fiscal year 2021 Treasury-State Agreement (TSA). The fiscal year 2021 TSA will then be amended if the days of clearance have changed. State agencies will provide the coding and date range required for clearing pattern development. The TSA creation procedure is being updated to ensure compliance with the requirements.

Anticipated Completion Date

August 31, 2021

Responsible Individual(s)

Michael Van Tassel, Treasury
Cathy Clark, Treasury

Finding 2020-013

MDHHS, Cash Management Process

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is continuing to develop a grant draw tracking database that will track the funding technique timing and any deviations. MDHHS will also provide ongoing training to all staff and incorporate CMIA compliance in the August 2021 staff performance reviews.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Rebecca Jones, MDHHS
Carol O'Callaghan, MDHHS

Finding 2020-014

MDHHS, Subaward Information

Management Views

MDHHS agrees with the finding.

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 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 the agreements solely to provide the additional information.

For parts b. and c., MDHHS agrees it provided the incorrect federal award dates to four of six WIC subrecipients reviewed and six of nine Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) 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.

Planned Corrective Action

MDHHS revised its processes in December 2020 to strengthen internal control to identify information not initially available and verify that the subaward information for current and future subrecipient awards conforms with federal regulations 2 *CFR* 200.331(a) and 45 *CFR* 75.352(a). Also, MDHHS is currently working on an EGrAMS system enhancement that will provide timely and accurate grant information to the grantee.

Anticipated Completion Date

October 1, 2021

Responsible Individual(s)

Jeanette Hensler, MDHHS

Finding 2020-015

MDHHS, Risk Assessments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

The MDHHS ELC staff and Communicable Disease (CD) Division staff reviewed guidance and training for grantee risk assessments and monitoring. In addition, staff reviewed the ELC and CD subrecipient populations to ensure that all subrecipients are incorporated into the ELC and CD risk monitoring assessment tools and are evaluated to determine the appropriate type of monitoring required.

Anticipated Completion Date

Completed

Responsible Individual(s)

Gwen Murphy, MDHHS

Mary Grace Stobierski, MDHHS

Joseph Coyle, MDHHS

Kathryn VanDyk, MDHHS

Finding 2020-016

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program, CFDA 93.767 - Beneficiary Eligibility

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will issue additional guidance and refer workers to existing trainings regarding Medicaid and Children's Health Insurance Program (CHIP) case determination requirements to ensure that workers are determining and documenting cases appropriately. In addition, MDHHS will evaluate current trainings and determine if any additional training topics are needed.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Logan Dreasky, MDHHS
Chris George, MDHHS

Finding 2020-017

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program, CFDA 93.767 - Expenditure Processing for Medical Payments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS submitted a work request in 2018 to ensure correct eligibility classifications in Bridges at the time of payment; however, due to continued funding limitations, competing IT priorities, and the public health emergency, this enhancement has not yet been fully finalized.

MDHHS will continue its manual process of transferring expenditures from the Medicaid Cluster to CHIP, on a quarterly basis, by completing a summary-level adjustment determined by analyzing CHAMPS payment data and Bridges eligibility data. MDHHS will review the query output to determine if data updates are necessary.

Anticipated Completion Date

The manual process of transferring expenditures on a quarterly basis from Medicaid to CHIP is ongoing until the Bridges enhancement is finalized. MDHHS identified and implemented updates to the manual process and resulting data during June 2021. MDHHS anticipates that the Bridges enhancement will be completed by October 2022.

Responsible Individual(s)

Brant Cole, MDHHS
Logan Dreasky, MDHHS
Erin Emerson, MDHHS

Finding 2020-018

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program, CFDA 93.767 - Transitional Medicaid and CHIP Eligibility

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has developed a preliminary query to identify beneficiaries on a monthly basis that are nearing the end of Transitional Medical Assistance eligibility. Limited resources have delayed the complete analysis of the query results to determine if there are multiple causes that need to be addressed. Once this review is complete, MDHHS will develop a comprehensive monitoring process that addresses all scenarios identified by the query and determine appropriate actions.

Anticipated Completion Date

MDHHS anticipates the comprehensive monitoring process will begin by December 31, 2021.

Responsible Individual(s)

Logan Dreasky, MDHHS

Finding 2020-019

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program - Eligibility Interface Errors

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS local offices utilize a Bridges report to identify duplicate records. Since Bridges is the system of record for eligibility, local office staff are required to work all duplicates identified by the Bridges report and not the CHAMPS interface report. MDHHS's Medical Services Administration (MSA) has submitted a work request to enhance the Bridges report utilized by local offices to ensure that all duplicate errors are identified. CHAMPS is currently designed to reject potential duplicate records to prevent duplicate payments for the same individuals that already exist in CHAMPS.

MSA is in the process of assessing the resources needed to include the daily interface errors in the Data Warehouse, which would allow staff to monitor more efficiently using queries and on-demand reports. MSA will also review all outstanding errors identified on the CHAMPS interface reports to confirm that Bridges work requests have been submitted with the eventual goal of making necessary corrections to prevent or reduce daily errors on an ongoing basis.

Anticipated Completion Date

MDHHS has not yet determined an anticipated completion date related to the Bridges report enhancement due to limited IT resources. MDHHS anticipates completing the assessment of resources and review of outstanding errors in August 2021.

Responsible Individual(s)

Jamy Hengesbach, MDHHS

Finding 2020-020

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program - Medical Records

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS provided a communication on May 7, 2021 via provider listserv and Medicaid provider alerts to providers that communicated the importance of maintaining appropriate documentation for services provided. For the two cases not received, the providers were unresponsive and therefore, MDHHS voided the claims, recouped the funds for those Transaction Control Numbers, and notified the providers.

Anticipated Completion Date

Completed

Responsible Individual(s)

Crystal Kline, MDHHS
Michael Bayless, MDHHS

Finding 2020-021

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program - Provider Eligibility

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS increased efficiencies for obtaining, updating, and approving required disclosures. MDHHS filled a staff vacancy, updated the provider screening information collection tool, and enhanced the monitoring process to ensure that all required disclosure data is obtained timely and approved. MDHHS now requires managed care entities to attest biannually to whether an owner, agent, managing employee, or board member has maintained their current position and current information and submit updated personnel data if needed. Updated guidance was communicated with all managed care entities as of May 14, 2021.

MDHHS is in the process of enrolling atypical providers, including those in the MI Choice Waiver Program (MI Choice) provider networks, in CHAMPS. However, enrollment has been delayed due to competing funding priorities and an anticipated completion date is unknown at this time. Once enrollment occurs, the MSA will be able to monitor MI Choice provider disclosures through queries of CHAMPS data to ensure compliance with federal regulations.

MDHHS will also incorporate provider agreements as part of their on-site monitoring process conducted for all MI Choice entities. On-site monitoring has been temporarily suspended due to the public health emergency, but MDHHS expects to complete the monitoring cycle by September 2022, and biennially going forward.

Anticipated Completion Date

MDHHS has not yet determined an anticipated completion date.

Responsible Individual(s)

Latina McCausey, MDHHS
Samantha Rutledge-Wolf, MDHHS
Elizabeth Gallagher, MDHHS

Finding 2020-022

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program - Provider Screening

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will fill vacant positions to ensure staff resources are available to monitor monthly screenings. MDHHS also filed a work request on May 12, 2021 to create a report that will identify interface failures.

Anticipated Completion Date

December 30, 2021

Responsible Individual(s)

Teri Chamberlain, MDHHS

Finding 2020-023

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778; and Children's Health Insurance Program - Refunding of Federal Share of Overpayments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is in the process of developing appropriate communication protocols to help ensure the timely reporting of overpayments. MDHHS is also working with its Michigan Medicaid Information System vendor on prior year reporting and a mechanism to track other recoupment methods done within CHAMPS. In addition, MDHHS will document the necessary procedures to ensure both the timely reporting of overpayments on the CMS-64 report along with the proper, associated accounting entries in SIGMA.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Steve Bendele, MDHHS
Stacie Sampson, MDHHS

Finding 2020-024

SNAP Cluster, CFDA 10.551 and 10.561 - System and Organization Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS is evaluating the significance of the services provided by subservice organizations to determine if a review of those subservice organization SOC reports is needed.

For part b., the MDHHS electronic benefits transfer Coordinator has reviewed the State of Michigan Financial Management Guide SOC report review guidelines as of March 31, 2021 and will comply with all requirements for future SOC report reviews.

Anticipated Completion Date

- a. December 30, 2021
- b. Completed

Responsible Individual(s)

Dawn Sweeney, MDHHS
Andrew Piper, MDHHS

Finding 2020-025

Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569 - Accountability for USDA Foods

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE will require Emergency Food Assistance Program (TEFAP) reports to be electronically submitted by agencies through the MDE TEFAP Report website. Beginning inventories will automatically roll over from the previous reporting period to mitigate errors. The inventory list will pre-populate with foods that were ordered in the last 12 months. This new process will mitigate missing items. Each month, MDE will test each agency's report to ensure completeness and dates received for use within six months. If there is inventory over six months, MDE will contact the agency and develop a plan to either distribute within the next month or transfer the food to another agency. Plans will be documented and kept in a "Six Month Plan" electronic file. The amount of food that was distributed will be compared to agency reported household distribution numbers. Agency distribution rates that do not match expected inventory levels will be reviewed and subject to technical assistance. MDE will also test a sample of agency reports and compare to amounts received, on a rotating basis. All communication regarding TEFAP reports will be done through documented emails. MDE will continue to review and update the process according to federal regulations and policy memoranda.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Diane Golzynski, MDE
Stephanie Willingham, MDE

Finding 2020-026

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

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

DTMB is developing access controls and an organization-wide security framework for database security configuration management and an organization-wide database privileged access rectification framework.

Anticipated Completion Date

DTMB has not yet determined an anticipated completion date.

Responsible Individual(s)

Cindy Peruchietti, DTMB

Nathan Buckwalter, DTMB

Finding 2020-027

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 - MI-WIC User Access

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS will develop a process to ensure that all approvals are properly documented in the MI-WIC system or via email.

For part b., MDHHS implemented the semiannual role review process beginning in fiscal year 2021. MDHHS will ensure the timely completion of privileged role reviews semiannually and will appropriately document the reviews.

Anticipated Completion Date

a. October 1, 2021

b. Completed

Responsible Individual(s)

Bagyalakshmi Kodur, MDHHS

Anthony Spagnuolo, MDHHS

Finding 2020-028

Section 8 Project-Based Cluster, CFDA 14.182 and 14.856 - Quality Control Reviews

Management Views

The Michigan State Housing Development Authority (MSHDA) agrees with the finding. The condition of 'three sampled vendor approved special claim payments that MSHDA did not

ensure quality control (QC) reviews were completed' were from the Traditional Contract Administration (TCA) portfolio.

As noted in the Criteria section, the U.S. Department of Housing and Urban Development's Annual Contributions Contract (ACC) with MSHDA requires MSHDA to verify and authorize payments only on valid Section 8 special claims. The ACC pertains directly to the Project Based Contract Administration (PBCA) portfolio and as good practice, MSHDA tends to carry the requirements over to the TCA portfolio. Due to competing priorities and the fact that the ACC requirements are passed down to the vendor through our sub-contract, MSHDA elected to limit our review of the May 2020 Special Claims in the TCA portfolio. Our vendor is also responsible for the work and that task provided the lowest risk when compared to the competing priorities.

Competing priorities began to compound as the COVID pandemic continued to challenge how we completed our routine tasks. This includes staff being detailed to work remotely, mandated layoff days, and lack of technology at remote worksites for the first few months. Staff re-assignments due to a hiring freeze further compounded the competing priorities during this time.

Planned Corrective Action

MSHDA is working with the software vendor to provide a solution that will result in faster processing times. The software vendor provided an update in late March 2021 that has sped up the processing time for a portion of the review process. They are still working to roll out a new product line with an anticipated completion date of August 2021. MSHDA has also hired a third analyst to assist in the voucher and special claim quality control process in March 2021. The analyst onboarding has completed the first step and is now a part of the QC process.

Anticipated Completion Date

Complete Quality Control Reviews: Completed July 2020

Update software system: Anticipated completion August 2021

Onboarding a third analyst: Completed March 2021

Responsible Individual(s)

Jeffrey Fedewa, MSHDA

Finding 2020-029

Coronavirus Relief Fund, CFDA 21.019 - Inappropriate Payroll Expenditures

Management Views

MDOC and MSP agree with the finding.

For part c., MSP believed that since an Internal Revenue Service letter ruling determined that deferred banked leave was a contribution to an employees' 401(k) plan and that the September 2, 2020 Coronavirus Relief Fund (CRF) guidance included payments to 401(k) plans as covered benefits, these payroll expenditures were eligible costs under CRF.

Planned Corrective Action

MDOC and MSP will work with OFM to replace the expenditures with other allowable payroll expenditures.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Tori Ellison, MDOC
Amanda Baker, MSP

Finding 2020-030

Coronavirus Relief Fund, CFDA 21.019 - Emergency Purchases Documentation

Management Views

DTMB agrees with the finding.

Planned Corrective Action

DTMB procured a vendor for warehousing, central receiving/shipping, and inventorying for the COVID-19 purchases at the COVID Response Warehouse, effective August 2020.

Anticipated Completion Date

Completed

Responsible Individual(s)

Ryan Cross, DTMB

Finding 2020-031

Special Education Cluster (IDEA), CFDA 84.027 and 84.173 - Interim Financial Expenditure Reports

Management Views

MDE agrees with the finding.

Planned Corrective Action

The MDE Office of Special Education developed additional steps in the internal control process to ensure submitted Interim Financial Expenditure Reports (IFERs) are reviewed and approved in a timely manner. As MDE transitions from MEGS+ to the new NexSys grants system, IFERs will no longer be required.

Anticipated Completion Date

Completed

Responsible Individual(s)

Teri Rink, MDE
John Andrejack, MDE

Finding 2020-032

Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126 - Cash Management and Program Income Processes

Management Views

LEO agrees with the finding.

For part a., during fiscal year 2020, LEO experienced an extended vacancy in its MRS grant accountant position which delayed MRS related draws until December 2019. BSBP related draws were made bi-weekly beginning October 1, 2019. Draws for both MRS and BSBP were initially made one day early due to a misunderstanding of the timing of the receipt of cash by Treasury from the U.S. Department of Education's G5 System.

For part b., the majority of LEO's draw reporting issues were due to staff oversights and a misunderstanding of the timing of the receipt of cash by Treasury from the U.S. Department of Education's G5 system.

For part c., during fiscal year 2020, accounting of LEO MRS program income was not performed until January 2020 due to the grant accountant position being vacant. After the position was filled, program income revenue was recorded monthly beginning on January 8, 2020. However, VR grant expenditures were not moved to spend out the program income until May 21, 2020.

Planned Corrective Action

For part a., LEO filled the vacant grant accountant position, and changed its draw processes on October 14, 2020 so that bi-weekly draws are performed on the proper day of the week to ensure compliance with the CMIA.

For part b., LEO will update the process for completing the annual cash report to Treasury to ensure accuracy and completeness of information, including dates that funds were disbursed and federal draw amounts.

For part c., LEO filled the vacant grant accountant position and implemented a new program income process on May 21, 2020 that ensures that VR grant expenditures are routinely moved to spend out program income revenue monthly.

Anticipated Completion Date

- a. Completed
- b. The process will be implemented and reflected on the fiscal year 2021 Treasury cash report in October 2021.
- c. Completed

Responsible Individual(s)

- a. Steve Calandro and Kevin Caslavka, LEO
- b. Steve Calandro and Kevin Caslavka, LEO
- c. Steve Calandro, LEO

Finding 2020-033

CCDF Cluster, CFDA 93.575 and 93.596 - MWBC Child Care System User Access

Management Views

MDE and the Department of Licensing and Regulatory Affairs (LARA) agree with the finding.

Planned Corrective Action

LARA developed and implemented an Access and Security Agreement form. This form was created in partnership with LARA's contractor based on enhancements aimed at instituting controls on user functionality. This resulted in three levels of access: support, analyst, and

administrator. The three levels of access ensure employees only have access to perform the duties of their work roles.

Prior to gaining access to the system, the Access and Security Agreement form is approved by the manager of LARA's Workforce Background Check Section. This form clearly defines Michigan Workforce Background Check (MWBC) Child Care System user access roles and requires users to abide by applicable federal and State laws and LARA security policies. Following the approval, an account and level of access is created in the MWBC Child Care System. This process replaces the previous practice of relying on email exchanges to request and approve system access. LARA will maintain forms for auditing purposes until that employee's termination of employment plus three years. This corrective action was completed in December 2020.

In November 2020, users with access beyond their job responsibilities were changed to align with their current roles. This change was instituted by the manager of the Workforce Background Check Section.

Anticipated Completion Date
Completed

Responsible Individual(s)
Emily Laidlaw, LARA

Finding 2020-034
CCDF Cluster, CFDA 93.575 and 93.596 - Client Eligibility

Management Views
MDE and MDHHS agree with the finding.

Planned Corrective Action
MDHHS Public Assistance Operations (PAO), within ESA, will continue assisting the local office staff and Business Service Center (BSC) staff by providing guidance on MDE policies and processes. ESA will provide this guidance to local office and BSC staff by identifying and supplying answers from questions previously answered by MDE or by directing local office and BSC staff to the proper MDE policy. Policy changes or noted trends may be addressed during PAO's Bridges Bits and Bytes (BBB) communication sessions.

Anticipated Completion Date
Ongoing

Responsible Individual(s)
Terrence Beurer, MDHHS
Chris George, MDHHS
Gayle Vail, MDHHS
Lisa Brewer-Walraven, MDE

Finding 2020-035**CCDF Cluster, CFDA 93.575 and 93.596 - Provider Health and Safety Requirements****Management Views**

MDE and LARA agree with the finding.

Planned Corrective Action

During the audit period, LARA experienced unprecedented challenges related to COVID-19 that negatively impacted the department's ability to perform routine processes and maintain related documentation.

The Child Care Licensing Bureau (CCLB) within LARA has developed and implemented a checklist of required health and safety topics that is completed at each licensing visit as of February 25, 2021. All health and safety topics are reviewed at renewal and interim inspections. The interim inspection policies for child care centers and homes were revised to align with the requirements of the federal Child Care and Development Block Grant (CCDBG) as of February 10, 2021.

LARA sent out bulletins on December 16, 2019 and December 19, 2019 using the Child Care Center listserv and Child Care Homes listserv reminding child care providers that the child care staff who work directly with children are required to take the health and safety trainings. Bulletins were also sent out on May 1, 2020, June 18, 2020, October 19, 2020, and May 5, 2021 using the Child Care Licensing listservs informing and reminding child care providers and child care staff members of the requirement to take the annual health and safety refresher training. Also, a health and safety training summary was sent out on June 7, 2021 to child care consultants as a reminder of what is required of the child care staff.

On December 14, 2020, in collaboration with MDE, CCLB requested a federal waiver to allow for flexibility in onsite inspections during the height of COVID-19 in 2020. LARA is working with the Legislature to propose language that would amend Public Act 116 of 1973 to require inspections in accordance with the federal CCDBG.

As of June 4, 2021, CCLB has completed the majority of inspections due during the COVID-19 pandemic and associated Executive Orders and health orders.

LARA will add a quarterly audit to the reporting schedule with a random sample review of entries to ensure minimum requirements are met and documentation is maintained.

Anticipated Completion Date

October 30, 2021

Responsible Individual(s)

Lisa Brewer-Walraven, MDE
Emily Laidlaw, LARA

Finding 2020-036**CCDF Cluster, CFDA 93.575 and 93.596 - Calculation of Authorized Hours****Management Views**

MDHHS and MDE agree with the finding.

Planned Corrective Action

MDE's work request to ensure Bridges calculates authorized hours for licensed exempt daycare providers in accordance with MDE's policy was implemented in Bridges on June 19, 2021.

Anticipated Completion Date

Completed

Responsible Individual(s)

Lisa Brewer-Walraven, MDE
Andrea Piper, MDHHS

Finding 2020-037

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

Management Views

MDE and MDHHS agree with the finding.

Planned Corrective Action

MDE staff will continue to enter all non-fraud/intentional program violation (IPV) claims in Bridges, as well as forward all potential fraud/IPV claims to the MDHHS Office of Inspector General (OIG) for criminal investigation of fraud. Regarding the referral of delinquent claims to Treasury, MDE has instructed MDHHS that it is MDE's policy (Bridges Administrative Manual 725) to refer all delinquent Child Development and Care (CDC) claims, which includes those resulting from fraud and IPVs, to Treasury for collection actions. This will require the implementation of a manual process until Bridges is updated to perform these referrals automatically.

In February 2021, MDHHS and MDE collaborated to write-off CDC claims that were older than six years without payment activity for at least six years. In June 2021, MDE received a response from the federal funding agency to clarify allowability of writing off receivables resulting from fraud or IPV, which confirmed the February 2021 write-offs were allowable. MDE will continue to work towards manual Treasury referrals and work with MDHHS to create a collection process for OIG generated fraud referrals during fiscal year 2021.

Anticipated Completion Date

The departments anticipate implementing the interim manual process by June 30, 2022.

Responsible Individual(s)

Lisa Brewer-Walraven, MDE
Jeff Moeggenborg, MDHHS

Finding 2020-038

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - Payments on Behalf of Ineligible Beneficiaries

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS continues to work on developing a comprehensive monitoring process which will identify out of sync records between CHAMPS and Bridges and a methodology to resolve eligibility issues that are identified.

Anticipated Completion Date

October 31, 2021

Responsible Individual(s)

Jamy Hengesbach, MDHHS

Finding 2020-039

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - MiAIMS User Access for HHP Management Activities

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS implemented an automated electronic registration process in the DSA for Michigan Adult Integrated Management System (MiAIMS) user registration and renewals during August 2020. All active users were enrolled in the DSA by December 31, 2020 and final verification between MiAIMS and DSA was completed March 31, 2021.

Anticipated Completion Date

Completed

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2020-040

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - Ineligible HHP Payments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is not always able to prevent overpayments due to hospitalizations and nursing facility stays due to the timing of claim submissions. However, MDHHS has revised policy to require adult services staff to process all recoupments, regardless of the overpayment amount, due to hospital and nursing home stays, unless there is suspected fraud. MDHHS will continue to refer suspected fraud cases to the OIG. The updated policy was effective January 1, 2021.

Anticipated Completion Date

Completed

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2020-041

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778, Home Health Services and Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

On October 2, 2020, MDHHS issued MSA Bulletin 20-54, Plan of Care Requirement Update, which removed the National Provider Identifier as a required element of a Plan of Care effective November 1, 2020.

MDHHS will issue a Medicaid Provider L-letter clarifying the providers' responsibility for documenting the activities permitted and the family's willingness and ability to provide care when Home Health Aide services are ordered. MDHHS plans to issue the L-letter by September 1, 2021.

Anticipated Completion Date

September 1, 2021

Responsible Individual(s)

Michael Daeschlein, MDHHS

Finding 2020-042

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - Home Help Payment Oversight

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS will implement system enhancements to compare the time and task reported in the submitted Electronic Service Verifications (ESV) to approved authorizations before payment is issued.

For part b., MDHHS implemented mandatory training for all adult services workers on proration of instrumental activities of daily living in shared living arrangements. MDHHS also completed a full audit of all Home Help cases with shared living to assess if proration is correct and if the case contains adequate documentation. These were completed as of January 2021.

Anticipated Completion Date

- a. The system enhancements for ESV are expected to be fully implemented by June 2022.
- b. Completed

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2020-043**Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - Practitioner Reimbursement****Management Views**

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS determined the primary remaining source for overlaps between fee-for-service and capitation payments is due to retroactive removal of Medicaid eligibility. In November 2019, MDHHS formed a multi-disciplinary work group within the MSA to address the problems created when eligibility is removed retroactively. During May 2021, MDHHS implemented an automatic procedure to reduce the impact of retroactive removal of Medicaid eligibility by updating CHAMPS enrollment at the same time the corrected eligibility is received.

The work group continues to evaluate whether any additional process and system changes are needed to further mitigate the occurrence of overlapping payments. MDHHS anticipates that any additional process or system changes will be fully implemented by September 30, 2021.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Samantha Rutledge-Wolf, MDHHS

Finding 2020-044**Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - MARIS IT General Controls****Management Views**

MDHHS and DTMB agree with the finding.

Planned Corrective Action

DTMB is developing an organization-wide security framework for database security configuration management.

Anticipated Completion Date

DTMB has not yet determined an anticipated completion date.

Responsible Individual(s)

Cindy Peruchietti, DTMB

Nathan Buckwalter, DTMB

Finding 2020-045**Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - MARIS User Access****Management Views**

MDHHS partially agrees with the finding. MDHHS agrees that documentation specifying the level of access required could not be located. However, the exceptions noted occurred prior to the fiscal year 2019 finding and there was minimal risk that an OIG employee was provided an

inappropriate level of access. The OIG documented the access review and approval process electronically within MiLogin.

The Medicaid Audit Recovery and Investigation System (MARIS) requires a two-step authorization to access the system. In one step, a user must request access to MARIS through the State of Michigan's Single Sign-On software, MiLogin. This is approved or denied by the MARIS business owner/division director through MiLogin. Additionally, all user access is assessed for continued need and role appropriateness on a semi-annual basis.

MARIS is used exclusively by the OIG. Any OIG new hire is accompanied with an administration-wide, new staff announcement, which defines the staff member's position/role in the administration, e.g., investigation or manager. All staff are established in MARIS by a MARIS system administrator within the OIG. If the administrator is unsure of the employee's role, they reach out to the employee's supervisor to obtain further information. Documentation was provided to show that an administration-wide announcement was sent out prior to approval of access for the identified users and the position announced was consistent with the level of access provided.

Planned Corrective Action

MDHHS incorporated the process for requesting MARIS user access and review into the OIG's Policy and Procedure Manual on August 1, 2020.

Anticipated Completion Date

Completed

Responsible Individual(s)

Casey Barton, MDHHS

Finding 2020-046

Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 - Medicaid Fraud Control Unit and Refunding of Federal Share of Medicaid Overpayments to Providers

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is in the process of developing a process for overpayment recording based on guidance from the Centers for Medicare and Medicaid Services. Once this process is developed, MDHHS will establish appropriate communication protocols for reporting of all overpayments and provide training to staff.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Steve Bendele, MDHHS

Finding 2020-047

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), CFDA 93.323 - LTC Facility COVID-19 Testing Reimbursements

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS began processing long term care facility COVID-19 testing reimbursement requests during July 2020 and by October 2020 MDHHS started developing a post-payment review process. MDHHS initiated several reviews of sampled payments, but the reviews are currently on hold due to and limited resources, COVID-19 responsibilities, and various statutory and other audit deadlines. During the audit, MDHHS did obtain support from providers to substantially confirm the accuracy of 13 sampled payments upon request by the OAG. MDHHS expects to resume the ongoing post-payment review process by August 2021.

Anticipated Completion Date

August 2021

Responsible Individual(s)

Pam Myers, MDHHS

Finding 2020-048

Temporary Assistance for Needy Families, CFDA 93.558 - MARS User Access

Management Views

LEO agrees that it did not review Management of Awards to Recipients (MARS) user access for privileged and other accounts during the COVID-19 pandemic work-at-home period.

Planned Corrective Action

LEO will perform a complete MARS user access review. LEO will also document and implement a procedure to adhere to State of Michigan (SOM) Administrative Guide policy 1340.00 and SOM Technical Standard 1340.00.020.01 that will ensure that LEO reviews MARS user access semiannually for privileged accounts and at least annually for all other accounts.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Mike LaCharite, LEO

Finding 2020-049

Temporary Assistance for Needy Families, CFDA 93.558 - Non-Financial Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to communicate the importance of completing required application sections and maintaining needed documentation throughout the application process to the local offices. MDHHS will also notify the local offices that if age and relationship verification documentation is needed, the verification source in Bridges should be updated to “not verified” and this will generate a verification checklist for follow-up by the caseworker. In addition, MDHHS plans to reinstate the fleeing felon policy by September 30, 2021.

Anticipated Completion Date

September 30, 2021

Responsible Individual(s)

Terrence Beurer, MDHHS
Joshua Rivera, MDHHS
Kenton Schultz, MDHHS
Brian Sanborn, MDHHS

Finding 2020-050

Temporary Assistance for Needy Families, CFDA 93.558 - Income Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS's ESA will continue to educate local office staff on policies and procedures along with online training through the Office of Workforce Development and Training (OWDT) website.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Terrence Beurer, MDHHS
Joshua Rivera, MDHHS
Kenton Schultz, MDHHS
Brian Sanborn, MDHHS

Finding 2020-051

Temporary Assistance for Needy Families, CFDA 93.558, Eligibility Redeterminations for TANF-Funded Adoption Subsidy

Management Views

MDHHS partially agrees with the finding. Section 400.115i of the *Michigan Compiled Laws* does not specifically dictate the methodology the adoptive parent must utilize to submit the annual eligibility redetermination information. MDHHS's policy requires that the annual eligibility redetermination must be conducted with a parent and MDHHS allows flexibility for the parents to utilize and mail in the annual redetermination form, report the required information through a telephone interview with MDHHS staff, or to submit the required annual eligibility redetermination information electronically. To comply with federal documentation requirements,

MDHHS staff complete the form on behalf of the parent during the phone interview, verbally confirm the completed responses with the parent, and upload into the applicable database. The exceptions noted in the finding occurred prior to implementation of the updated office protocol that requires MDHHS staff to enter the responses on the form and verbally confirm the results with the parent.

Planned Corrective Action

On December 3, 2020, training was held with staff and an updated office protocol was implemented. MDHHS staff were instructed to complete an electronic annual redetermination form when the redetermination is conducted with the parent through a phone interview. Beginning December 2020, MDHHS staff now confirm the responses with the parent and document the parent's verbal confirmation in the applicable database where the form is uploaded, and the responses are entered.

Anticipated Completion Date

Completed

Responsible Individual(s)

Patricia Neitman, MDHHS

Finding 2020-052

Temporary Assistance for Needy Families, CFDA 93.558 - Foster Care Assistance

Management Views

MDHHS disagrees with the finding. MDHHS asserts that payments relating to foster care services that exceed the 364-day emergency period are allowable under the TANF State Plan. The foster care services for the days claimed up to and including 364 days are allowable under the previously approved Aid to Families with Dependent Children (AFDC) plan and the foster care services for the days after 364 days are allowable under the current TANF State Plan so the calculations are performed separately.

Michigan's TANF State Plan, amended in fiscal year 2021 with changes effective as of January 1, 2020, states that support for children in foster care is an allowable TANF expense and clarifies that assistance for children placed with a licensed or unlicensed relative foster family has no time limit. The amended State Plan was approved by the Governor during January 2021 and ACF determined the State Plan to be sufficient for funding approval during April 2021. Historically, MDHHS does not receive any other formal communication, including separate approval, regarding the TANF State Plan from ACF. ACF allows states to use federal TANF funds for child welfare expenditures that either are allowable under one of the four purposes of TANF or were previously authorized under an approved title IV-A or IV-F plan. Michigan uses TANF funds for both purposes, some to cover expenditures that were allowable under the 1995 Emergency Assistance plan and others that are allowable based on the rules and regulations of the TANF program. Expenditures for children living with unlicensed relatives and licensed relatives after 364 days are claimed under TANF Purpose 1. In a 2013 Q & A, ACF outlines the allowability of these expenditures: States may use Federal TANF or State MOE funds to provide ongoing assistance and other benefits and services in "kinship care" situations where a child is placed with an adult relative.

Planned Corrective Action

MDHHS disagrees with the finding and does not intend to take further action.

Anticipated Completion Date
Not applicable

Responsible Individual(s)
Louis Long, MDHHS

Finding 2020-053

Temporary Assistance for Needy Families, CFDA 93.558 - Ineligible Emergency Foster Care Assistance

Management Views

MDHHS disagrees that a child with a dual court ward status should be ineligible for foster care abuse and neglect services. The child in the case identified was placed in foster care due to abuse/neglect and was also eligible for juvenile justice services; the TANF funded payments were for the youth's placement in foster care. The current TANF State Plan and the prior AFDC Plan allow for emergency relief for emergency foster family care.

MDHHS disagrees that a child placed with an unlicensed relative should be ineligible for foster care abuse and neglect services. MDHHS's Emergency Assistance State Plan does not require that a child placed into foster care by court order be placed with a licensed relative. MDHHS utilized the child's status as a child placed in foster care due to abuse/neglect and the placement type and funding source to determine that this TANF funded payment was allowable.

MDHHS disagrees that the child was not living with a relative within the six months prior to the emergency removal from home. In this case, the youth did go absent immediately following the emergency removal and MiSACWIS only records the youth's physical placement on and after removal, not before. However, the youth's initial funding eligibility record supports that they were living with a specified relative within the six months prior to the emergency removal.

Planned Corrective Action

MDHHS disagrees with the finding and does not intend to take further action.

Anticipated Completion Date
Not applicable

Responsible Individual(s)
Theodore Jay, MDHHS
Louis Long, MDHHS

Finding 2020-054

Temporary Assistance for Needy Families, CFDA 93.558 - Employment and Training Payroll Costs

Management Views

MDHHS and LEO agree with the finding.

Planned Corrective Action

LEO will reimburse MDHHS for \$76,262. LEO will also revise the Random Moment Sampling process to better match expenditures to applicable funding sources. MDHHS will correct the reporting of funds after LEO processes the reimbursement.

Anticipated Completion Date

LEO: July 31, 2021

MDHHS: November 30, 2021

Responsible Individual(s)

Michael LaCharite, LEO

Rebecca Jones, MDHHS

Finding 2020-055

Temporary Assistance for Needy Families, CFDA 93.558 - Penalty for Refusal to Work

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to supply specialists with policy and training support, through the OWDT website trainings. In addition, a policy mailbox is available to local office staff for policy clarification and guidance.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Joshua Rivera, MDHHS

Dawn Sweeney, MDHHS

Heidi Norfleet, MDHHS

Finding 2020-056

Temporary Assistance for Needy Families, CFDA 93.558 - Lack of Child Care for Single Custodial Parent of Child Under Age Six

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to supply specialists with policy and training support, as needed, through OWDT website trainings. In addition, a policy mailbox is available to local office staff for policy clarification and guidance.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Joshua Rivera, MDHHS

Dawn Sweeney, MDHHS

Heidi Norfleet, MDHHS

Finding 2020-057

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS ESA along with State Emergency Relief (SER) program policy staff will continue to provide guidance to local office staff regarding eligibility requirements by continually monitoring the SER policy mailbox and communicating through BBB communication sessions. The SER policy unit works with the BSCs to provide guidance when trends are noted.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Josh Rivera, MDHHS

Kent Schulze, MDHHS

Tammy Bair, MDHHS

Finding 2020-058

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has identified the reports used that caused inaccurate reporting. MDHHS will develop and implement a new query to obtain the necessary information for federal reporting requirements. Additionally, MDHHS Federal Reporting will correct and resubmit fiscal year 2020 Foster Care Title IV-E reports as required.

Anticipated Completion Date

October 1, 2021

Responsible Individual(s)

Theodore Jay, MDHHS

Teresa Laurin, MDHHS

Finding 2020-059

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS will continue to work on additional revisions to the adoption savings query. As of July 2018, a manual review is completed for each child, to determine if the child meets

applicable as well as non-applicable criteria, for cost savings purposes. MDHHS will complete a manual review for a sample of cases determined prior to fiscal year 2018 that had an undetermined value that prevented an AFDC determination or another non-applicable criterion by the query and evaluate the results. The results of the manual review will be incorporated into the query and will be utilized to provide the correct status code.

For part b., MDHHS will recalculate the prior fiscal year reports identified in the finding and resubmit the reports as needed.

Anticipated Completion Date
September 30, 2021

Responsible Individual(s)
Patricia Neitman, MDHHS

Finding 2020-060
Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036 - Accuracy of Financial Reports

Management Views
MSP agrees with the finding.

Planned Corrective Action
MSP will update its procedures for grant reconciliation and financial reporting. MSP will file amended financial reports as necessary.

Anticipated Completion Date
September 30, 2021

Responsible Individual(s)
Penny Burger, MSP

Finding 2020-061
Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036 - Subrecipient Audits

Management Views
MSP agrees with the finding.

Planned Corrective Action
MSP updated the tracking spreadsheet in February 2021 to include all subrecipients. The management reviews for the identified agencies were completed during fiscal year 2021. MSP will evaluate the subrecipient single audit procedures to determine appropriate updates.

Anticipated Completion Date
September 30, 2021

Responsible Individual(s)
Matt Opsommer, MSP

Finding 2020-062

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Corrective Action Plan, Finding 2020-002.

Finding 2020-063

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Corrective Action Plan, Finding 2020-003.

Finding 2020-064

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Corrective Action Plan, Finding 2020-004.

Finding 2020-065

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Corrective Action Plan, Finding 2020-005.

Finding 2020-066

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Corrective Action Plan, Finding 2020-006.

Finding 2020-067

Unemployment Insurance, CFDA 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency – Unemployment Compensation Fund, Single Audit Reporting Package, Year Ended September 30, 2020, Corrective Action Plan, Finding 2020-007.

GLOSSARY

LIST OF ABBREVIATIONS

ACA	Affordable Care Act.	DMVA	Department of Military and Veterans Affairs.
ACF	HHS's Administration for Children and Families.	DRP	disaster recovery plan.
ADP	automated data processing.	DSA	Database Security Application.
AFDC	Aid to Families with Dependent Children.	DTMB	Department of Technology, Management, and Budget.
AFP	Annual Funding Program.	EBT	electronic benefits transfer.
AIS	Aging Information System.	EGrAMS	Electronic Grants Administration and Management System.
ARRA	American Recovery and Reinvestment Act of 2009.	ELC	Epidemiology and Laboratory Capacity for Infectious Diseases.
ASAP	Adult Services Authorized Payments.	ERA	eligible recipient agency.
ASM	Adult Services Manual.	ESA	Economic Stability Administration.
BCP	business continuity plan.	FAC	Federal Audit Clearinghouse.
Bridges	Bridges Integrated Automated Eligibility Determination System.	FAE&T	Food Assistance Employment and Training.
BSBP	Bureau of Services for Blind Persons.	FAIN	Federal Award Identification Number.
CARES	Coronavirus Aid, Relief, and Economic Security.	FFEL	Federal Family Education Loans.
CCDF	Child Care and Development Fund.	FFS	fee-for-service.
CDC	Child Development and Care.	FIRST	Financial Information Reporting System Tool.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>	FISCAM	Federal Information System Controls Audit Manual.
CFR	<i>Code of Federal Regulations.</i>	FMG	Financial Management Guide.
CHAMPS	Community Health Automated Medicaid Processing System.	FNS	Food and Nutrition Services.
CHIP	Children's Health Insurance Program.	GAO	U.S. Government Accountability Office.
CI	Consolidated Inquiry.	GEMS/MARS	Grant Electronic Monitoring System/Michigan Administrative Review System.
CMIA	Cash Management Improvement Act.	GOR	Grants Officer Representative.
CMS	Cash Management System.	HHA	home health agency.
COVID-19	coronavirus disease of 2019.	HHP	Home Help Program.
CRF	Coronavirus Relief Fund.	HHS	U.S. Department of Health and Human Services.
CSE	Child Support Enforcement.	HUD	U.S. Department of Housing and Urban Development.
CSFP	Commodity Supplemental Food Program.	IADL	instrumental activities of daily living.
DHS	U.S. Department of Homeland Security.		

IDEA	Individuals with Disabilities Education Act.
IEVS	Income Eligibility and Verification System.
IFERs	interim financial expenditure reports.
IPV	intentional program violation.
IT	information technology.
LARA	Department of Licensing and Regulatory Affairs.
LEO	Department of Labor and Economic Opportunity.
LIHEAP	Low-Income Home Energy Assistance Program.
LOSC	local office security coordinator.
LTC	long-term care.
MAGI	modified adjusted gross income.
MARIS	Medicaid Audit Recovery and Investigation System.
MARS	Management of Awards to Recipients System.
MCIR	Michigan Care Improvement Registry.
MCL	<i>Michigan Compiled Laws.</i>
MDE	Michigan Department of Education.
MDHHS	Michigan Department of Health and Human Services.
MDOC	Michigan Department of Corrections.
MDOT	Michigan Department of Transportation.
MEGS+	Michigan Electronic Grants System Plus.
MHP	Medicaid Health Plan.
MiAIMS	Michigan Adult Integrated Management System.
MI Choice	MI Choice Waiver Program.
MiND	Michigan Nutrition Data.
MiSACWIS	Michigan Statewide Automated Child Welfare Information System.
MI-WIC	Michigan Women, Infants, and Children Information System.
MOE	maintenance of effort.
MRS	Michigan Rehabilitation Services.

MSHDA	Michigan State Housing Development Authority.
MSP	Michigan Department of State Police.
MWBC	Michigan Workforce Background Check.
O&M	Operations and Maintenance.
OIG	MDHHS's Office of Inspector General.
OMB	U.S. Office of Management and Budget.
OWDT	Office of Workforce Development and Training.
PACAP	Public Assistance Cost Allocation Plan.
PBM	Pharmacy Benefits Manager.
P-EBT	Pandemic Electronic Benefits Transfer.
PIHP	Prepaid Inpatient Health Plan.
Pre-ETS	pre-employment transition services.
R&D	research and development.
SEFA	schedule of expenditures of federal awards.
SER	State Emergency Relief.
SIGMA	Statewide Integrated Governmental Management Applications.
SNAP	Supplemental Nutrition Assistance Program.
SOC	System and Organization Controls.
SOLQ	State Online Query.
SOM	State of Michigan.
SSA	Social Security Administration.
SSI	Supplemental Security Income.
TANF	Temporary Assistance for Needy Families.
TEFAP	The Emergency Food Assistance Program.
Treasury	Michigan Department of Treasury.
TSA	Treasury State Agreement.
UCL	Universal Case Load.
USC	<i>United States Code.</i>

USDA U.S. Department of Agriculture.

USDOE U.S. Department of Education.

USPFO United States Property and Fiscal Office.

WIOA Worker Innovation and Opportunity Act.

GLOSSARY OF TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009.
Annual Contributions Contract	A contract between HUD and MSHDA that describes MSHDA's administration services for units receiving Section 8 Project-Based housing assistance.
application controls	Controls that are directly related to individual computer applications. These controls help ensure that transactions are valid, properly authorized, and completely and accurately processed and reported.
auditor's comments to management views	Government auditing standards require auditors to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement. Therefore, when this situation arises, the OAG includes auditor's comments to comply with this standard.
availability	Timely and reliable access to data and information systems.
Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system for Michigan's cash assistance, medical assistance, food assistance, child care assistance, and emergency assistance programs.
<i>Catalog of Federal Domestic Assistance (CFDA)</i>	The catalog that provides a full listing, with detailed program descriptions, of all federal programs available to state and local governments.
change controls	Controls that ensure that program, system, or infrastructure modifications are properly authorized, tested, documented, and monitored.

cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of the Uniform Guidance.
<i>Code of Federal Regulations (CFR)</i>	The codification of the general and permanent rules published by the departments and agencies of the federal government.
confidentiality	Protection of data from unauthorized disclosure.
configuration	The way a system is set up. Configuration can refer to either hardware or software or the combination of both.
database management system (DBMS)	Software that uses a standard method of cataloging, retrieving, and running queries on data. The DBMS manages incoming data, organizes the data, and provides ways for the data to be modified or extracted by users or other programs.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.
deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
Federal Information System Controls Audit Manual (FISCAM)	A methodology published by the U.S. Government Accountability Office (GAO) for performing information system control audits of federal and other governmental entities in accordance with <i>Government Auditing Standards</i> .
financial audit	An audit that is designed to provide reasonable assurance about whether the basic financial statements and/or financial schedules of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
general controls	The structure, policies, and procedures that apply to an entity's overall computer operations. These controls include an entitywide security program, access controls, application development and change controls, segregation of duties, system software controls, and service continuity controls.

in-relation-to opinion	An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures and considering materiality of the basic financial statements as a whole.
integrity	Accuracy, completeness, and timeliness of data in an information system.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
known questioned costs	Questioned costs that are specifically identified by the auditor.
low-risk auditee	As provided for in the Uniform Guidance, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results.
material misstatement	A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on basic financial statement and/or financial schedule amounts.
material weakness in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.

operating system	The essential program in a computer that manages all the other programs and maintains disk files, runs applications, and handles devices such as the mouse and printer.
other noncompliance	Violations of contracts or grant agreements that are not material to the basic financial statements but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; abuse; or other internal control deficiencies that may be communicated to management in accordance with <i>Government Auditing Standards</i> .
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.
privileged account	An account that has access to all commands and files on an operating system or database management system.
qualified opinion	A type of modified opinion in which the auditor identifies a scope limitation or material noncompliance with one or more of the cited compliance requirements that are applicable to each major federal program.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
security	Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity.
segregation of duties	Separation of the management or execution of certain duties or areas of responsibility to prevent or reduce opportunities for unauthorized modification or misuse of data or service; also known as separation of duties.
significant deficiency in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

significant deficiency in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
single audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance, which is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with the Uniform Guidance.
special claims	A reimbursement from MSHDA for vacancy losses, unpaid rent, or tenant damages on covered units.
Statewide Integrated Governmental Management Applications (SIGMA)	The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.
subrecipient	A nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.
System and Organization Controls (SOC) report	<p>Designed to help organizations that provide services to user entities build trust and confidence in their delivery processes and controls through a report by an independent certified public accountant (CPA). Each type of SOC report is designed to meet specific user needs:</p> <ul style="list-style-type: none"> • SOC 1 (Report on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting) - Intended for user entities and the CPAs auditing their financial statements in evaluating the effect of the service organization's controls on the user entities' financial statements. • SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy) - Intended for a broad range of users that need information and assurance about a service organization's controls relevant to any combination of the five predefined control principles.

There are two types of SOC 1 and SOC 2 reports:

- Type 1 - Reports on the fairness of management's description of a service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description, as of a specified date.
- Type 2 - Includes the information in a type 1 report and also addresses the operating effectiveness of the controls to achieve the related control objectives included in the description, throughout a specified period.
- SOC 3 (Trust Services Report for a Service Organization) - Intended for those needing assurance about a service organization's controls that affect the security, availability, or processing integrity of the systems a service organization employs to process user entities' information, or the confidentiality or privacy of that information, but do not have the need for or the knowledge necessary to make effective use of a SOC 2 report.
- SOC for Cybersecurity. Intended to communicate relevant information about the effectiveness of an organization's cybersecurity risk management programs.

Uniform Guidance

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Uniform Guidance, which was officially implemented in December 2014 by the Council on Financial Assistance Reform, establishes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance supersedes guidance from earlier OMB circulars.

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- a. The basic financial statements or financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- b. The audited entity complied, in all material respects, with the cited compliance requirements that are applicable to each major federal program.

U.S. Office of Management and Budget (OMB)

A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.

vacancy losses

A special claim to compensate property owners for the loss of rental income of a unit that was previously occupied by an assisted tenant but has been vacant for circumstances beyond the owner's control.



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