

Office of the Auditor General
Performance Audit Report

Partnership. Accountability. Training. Hope.
(PATH) Program Deferrals
Michigan Department of Health and Human Services

January 2022

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

Article IV, Section 53 of the Michigan Constitution



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Report Summary

Performance Audit

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

Michigan Department of Health and Human Services (MDHHS)

Report Number:
431-3302-21

Released:
January 2022

The PATH Program is a partnership between MDHHS and Workforce Development, Department of Labor and Economic Opportunity, to connect clients who receive cash assistance with the kind of jobs, education, and training opportunities that will help them achieve self-sufficiency and meet the workforce and skill needs of Michigan businesses. MDHHS requires all work-eligible individuals seeking or receiving cash benefits to participate in the PATH Program unless deferred or engaged in other employment-related activities. Reasons for deferrals include, but are not limited to, Supplemental Security Income (SSI) eligibility for disability, aged individuals, caring for a disabled spouse or child, full-time employment, and the parent of a child under 2 months. During the audit period, the number of individuals receiving cash assistance totaled approximately 149,000. Of those, an average of 2,200 individuals per month (1,000 SSI-related and 1,200 non-SSI related) had a deferral from the PATH Program. From October 1, 2018 through May 31, 2021, payments related to individuals receiving cash assistance totaled approximately \$196 million.

Section 400.57b(5) of the *Michigan Compiled Laws* requires the OAG to conduct an annual audit of MDHHS's evaluation and assessment process to defer SSI applicants from the PATH Program.

Audit Objective			Conclusion
Objective: To assess the effectiveness of MDHHS's processes to defer SSI and non-SSI applicants from the PATH Program.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS did not maintain sufficient documentation to support 5% of sampled SSI and 16% of sampled non-SSI deferrals of work-eligible individuals from mandatory participation or other employment-related activities while receiving cash benefits (Finding 1).		X	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

January 28, 2022

Ms. Elizabeth Hertel, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Ms. Hertel:

This is our performance audit report on the Partnership. Accountability. Training. Hope. (PATH) Program Deferrals, Michigan Department of Health and Human Services (MDHHS). Section 400.57b(5) of the *Michigan Compiled Laws* requires the OAG to conduct an annual audit of MDHHS's evaluation and assessment process to defer Supplemental Security Income applicants from the PATH Program.

MDHHS provided a preliminary response to the recommendation at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it 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

TABLE OF CONTENTS

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

	<u>Page</u>
Report Summary	1
Report Letter	3
Audit Objectives, Conclusions, Findings, and Observations	
SSI and Non-SSI Applicant Deferrals	8
Findings:	
1. Improved documentation to support PATH deferrals is needed.	10
Program Description	13
Audit Scope, Methodology, and Other Information	14
Glossary of Abbreviations and Terms	18

AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

SSI AND NON-SSI APPLICANT DEFERRALS

BACKGROUND

The Partnership. Accountability. Training. Hope. (PATH) Program is a partnership between the Michigan Department of Health and Human Services (MDHHS) and Workforce Development, Department of Labor and Economic Opportunity (LEO), that was created to help cash assistance clients connect to resources needed to obtain employment and ensure that Michigan meets the federal work participation rate (WPR) requirements. To comply with WPR requirements, MDHHS requires all work-eligible individuals to participate in the PATH Program to obtain or maintain cash benefits unless the individual is deferred or engaged in other employment-related activities.

MDHHS receives and processes all applications for cash assistance, determines each applicant's work-eligible status, and refers all work-eligible applicants to a Michigan Works! Agency (MWA) for PATH orientation. MDHHS is responsible for determining the minimum number of federally required work participation hours for each participant referred, and MDHHS may defer applicants from PATH participation for various reasons. Reasons for deferrals include, but are not limited to, SSI eligibility for disability, aged individuals, caring for a disabled spouse or child, full-time employment, and the parent of a child under 2 months. Deferrals occur temporarily until an individual's circumstances change and MDHHS will redetermine their PATH Program participation.

MDHHS is required to assess an applicant's need for exemption if the applicant is potentially Supplemental Security Income (SSI) eligible when applying for cash assistance. Clients who are potentially SSI eligible with a Disability Determination Services (DDS) verified disability lasting greater than 90 days are required to pursue SSI, and MDHHS must refer them to the Social Security Administration (SSA) to apply or appeal. MDHHS requires all local offices to ensure individuals meet application time requirements and provide required documentation during the SSI application and appeals process.

If the cash assistance client has a DDS verified disability lasting greater than 90 days, the client is deferred from the PATH Program work requirements until his or her claim is approved by the SSA and then begins to receive SSI.

SSI recipients are not certified group members* and are ineligible to receive cash assistance.

* See glossary at end of report for definition.

Section 400.57(b) of the *Michigan Compiled Laws* requires the OAG to conduct an annual audit of MDHHS's evaluation and assessment process to defer SSI applicants from the PATH Program.

AUDIT OBJECTIVE

To assess the effectiveness* of MDHHS's processes to defer SSI and non-SSI applicants from the PATH Program.

CONCLUSION

Effective.

**FACTORS
IMPACTING
CONCLUSION**

- For the SSI applicants:
 - For 100% of sampled cash assistance recipients who requested a deferral but were not granted one, MDHHS appropriately determined these clients did not qualify for a deferral and referred them to the PATH Program.
 - None of the individuals with a PATH Program deferral receiving cash assistance payments were receiving SSI.
 - The population of individuals receiving cash assistance was not aged individuals, potentially eligible for SSI.
- For the non-SSI applicants:
 - For 100% of sampled cash assistance recipients who requested a deferral but were not granted one, MDHHS appropriately determined these clients did not qualify for a deferral and referred them to the PATH Program.
 - MDHHS ensured that the Employment Services Screen in the Bridges Integrated Automated Eligibility Determination System* (Bridges) was completed 100% of the time while determining PATH Program deferrals.
 - For 100% of sampled deferrals, MDHHS timely completed redeterminations to determine if individuals were required to participate in the PATH Program or continue to be deferred.
- Reportable condition* related to insufficient documentation to support its SSI and non-SSI deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities (Finding 1).

* See glossary at end of report for definition.

FINDING 1

Improvement needed in documenting appropriateness of SSI and non-SSI deferrals from PATH Program participation.

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

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

We reviewed the records for 86 individuals MDHHS had deferred from mandatory participation while receiving cash benefits. There were 59 unique SSI-related deferrals for 43 of these individuals, and the remaining 43 individuals were deferred for non-SSI-related reasons.

MDHHS did not maintain the necessary documentation and verification to support 3 (5%) of the 59 SSI-related deferrals and 7 (16%) of the 43 non-SSI-related deferrals. Specifically, we noted:

SSI-Related Deferrals	
Deferral Reason	Insufficient Documentation and Verification
Incapacitated more than 90 days ¹	2 (3%)
Establishing incapacity ¹	1 (2%)
Total SSI-Related Deferrals	3 (5%)

Non-SSI-Related Deferrals	
Pregnancy-related medical	4 (9%)
Caring for newborn child ¹	2 (5%)
Caring for a disabled spouse ¹	1 (2%)
Total Non-SSI-Related Deferrals	7 (16%)

¹ Denotes deferral reasons excluded from the federal Temporary Assistance for Needy Families (TANF) WPR calculation.

In addition, MDHHS conducted the redetermination for 1 (2%) of the SSI-related deferrals 2 years after it was due, potentially delaying a referral to PATH. MDHHS determined the individual was no longer eligible for cash assistance and terminated benefits subsequent to the delinquent redetermination.

It is important for MDHHS to properly support the incapacitated, caring for a newborn child, and disabled spouse deferral reasons

because MDHHS excludes these associated individuals and case records for these categories from the federal TANF WPR calculation. In addition, improper deferrals from PATH participation could negatively impact MDHHS's ability to carry out the PATH Program's primary purpose. For auditing purposes, without proper documentation to support the validity of an individual's deferral, we must presume the deferral was not appropriate.

MDHHS informed us that Bridges enhancements are needed to help ensure that caseworkers consistently maintained the required documentation to adequately support deferrals and to identify situations when an existing deferral requires updated verification documentation.

We noted a similar condition in our June 2018 performance audit of the Partnership. Accountability. Training. Hope. (PATH) Program, Michigan Department of Health and Human Services and Talent Investment Agency, Department of Talent and Economic Development (431-3301-16). In response to that audit, MDHHS indicated it agreed and had submitted a Bridges work request to have systematic monitoring of deferrals to aid in appropriate and timely verification. MDHHS also indicated that the work request mandated the entry of comments for verification entries. However, MDHHS had not fully implemented the work request at the time of our review.

RECOMMENDATION

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

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the finding. While MDHHS has made significant progress since prior PATH audits, MDHHS will continue to work to improve administration of PATH program deferrals to ensure effectiveness.

As a result of the auditor's recommendations in the prior audits, MDHHS took steps to improve the performance of local offices in obtaining sufficient documentation to support deferrals. MDHHS has fully or partially implemented existing work requests, implemented tracking reports, and provided ongoing monthly Employment and Training informational and supportive training meetings.

In response to the most recent audit findings, MDHHS will develop additional trainings on properly supporting deferrals with the right documentation and verification. Furthermore, MDHHS will continue to communicate to the field the importance of properly supporting deferrals. MDHHS will also develop technology solutions to improve verification and documentation

processes related to SSI and non-SSI related deferrals, and technology changes to prompt workers to initiate timely redeterminations for those with an SSI-related deferral.

PROGRAM DESCRIPTION

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

The PATH Program is a partnership between MDHHS and LEO's Workforce Development with a primary purpose of identifying and overcoming barriers preventing participants from obtaining employment and self-sufficiency. In addition, PATH helps ensure Michigan meets the federal work activity requirements for individuals who receive cash benefits. MDHHS requires all work-eligible individuals seeking or receiving cash benefits to participate in the PATH Program unless deferred or engaged in other employment-related activities. LEO provides participants with specialized services that include job search/job readiness activities, job skills, training, community service programs, employment, and work experience delivered through MWAs located throughout the State.

From October 1, 2018 through May 31, 2021, on average, there were 16,025 active cash assistance cases at any given time, and approximately 3,050 (19%) cases had at least one individual who was deferred from the PATH work requirements. Payments related to individuals receiving cash assistance totaled approximately \$196 million.

During the audit period, the number of individuals receiving cash assistance totaled approximately 149,000. Of those, an average of 2,200 individuals per month (1,000 SSI-related and 1,200 non-SSI related) had a deferral from the PATH Program. We calculated the average deferrals based on a selection of 1 weekly report per month from Bridges that showed an ongoing count of deferrals and reasons for deferrals. We excluded the April 2020 through July 2020 reports because of the unusually high number of deferrals attributable to the COVID-19 pandemic.

In addition, MDHHS annually contracted with LEO to administer the PATH Program for approximately \$63 million, on average, for fiscal years 2019 through 2021. Of that amount, approximately \$60 million, on average, for fiscal years 2019 through 2021 was allocated to MWAs for direct client services and the remainder for other PATH administrative expenses. MDHHS also annually expended approximately \$3.6 million, on average, for fiscal years 2019 and 2020 for its PATH administration.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine MDHHS's processes to defer participants from the PATH Program's work requirements. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined that all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2018 through May 31, 2021.

METHODOLOGY

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

- Interviewed MDHHS management and staff and analyzed applicable information to obtain an understanding of the organization structures, operation responsibilities, and activities related to the PATH Program and deferral evaluation and assessment process.
- Reviewed applicable sections of the *Code of Federal Regulations* and *Michigan Compiled Laws*.
- Examined MDHHS's Bridges eligibility policies and procedures.

OBJECTIVE

To assess the effectiveness of MDHHS's processes to defer SSI and non-SSI applicants from the PATH Program.

To accomplish this objective for SSI applicants, we:

- Analyzed applicable sections of the *Code of Federal Regulations*, *Michigan Compiled Laws*, and policies and procedures within MDHHS's Bridges Eligibility Manual to

* See glossary at end of report for definition.

identify those with significant PATH Program impact for medical deferrals.

- Reviewed 43 PATH participant cases from a population of approximately 5,820 who requested a deferral, from October 1, 2018 through May 31, 2021, but were not deferred to determine whether the referral to the PATH Program was appropriate. Our sample was randomly and judgmentally selected, and as a result, we are unable to project our results into the population.
- Reviewed the employment services screen within Bridges from a population of 72,738 SSI-related deferrals from October 1, 2018 through May 31, 2021 to determine whether the screen was appropriately completed.
- Reviewed the SSI interface screen within Bridges of a population of approximately 43,750 individuals with interface information receiving cash benefits at some point from October 1, 2018 through May 31, 2021 to determine whether benefits were terminated in a timely manner because of individuals receiving SSI.
- Analyzed the population of individuals receiving cash assistance at some point from October 1, 2018 through May 31, 2021 to determine whether benefits were terminated in a timely manner because of being aged and potentially eligible for SSI.
- Reviewed 59 PATH deferrals from a population of approximately 72,740 deferrals because of disability from October 1, 2018 through May 31, 2021. Our sample was randomly selected to eliminate bias and enable us to project the results to this population. We performed tests to determine whether:
 - Adequate documentation existed to support the deferral.
 - The deferral time period was appropriate.
 - MDHHS performed a timely redetermination to refer clients back to the PATH Program when applicable.

To accomplish this objective for non-SSI applicants, we:

- Analyzed applicable sections of the *Code of Federal Regulations*, *Michigan Compiled Laws*, and policies and procedures within MDHHS's Bridges Eligibility Manual to identify those with significant program impact for medical deferrals.

- Reviewed the employment services screen within Bridges from a population of 955,235 non-SSI deferrals from October 1, 2018 through May 31, 2021 to determine whether the screen was appropriately completed.
- Reviewed PATH deferrals for 43 individuals who were deferred for a reason other than disability from a population of approximately 955,235 deferrals granted from October 1, 2018 through May 31, 2021. We judgmentally selected these deferrals based on the deferral reason to ensure the sample was representative of the population of work-eligible individuals, and as a result, we are unable to project our results into the population. We performed tests to determine whether:
 - Adequate documentation existed to support the deferral.
 - The deferral time period was appropriate.
 - MDHHS performed a timely redetermination to refer clients back to the PATH Program when applicable.

CONCLUSIONS

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

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

AGENCY RESPONSES

Our audit report contains 1 finding and 1 corresponding recommendation. MDHHS's preliminary response indicates that it agrees with the recommendation.

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

* See glossary at end of report for definition.

**PRIOR AUDIT
FOLLOW-UP**

Following is the status of the reported findings from our June 2018 performance audit of the Partnership. Accountability. Training. Hope. (PATH) Program, Michigan Department of Health and Human Services and Talent Investment Agency, Department of Talent and Economic Development (431-3301-16):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Support for Deferrals	Repeated*	1
2	Support for Good Cause	Not in scope of this audit.	
3	Improvement of Individual Responsibility Plans	Not in scope of this audit.	
4	Accuracy of Cash Assistance Amounts	Not in scope of this audit.	
5	Determination of Cash Assistance Amounts	Not in scope of this audit.	
6	Supportive Services Policies	Not in scope of this audit.	
7	Evaluation of PATH Results	Not in scope of this audit.	

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system that processes client intake applications, registration, eligibility determination, and benefit calculations and the issuance of assistance benefits, including cash assistance benefits.
certified group members	Members of the group whose non-financial and financial factors are considered in determining cash assistance eligibility.
DDS	Disability Determination Services.
effectiveness	Success in achieving mission and goals.
LEO	Department of Labor and Economic Opportunity.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MWA	Michigan Works! Agency.
PATH	Partnership. Accountability. Training. Hope.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
repeated	The same problem was noted in the current audit, and the wording of the current recommendation remains essentially the same as the prior audit recommendation.

reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
SSA	Social Security Administration.
SSI	Supplemental Security Income.
TANF	Temporary Assistance for Needy Families.
WPR	work participation rate.



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