

Office of the Auditor General

**State of Michigan
Single Audit Report**

Fiscal Year Ended September 30, 2021

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.



OAG

Office of the Auditor General

Report Summary

Single Audit Report

State of Michigan

Fiscal Year Ended September 30, 2021

Report Number:
000-0100-22

Released:
August 2022

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

Audit Results for the State's Basic Financial Statements

| | | | |
|---|---|----------------------------|---|
| Fairly presented, in all material respects | Internal Control Over Financial Reporting | | No instances of noncompliance or other matters required to be reported |
| | 1 material weakness | 9 significant deficiencies | |

Audit Results for the Schedule of Expenditures of Federal Awards

Fairly stated, in all material respects, in relation to the State's basic financial statements as a whole.

Audit Results for the Federal Awards

| Federal Awards Expended | Unmodified Opinion | Qualified Opinion | Adverse Opinion | Total Known Questioned Costs (Net)* | Internal Control Over Compliance Findings | |
|--|-----------------------|----------------------|--------------------|---|--|-----------------------------|
| | | | | | Material Weaknesses | Significant Deficiencies |
| \$46.0 billion | 16 programs | 14 programs | 1 program | \$6,480,023 | 20 | 45 |
| Number of findings repeated from the prior audit | | | | | 12 | 26 |

*10 programs had questioned costs, although the amounts 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]:

| Assistance Listing 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 | 2021-003 (M) 2021-004 (M) 2021-005 (M) 2021-006 2021-015 |
| 10.565, 10.568, and 10.569 | Food Distribution Cluster, including COVID-19 | Unmodified | \$0 | 2021-013 2021-014 |
| 10.542 | Pandemic EBT Food Benefits, including COVID-19 | Unmodified | \$0 | 2021-003 (M) 2021-004 (M) |
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children, including COVID-19 | Unmodified | \$0 | 2021-009 2021-016 2021-020 2021-030 2021-031 2021-032 |
| 14.871 and 14.879 | Housing Voucher Cluster, including COVID-19 | Unmodified | \$4,908,257 | 2021-033 |
| 17.258, 17.259, and 17.278 | WIOA Cluster | Qualified | \$0 | 2021-002 2021-010 2021-034 (M) |
| 20.205, 20.219, and 20.224 | Highway Planning and Construction Cluster, including COVID-19 | Unmodified | \$0 | Not Applicable |
| 21.019 | Coronavirus Relief Fund, including COVID-19 | Unmodified | \$1,046,855 | 2021-001 2021-002 2021-009 2021-011 2021-012 2021-013 2021-021 2021-035 |
| 21.023 | Emergency Rental Assistance Program, including COVID-19 | Unmodified | \$0 | 2021-011 2021-012 2021-021 2021-036 |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds, including COVID-19 | Unmodified | \$0 | Not Applicable |
| 66.458 | Clean Water State Revolving Fund Cluster | Unmodified | \$0 | Not Applicable |
| 66.468 | Drinking Water State Revolving Fund Cluster | Unmodified | \$0 | 2021-037 |
| 84.010 | Title I Grants to Local Educational Agencies | Unmodified | \$0 | 2021-013 2021-014 |
| 84.032 G, L | Federal Family Education Loans - Guaranty Agency and Lender | Unmodified | \$0 | Not Applicable |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States | Unmodified | \$0 | 2021-001 2021-002 2021-016 |
| 84.425 | Education Stabilization Fund, including COVID-19 | Qualified | \$0 | 2021-013 2021-014 2021-018 (M) 2021-038 (M) 2021-039 (M) |
| 93.575 and 93.596 | CCDF Cluster, including COVID-19 | Adverse | \$1,956 known plus an undeterminable amount | 2021-003 (M) 2021-004 (M) 2021-013 2021-014 2021-015 2021-018 (M) 2021-040 (M) 2021-041 (M) |

| Assistance Listing Number(s) | Name of Major Federal Program or Cluster | Opinion | Questioned Costs | Audit Finding Number(s) |
|-------------------------------------|--|----------------|---|--|
| 93.775, 93.777, and 93.778 | Medicaid Cluster, including COVID-19 | Qualified | \$160,935 known plus an undeterminable amount | <u>2021-003 (M)</u> <u>2021-004 (M)</u> <u>2021-005 (M)</u> <u>2021-006</u> <u>2021-008</u> <u>2021-015</u> <u>2021-019 (M)</u> <u>2021-022 (M)</u> <u>2021-023</u> <u>2021-024</u> <u>2021-025</u> <u>2021-026</u> <u>2021-027</u> <u>2021-028</u> <u>2021-029 (M)</u> <u>2021-042</u> <u>2021-043</u> <u>2021-044</u> <u>2021-045</u> <u>2021-046</u> <u>2021-047</u> <u>2021-048</u> |
| 93.268 | Immunization Cooperative Agreements, including COVID-19 | Qualified | \$0 | <u>2021-009</u> <u>2021-019 (M)</u> <u>2021-049</u> <u>2021-050</u> <u>2021-051 (M)</u> |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19 | Qualified | \$0 | <u>2021-009</u> <u>2021-019 (M)</u> <u>2021-052</u> |
| 93.558 | Temporary Assistance for Needy Families | Qualified | \$1,454 known plus an undeterminable amount | <u>2021-003 (M)</u> <u>2021-004 (M)</u> <u>2021-005 (M)</u> <u>2021-007</u> <u>2021-010</u> <u>2021-015</u> <u>2021-016</u> <u>2021-019 (M)</u> <u>2021-053 (M)</u> <u>2021-054 (M)</u> <u>2021-055</u> <u>2021-056</u> |
| 93.568 | Low-Income Home Energy Assistance, including COVID-19 | Qualified | \$5,705 | <u>2021-003 (M)</u> <u>2021-004 (M)</u> <u>2021-016</u> <u>2021-017</u> <u>2021-019 (M)</u> <u>2021-020</u> <u>2021-057 (M)</u> |
| 93.569 | Community Services Block Grant, including COVID-19 | Unmodified | Undeterminable | <u>2021-015</u> <u>2021-020</u> |
| 93.658 | Foster Care - Title IV-E, including COVID-19 | Qualified | Undeterminable | <u>2021-006</u> <u>2021-007</u> <u>2021-015</u> <u>2021-016</u> <u>2021-017 (M)</u> <u>2021-019 (M)</u> <u>2021-020</u> |
| 93.659 | Adoption Assistance, including COVID-19 | Qualified | Undeterminable | <u>2021-007</u> <u>2021-015</u> <u>2021-016</u> <u>2021-019 (M)</u> <u>2021-058</u> |

| Assistance Listing Number(s) | Name of Major Federal Program or Cluster | Opinion | Questioned Costs | Audit Finding Number(s) |
|-------------------------------------|---|----------------|---|--|
| 93.667 | Social Services Block Grant | Qualified | Undeterminable | <u>2021-001</u> <u>2021-007</u> <u>2021-015</u> <u>2021-016</u> <u>2021-017</u> <u>2021-019 (M)</u> |
| 93.767 | Children's Health Insurance Program, including COVID-19 | Qualified | \$354,861 plus an undeterminable amount | <u>2021-003 (M)</u> <u>2021-004 (M)</u> <u>2021-005 (M)</u> <u>2021-008</u> <u>2021-015</u> <u>2021-016</u> <u>2021-019</u> <u>2021-022 (M)</u> <u>2021-023 (M)</u> <u>2021-024</u> <u>2021-025</u> <u>2021-026</u> <u>2021-027</u> <u>2021-028</u> <u>2021-029 (M)</u> <u>2021-059</u> |
| 93.917 | HIV Care Formula Grants, including COVID-19 | Unmodified | \$0 | <u>2021-009</u> |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19 | Qualified | \$0 | <u>2021-060 (M)</u> |

Major Federal Programs Audited by Others

| Assistance Listing Number(s) | Name of Major Federal Program or Cluster | Opinion | Questioned Costs | Audit Finding Number(s) |
|-------------------------------------|---|----------------|-------------------------|--|
| 17.225 | Unemployment Insurance, including COVID-19 | Qualified | Undeterminable | <u>2021-061 (M)</u> <u>2021-062 (M)</u> <u>2021-063 (M)</u> <u>2021-064</u> |
| 97.050 | Presidential Declared Disaster Assistance to Individuals and Households - Other Needs, including COVID-19 | Unmodified | \$0 | Not Applicable |

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Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

August 30, 2022

Mr. Christopher M. Harkins, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Dear Mr. Harkins:

This is our single audit report for the State of Michigan for the fiscal year ended September 30, 2021.

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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GLOSSARY

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SUPPLEMENTAL FINANCIAL SCHEDULE

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021

| Federal Agency/Program or Cluster | Assistance Listing 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 | | | \$ 3,173,857,360 | \$ | \$ | \$ 3,173,857,360 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | | 194,727,220 | 24,289,179 | | 219,016,399 |
| COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | | 1,214,371 | | | 1,214,371 |
| Total SNAP Cluster | | | | \$ 3,369,798,951 | \$ 24,289,179 | \$ 0 | \$ 3,394,088,130 |
| Child Nutrition Cluster: | | | | | | | |
| School Breakfast Program | 10.553 | | | \$ 154,682 | \$ 24,410,425 | \$ | \$ 24,565,107 |
| National School Lunch Program | 10.555 | | | 303,492 | 76,298,019 | | 76,601,511 |
| National School Lunch Program (Note 6) | 10.555 | | | 5,384 | 31,028,738 | | 31,034,122 |
| COVID-19 - National School Lunch Program | 10.555 | | | 15,980 | 17,431,746 | | 17,447,726 |
| Special Milk Program for Children | 10.556 | | | | 89,289 | | 89,289 |
| Summer Food Service Program for Children | 10.559 | | | 4,198,209 | 563,335,029 | | 567,533,238 |
| Summer Food Service Program for Children (Note 6) | 10.559 | | | | 1,129,770 | | 1,129,770 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | | | 266,071 | 590,096 | | 856,167 |
| Total Child Nutrition Cluster | | | | \$ 4,943,818 | \$ 714,313,112 | \$ 0 | \$ 719,256,930 |
| Food Distribution Cluster: | | | | | | | |
| Commodity Supplemental Food Program | 10.565 | | | \$ 98,036 | \$ 6,076,922 | \$ | \$ 6,174,958 |
| Commodity Supplemental Food Program (Note 6) | 10.565 | | | | 23,826,243 | | 23,826,243 |
| COVID-19 - Commodity Supplemental Food Program | 10.565 | | | | 259,168 | | 259,168 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | | | 86,468 | 4,958,072 | | 5,044,540 |
| COVID-19 - Emergency Food Assistance Program (Administrative Costs) | 10.568 | | | | 2,866,841 | | 2,866,841 |
| Emergency Food Assistance Program (Food Commodities) (Note 6) | 10.569 | | | | 52,167,153 | | 52,167,153 |
| COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 6) | 10.569 | | | | 17,849,589 | | 17,849,589 |
| Total Food Distribution Cluster | | | | \$ 184,504 | \$ 108,003,988 | \$ 0 | \$ 108,188,492 |
| Forest Service Schools and Roads Cluster: | | | | | | | |
| Schools and Roads - Grants to States | 10.665 | | | \$ | \$ 2,770,580 | \$ | \$ 2,770,580 |
| Total Forest Service Schools and Roads Cluster | | | | \$ 0 | \$ 2,770,580 | \$ 0 | \$ 2,770,580 |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | | | \$ 454,559 | \$ 174,153 | \$ | \$ 628,712 |
| Wildlife Services (Note 15) | 10.028 | | | | 25,802 | | 25,802 |
| Voluntary Public Access and Habitat Incentive Program | 10.093 | | | 273,914 | | | 273,914 |
| Market Protection and Promotion | 10.163 | | | 1,085,518 | | | 1,085,518 |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | | | 171,918 | 2,078,719 | | 2,250,637 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------------|------------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| Trade Mitigation Program Eligible Recipient Agency Operational Funds | 10.178 | | | \$ | \$ 1,737,275 | \$ | \$ 1,737,275 |
| Food Safety Cooperative Agreements | 10.479 | | | 265,208 | | | 265,208 |
| Farm and Ranch Stress Assistance Network Competitive Grants Program | 10.525 | | | | 20,685 | | 20,685 |
| CACFP Meal Service Training Grants | 10.534 | | | 148 | | | 148 |
| SNAP Fraud Framework Implementation Grant | 10.535 | | | 222,737 | | | 222,737 |
| Child Nutrition-Technology Innovation Grant | 10.541 | | | 367,110 | | | 367,110 |
| COVID-19 - Pandemic EBT Food Benefits | 10.542 | | | 710,850,723 | | | 710,850,723 |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | | 76,527,010 | 40,695,882 | | 117,222,892 |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | Council of State Governments | FNS-WSP-20-KY-01 | 4,613 | | | 4,613 |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | Tufts University | 103097-00001 | 21,259 | | | 21,259 |
| COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | | 20,862,280 | 5,558,936 | | 26,421,216 |
| Total 10.557 | | | | \$ 97,415,162 | \$ 46,254,818 | \$ 0 | \$ 143,669,980 |
| Child and Adult Care Food Program | 10.558 | | | \$ 1,262,713 | \$ 56,080,369 | \$ | \$ 57,343,082 |
| COVID-19 - Child and Adult Care Food Program | 10.558 | | | | 10,083,136 | | 10,083,136 |
| Total 10.558 | | | | \$ 1,262,713 | \$ 66,163,505 | \$ 0 | \$ 67,426,218 |
| State Administrative Expenses for Child Nutrition | 10.560 | | | \$ 7,404,192 | \$ | \$ | \$ 7,404,192 |
| WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | | | 345,829 | | | 345,829 |
| Team Nutrition Grants | 10.574 | | | 492,926 | 146,312 | | 639,238 |
| Senior Farmers Market Nutrition Program | 10.576 | | | 415,632 | | | 415,632 |
| Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants | 10.580 | | | 427,192 | | | 427,192 |
| Fresh Fruit and Vegetable Program | 10.582 | | | 1,769,149 | 2,935,802 | | 4,704,951 |
| Fresh Fruit and Vegetable Program (Note 6) | 10.582 | | | | 9,056,860 | | 9,056,860 |
| Total 10.582 | | | | \$ 1,769,149 | \$ 11,992,662 | \$ 0 | \$ 13,761,811 |
| COVID-19 - Pandemic EBT Administrative Costs | 10.649 | | | \$ 15,658,952 | \$ 1,189,138 | \$ | \$ 16,848,090 |
| Cooperative Forestry Assistance | 10.664 | | | 402,566 | 341,855 | | 744,421 |
| Wood Utilization Assistance | 10.674 | | | 6,648 | | | 6,648 |
| Urban and Community Forestry Program | 10.675 | | | 176,494 | 220,878 | | 397,372 |
| Forest Legacy Program | 10.676 | | | 8,165 | | | 8,165 |
| Forest Stewardship Program | 10.678 | | | 259,864 | 40,317 | | 300,181 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------|---|------------------------------------|-------------------------|------------------------------|------------------------------|---|
| Forest Health Protection | 10.680 | | | \$ 395,967 | \$ 408 | \$ | \$ 396,375 |
| Forest Health Protection | 10.680 | The Gypsy Moth Slow the Spread Foundation Inc | 19-DG-11083150-004 -04 | 8,099 | | | 8,099 |
| Total 10.680 | | | | \$ 404,066 | \$ 408 | \$ 0 | \$ 404,474 |
| Good Neighbor Authority | 10.691 | | | \$ 2,621,266 | \$ | \$ | \$ 2,621,266 |
| State & Private Forestry Cooperative Fire Assistance | 10.698 | | | 791,712 | 398,413 | | 1,190,125 |
| Partnership Agreements | 10.699 | | | 10,940 | | | 10,940 |
| Soil and Water Conservation | 10.902 | | | 54,000 | 183,209 | | 237,209 |
| Environmental Quality Incentives Program | 10.912 | | | | 608,814 | | 608,814 |
| Emergency Watershed Protection Program | 10.923 | | | 125,647 | | | 125,647 |
| Conservation Stewardship Program | 10.924 | | | | 146,614 | | 146,614 |
| Agricultural Conservation Easement Program | 10.931 | | | | 42,256 | | 42,256 |
| Regional Conservation Partnership Program | 10.932 | | | | 15,000 | | 15,000 |
| Wetland Mitigation Banking Program | 10.933 | | | 100,036 | | | 100,036 |
| Forest Service Drug Team | 10.19-LE-11091000-009* | | | 383 | | | 383 |
| Total U.S. Department of Agriculture | | | | \$ 4,218,772,642 | \$ 981,157,692 | \$ 0 | \$ 5,199,930,334 |
| U.S. Department of Commerce | | | | | | | |
| Interjurisdictional Fisheries Act of 1986 (Note 15) | 11.407 | | | \$ 15,982 | \$ | \$ | \$ 15,982 |
| Coastal Zone Management Administration Awards | 11.419 | | | 1,878,440 | 610,785 | | 2,489,225 |
| Unallied Management Projects | 11.454 | | | 2,302 | | | 2,302 |
| Habitat Conservation | 11.463 | | | 18,017 | | | 18,017 |
| State and Local Implementation Grant Program | 11.549 | | | 43,817 | | | 43,817 |
| Total U.S. Department of Commerce | | | | \$ 1,958,558 | \$ 610,785 | \$ 0 | \$ 2,569,343 |
| U.S. Department of Defense | | | | | | | |
| State Memorandum of Agreement Program for the Reimbursement of Technical Services | 12.113 | | | \$ 582,854 | \$ | \$ | \$ 582,854 |
| Military Construction, National Guard | 12.400 | | | 861,377 | | | 861,377 |
| National Guard Military Operations and Maintenance (O&M) Projects (Note 13) | 12.401 | | | 81,833,027 | | 3,985,342 | 85,818,369 |
| National Guard ChalLENge Program | 12.404 | | | 5,247,293 | 1,386,806 | | 6,634,099 |
| Total U.S. Department of Defense | | | | \$ 88,524,551 | \$ 1,386,806 | \$ 3,985,342 | \$ 93,896,699 |
| U.S. Department of Housing and Urban Development | | | | | | | |
| Section 8 Project-Based Cluster: | | | | | | | |
| Section 8 - Contract Administration | 14.182 | | | \$ 344,186,565 | \$ | \$ | \$ 344,186,565 |
| Section 8 - New Construction/Substantial Rehabilitation | 14.182 | | | 43,095,410 | | | 43,095,410 |
| Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation | 14.856 | | | 959,330 | | | 959,330 |
| Total Section 8 Project-Based Cluster | | | | \$ 388,241,305 | \$ 0 | \$ 0 | \$ 388,241,305 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing Number | Pass-Through Entity | Pass-Through Identification Number | Directly Expended | Distributed to Subrecipients | In-Kind Assistance (Note 13) | Total Expended, Distributed, and In-Kind Assistance |
|--|---------------------------------|------------------------|---------------------------------------|------------------------------|---------------------------------|------------------------------------|--|
| Housing Voucher Cluster: | | | | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | | | \$ 197,087,511 | \$ | \$ | \$ 197,087,511 |
| Emergency Housing Voucher Program | 14.871 | | | 623,200 | | | 623,200 |
| COVID-19 - Section 8 Housing Choice Vouchers | 14.871 | | | 11,113,488 | | | 11,113,488 |
| Mainstream Vouchers | 14.879 | | | 671,215 | | | 671,215 |
| COVID-19 - Mainstream Vouchers | 14.879 | | | 12,790 | | | 12,790 |
| Total Housing Voucher Cluster | | | | <u>\$ 209,508,204</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 209,508,204</u> |
| Housing Counseling Assistance Program | 14.169 | | | \$ 56,057 | \$ 675,703 | \$ | \$ 731,760 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | | | | | |
| | 14.228 | | | 600,695 | 39,205,320 | | 39,806,015 |
| COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | | | 1,236,929 | 7,856,947 | | 9,093,876 |
| Total 14.228 | | | | <u>\$ 1,837,624</u> | <u>\$ 47,062,267</u> | <u>\$ 0</u> | <u>\$ 48,899,891</u> |
| Emergency Solutions Grant Program | 14.231 | | | \$ | \$ 4,228,994 | \$ | \$ 4,228,994 |
| COVID-19 - Emergency Solutions Grant Program | 14.231 | | | | 7,566,974 | | 7,566,974 |
| Total 14.231 | | | | <u>\$ 0</u> | <u>\$ 11,795,968</u> | <u>\$ 0</u> | <u>\$ 11,795,968</u> |
| Home Investment Partnerships Program | 14.239 | | | \$ 25,530,986 | \$ 476,263 | \$ | \$ 26,007,249 |
| Housing Opportunities for Persons with AIDS | 14.241 | | | 14,490 | 1,588,876 | | 1,603,366 |
| COVID-19 - Housing Opportunities for Persons with AIDS | 14.241 | | | | 99,888 | | 99,888 |
| Total 14.241 | | | | <u>\$ 14,490</u> | <u>\$ 1,688,764</u> | <u>\$ 0</u> | <u>\$ 1,703,254</u> |
| ARRA - Neighborhood Stabilization Program (Recovery Act Funded) | | | | | | | |
| | 14.256 | | | \$ 46,322 | \$ | \$ | \$ 46,322 |
| Continuum of Care Program | 14.267 | | | 4,353 | 10,224,468 | | 10,228,821 |
| Housing Trust Fund | 14.275 | | | 9,208,129 | | | 9,208,129 |
| Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities | 14.326 | | | 36,800 | 271,618 | | 308,418 |
| Fair Housing Assistance Program State and Local | 14.401 | | | 837,472 | | | 837,472 |
| COVID-19 - Fair Housing Assistance Program State and Local | 14.401 | | | 51,397 | | | 51,397 |
| Total 14.401 | | | | <u>\$ 888,869</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 888,869</u> |
| Family Self-Sufficiency Program | 14.896 | | | \$ 1,061,207 | \$ | \$ | \$ 1,061,207 |
| Lead-Based Paint Hazard Control in Privately-Owned Housing | 14.900 | | | 897,274 | | | 897,274 |
| Total U.S. Department of Housing and Urban Development | | | | <u>\$ 637,331,620</u> | <u>\$ 72,195,051</u> | <u>\$ 0</u> | <u>\$ 709,526,671</u> |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 the Interior | | | | | | | |
| Fish and Wildlife Cluster: | | | | | | | |
| Sport Fish Restoration | 15.605 | | | \$ 11,184,540 | \$ | \$ | \$ 11,184,540 |
| Wildlife Restoration and Basic Hunter Education (Note 15) | 15.611 | | | 16,062,360 | 28,960 | | 16,091,320 |
| Enhanced Hunter Education and Safety | 15.626 | | | 193,489 | | | 193,489 |
| Total Fish and Wildlife Cluster | | | | \$ 27,440,389 | \$ 28,960 | \$ 0 | \$ 27,469,349 |
| Fish and Wildlife Management Assistance (Note 15) | 15.608 | | | \$ 153,506 | \$ 86,583 | \$ | \$ 240,089 |
| Coastal Wetlands Planning, Protection and Restoration | 15.614 | | | | 790,000 | | 790,000 |
| Cooperative Endangered Species Conservation Fund | 15.615 | | | 193,914 | | | 193,914 |
| Clean Vessel Act | 15.616 | | | 55 | | | 55 |
| Sportfishing and Boating Safety Act | 15.622 | | | 63,951 | | | 63,951 |
| Multistate Conservation Grant | 15.628 | | | | 131,278 | | 131,278 |
| State Wildlife Grants (Note 15) | 15.634 | | | 1,202,052 | 21,406 | | 1,223,458 |
| Endangered Species Recovery Implementation | 15.657 | | | 66,084 | | | 66,084 |
| Natural Resource Damage Assessment and Restoration | 15.658 | | | 443 | | | 443 |
| Great Lakes Restoration | 15.662 | | | 1,530,680 | 197,312 | | 1,727,992 |
| Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention | 15.666 | | | 1,870 | | | 1,870 |
| Adaptive Science | 15.670 | | | 55,392 | | | 55,392 |
| Historic Preservation Fund Grants-In-Aid | 15.904 | | | 1,175,268 | 238,038 | | 1,413,306 |
| Outdoor Recreation Acquisition, Development and Planning | 15.916 | | | 405,747 | 1,254,394 | | 1,660,141 |
| Native American Graves Protection and Repatriation Act | 15.922 | | | 34,215 | | | 34,215 |
| Natural Resource Stewardship | 15.944 | | | 91,888 | | | 91,888 |
| Total U.S. Department of the Interior | | | | \$ 32,415,454 | \$ 2,747,971 | \$ 0 | \$ 35,163,425 |
| U.S. Department of Justice | | | | | | | |
| Sexual Assault Services Formula Program | 16.017 | | | \$ | \$ 380,734 | \$ | \$ 380,734 |
| Justice Systems Response to Families | 16.021 | | | (1,075) | 160,424 | | 159,349 |
| COVID-19 - Coronavirus Emergency Supplemental Funding Program | 16.034 | | | 944,886 | 6,889,616 | | 7,834,502 |
| Juvenile Justice and Delinquency Prevention | 16.540 | | | 505,668 | 219,145 | | 724,813 |
| Missing Children's Assistance | 16.543 | | | 506,079 | | | 506,079 |
| National Criminal History Improvement Program (NCHIP) | 16.554 | | | 1,288,937 | | | 1,288,937 |
| Crime Victim Assistance | 16.575 | | | 3,018,442 | 71,036,570 | | 74,055,012 |
| Crime Victim Compensation | 16.576 | | | 1,829,082 | | | 1,829,082 |
| Crime Victim Assistance/Discretionary Grants | 16.582 | | | 522,558 | 441,951 | | 964,509 |
| Violence Against Women Formula Grants | 16.588 | | | 75,727 | 2,571,664 | | 2,647,391 |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 16.590 | | | 348,928 | | | 348,928 |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | | | 6,447 | 316,802 | | 323,249 |
| Project Safe Neighborhoods | 16.609 | Black Family Development | 2020-GP-BX-0014 | 4,234 | | | 4,234 |
| Public Safety Partnership and Community Policing Grants | 16.710 | | | 444,228 | | | 444,228 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | | 2,455,796 | 3,602,150 | | 6,057,946 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|--|---------------------------------|------------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| DNA Backlog Reduction Program | 16.741 | | | \$ 1,633,231 | \$ | \$ | \$ 1,633,231 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | | | 181,208 | 61,592 | | 242,800 |
| Capital Case Litigation Initiative | 16.746 | | | 95,707 | | | 95,707 |
| Support for Adam Walsh Act Implementation Grant Program | 16.750 | | | 177,589 | | | 177,589 |
| Edward Byrne Memorial Competitive Grant Program | 16.751 | | | 15,600 | | | 15,600 |
| Harold Rogers Prescription Drug Monitoring Program | 16.754 | | | 552,545 | 86,856 | | 639,401 |
| Second Chance Act Reentry Initiative | 16.812 | | | 7,938 | | | 7,938 |
| Second Chance Act Reentry Initiative | 16.812 | Council of State Governments | 20-SA-161-2815 | 30,553 | | | 30,553 |
| Total 16.812 | | | | \$ 38,491 | \$ 0 | \$ 0 | \$ 38,491 |
| National Sexual Assault Kit Initiative | 16.833 | | | \$ 90,809 | \$ 513,217 | \$ | \$ 604,026 |
| STOP School Violence | 16.839 | | | 124,765 | 53,746 | | 178,511 |
| Opioid Affected Youth Initiative | 16.842 | | | 97,788 | 134,719 | | 232,507 |
| Equitable Sharing Program | 16.922 | | | 5,344 | | | 5,344 |
| Equitable Sharing of Federally Forfeited Property | 16.* | | | 206,961 | | | 206,961 |
| ATF | 16.* | | | 77,364 | | | 77,364 |
| Safe Trails Task Force | 16.* | | | 98,918 | | | 98,918 |
| Violent Crimes Task Force | 16.* | | | 76,020 | | | 76,020 |
| Detroit Major Crimes Task Force (DMCTF) | 16.* | | | 17,393 | | | 17,393 |
| Oakland County Violent Gang Task Force | 16.* | | | 19,336 | | | 19,336 |
| DEA - Tactical Diversion Task Force | 16.* | | | 41,913 | | | 41,913 |
| Child Exploitation Task Force | 16.* | | | 37,191 | | | 37,191 |
| Trafficking and Exploitation Crimes Task Force | 16.* | | | 23,431 | | | 23,431 |
| Safe Streets Task Force | 16.* | | | 46,717 | | | 46,717 |
| Detroit Cyber Task Force | 16.* | | | 9,368 | | | 9,368 |
| Detroit Area Corruption Task Force | 16.* | | | 19,180 | | | 19,180 |
| OCDETF | 16.* | | | 8,714 | | | 8,714 |
| OCDETF | 16.20-DET-078-AFF* | | | 2,065 | | | 2,065 |
| OCDETF | 16.GI-MIW-0177* | | | 372 | | | 372 |
| OCDETF | 16.GL-MIE-0593* | | | 1,651 | | | 1,651 |
| OCDETF | 16.GL-MIW-0177* | | | 3,946 | | | 3,946 |
| OCDETF | 16.GL-MIW-0179* | | | 1,701 | | | 1,701 |
| OCDETF | 16.SI-GL-007-09* | | | 11,131 | | | 11,131 |
| OCDETF | 16.SI-GL-010-10* | | | 155 | | | 155 |
| USMS Eastern District Fugitive Apprehensive Task Force | 16.2021-D39-AFF-B-OP-JLEOTFS4* | | | 90,132 | | | 90,132 |
| USMS Eastern District Fugitive Apprehensive Task Force | 16.M-20-D39-O-000106* | | | 108,589 | | | 108,589 |
| Domestic Cannabis Eradication/Suppression Program (DCE/SP) | 16.2021-69* | | | 28,920 | 4,818 | | 33,738 |
| USMS Western District Sex Offender Sweeps | 16.2021-D40-0324AD-FWB20000F* | | | 1,842 | | | 1,842 |
| USMS Western District Fugitive Apprehensive Task Force | 16.JLEO-APR18305715* | | | 76,452 | | | 76,452 |
| Joint Terrorism Task Force | 16.MIOC-JTTF* | | | 55,007 | | | 55,007 |
| Total U.S. Department of Justice | | | | \$ 16,027,483 | \$ 86,474,004 | \$ 0 | \$ 102,501,487 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 | | | \$ 7,583,921 | \$ 16,105,770 | \$ | \$ 23,689,691 |
| Jobs for Veterans State Grants | 17.801 | | | 5,211,667 | 341,931 | | 5,553,598 |
| Total Employment Service Cluster | | | | <u>\$ 12,795,588</u> | <u>\$ 16,447,701</u> | <u>\$ 0</u> | <u>\$ 29,243,289</u> |
| WIOA Cluster: | | | | | | | |
| WIOA Adult Program | 17.258 | | | \$ 1,577,318 | \$ 33,546,802 | \$ | \$ 35,124,120 |
| WIOA Youth Activities | 17.259 | | | 1,693,629 | 28,532,124 | | 30,225,753 |
| WIOA Dislocated Worker Formula Grants | 17.278 | | | 2,708,884 | 19,306,589 | | 22,015,473 |
| Total WIOA Cluster | | | | <u>\$ 5,979,831</u> | <u>\$ 81,385,515</u> | <u>\$ 0</u> | <u>\$ 87,365,346</u> |
| Labor Force Statistics | 17.002 | | | \$ 1,999,046 | \$ | \$ | \$ 1,999,046 |
| Compensation and Working Conditions | 17.005 | | | 219,847 | | | 219,847 |
| Unemployment Insurance | 17.225 | | | 1,689,541,671 | 3,711,097 | | 1,693,252,768 |
| COVID-19 - Unemployment Insurance | 17.225 | | | 12,794,117,193 | | | 12,794,117,193 |
| ARRA - Unemployment Insurance | 17.225 | | | (816,966) | | | (816,966) |
| Total 17.225 | | | | <u>\$ 14,482,841,898</u> | <u>\$ 3,711,097</u> | <u>\$ 0</u> | <u>\$ 14,486,552,995</u> |
| Senior Community Service Employment Program | 17.235 | | | \$ 114,324 | \$ 2,985,980 | \$ | \$ 3,100,304 |
| Trade Adjustment Assistance | 17.245 | | | 851,293 | 5,460,212 | | 6,311,505 |
| WIOA Pilots, Demonstrations, and Research Projects | 17.261 | | | 545,993 | | | 545,993 |
| Work Opportunity Tax Credit Program (WOTC) | 17.271 | | | 636,709 | | | 636,709 |
| Temporary Labor Certification for Foreign Workers | 17.273 | | | 660,744 | | | 660,744 |
| WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 17.277 | | | 72,534 | 4,425,976 | | 4,498,510 |
| Apprenticeship USA Grants | 17.285 | | | 391,951 | 857,926 | | 1,249,877 |
| Occupational Safety and Health State Program | 17.503 | | | 10,812,200 | | | 10,812,200 |
| Consultation Agreements | 17.504 | | | 1,702,200 | | | 1,702,200 |
| Total U.S. Department of Labor | | | | <u>\$ 14,519,624,158</u> | <u>\$ 115,274,407</u> | <u>\$ 0</u> | <u>\$ 14,634,898,565</u> |
| U.S. Department of Transportation | | | | | | | |
| Highway Planning and Construction Cluster: | | | | | | | |
| Highway Planning and Construction (Note 15) | 20.205 | | | \$ 1,173,841,923 | \$ 30,237,877 | \$ | \$ 1,204,079,800 |
| Highway Planning and Construction | 20.205 | Southeast Michigan Council of Governments | NWID-19 | 55,786 | | | 55,786 |
| COVID-19 - Highway Planning and Construction | 20.205 | | | 303,296 | | | 303,296 |
| Recreational Trails Program | 20.219 | | | 2,971,586 | | | 2,971,586 |
| Federal Lands Access Program | 20.224 | | | 1,434,327 | | | 1,434,327 |
| Total Highway Planning and Construction Cluster | | | | <u>\$ 1,178,606,918</u> | <u>\$ 30,237,877</u> | <u>\$ 0</u> | <u>\$ 1,208,844,795</u> |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 | | | \$ 9,195,764 | \$ | \$ | \$ 9,195,764 |
| Total FMCSA Cluster | | | | \$ 9,195,764 | \$ 0 | \$ 0 | \$ 9,195,764 |
| Transit Services Programs Cluster: | | | | | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | | | \$ | \$ 6,485,241 | \$ | \$ 6,485,241 |
| New Freedom Program | 20.521 | | | | 37,500 | | 37,500 |
| Total Transit Services Programs Cluster | | | | \$ 0 | \$ 6,522,741 | \$ 0 | \$ 6,522,741 |
| Federal Transit Cluster: | | | | | | | |
| Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | 20.526 | | | \$ 82,645 | \$ 2,301,290 | \$ | \$ 2,383,935 |
| Total Federal Transit Cluster | | | | \$ 82,645 | \$ 2,301,290 | \$ 0 | \$ 2,383,935 |
| Highway Safety Cluster: | | | | | | | |
| State and Community Highway Safety | 20.600 | | | \$ 5,481,244 | \$ 2,101,375 | \$ | \$ 7,582,619 |
| National Priority Safety Programs | 20.616 | | | 4,736,320 | 1,670,119 | | 6,406,439 |
| Total Highway Safety Cluster | | | | \$ 10,217,564 | \$ 3,771,494 | \$ 0 | \$ 13,989,058 |
| Airport Improvement Program and COVID-19 Airports Programs (Note 7) | | | | | | | |
| COVID-19 - Airport Improvement Program and COVID-19 Airports Programs (Note 7) | 20.106 | | | \$ 40,109,278 | \$ | \$ | \$ 40,109,278 |
| Total 20.106 | | | | (2,101) | | | (2,101) |
| | | | | \$ 40,107,177 | \$ 0 | \$ 0 | \$ 40,107,177 |
| Highway Research and Development Program (Note 15) | 20.200 | | | \$ 2,300,106 | \$ 25,153 | \$ | \$ 2,325,259 |
| Highway Training and Education | 20.215 | | | | 156,813 | | 156,813 |
| Commercial Driver's License Program Implementation Grant | 20.232 | | | 252,859 | | | 252,859 |
| Capital Assistance to States - Intercity Passenger Rail Service | 20.317 | | | (713,534) | | | (713,534) |
| Federal-State Partnership for State of Good Repair | 20.326 | | | 8,586,495 | | | 8,586,495 |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | 20.505 | | | 51,157 | 5,185,262 | | 5,236,419 |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | | | 2,070,850 | 26,829,110 | | 28,899,960 |
| COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | | | 436,493 | 27,328,192 | | 27,764,685 |
| Total 20.509 | | | | \$ 2,507,343 | \$ 54,157,302 | \$ 0 | \$ 56,664,645 |
| Public Transportation Innovation | 20.530 | | | \$ | \$ 13,200 | \$ | \$ 13,200 |
| National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements | | | | | | | |
| National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements | 20.614 | Michigan State University | RC110705-MOHSP | 265,149 | 31,706 | | 31,706 |
| Total 20.614 | | | | \$ 265,149 | \$ 31,706 | \$ 0 | \$ 296,855 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------------|------------------------|---------------------------------------|-------------------------|---------------------------------|------------------------------------|--|
| E-911 Grant Program | 20.615 | | | \$ 263,631 | \$ 1,829,156 | \$ | \$ 2,092,787 |
| Pipeline Safety Program State Base Grant | 20.700 | | | 1,558,255 | | | 1,558,255 |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | | | 331,186 | 242,556 | | 573,742 |
| State Damage Prevention Program Grants | 20.720 | | | | 100,000 | | 100,000 |
| PHMSA Pipeline Safety Program One Call Grant | 20.721 | | | 46,738 | | | 46,738 |
| PHMSA Pipeline Safety Underground Natural Gas Storage Grant | 20.725 | | | 16,439 | | | 16,439 |
| National Infrastructure Investments | 20.933 | | | 14,399,571 | 1,220,902 | | 15,620,473 |
| Total U.S. Department of Transportation | | | | \$ 1,268,075,463 | \$ 105,795,452 | \$ 0 | \$ 1,373,870,915 |
| U.S. Department of the Treasury | | | | | | | |
| COVID-19 - Coronavirus Relief Fund (Note 17) | 21.019 | | | \$ 624,868,487 | \$ 415,387,483 | \$ | \$ 1,040,255,970 |
| COVID-19 - Emergency Rental Assistance Program | 21.023 | | | | 86,783,546 | | 86,783,546 |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | | 259,975,160 | | | 259,975,160 |
| Equitable Sharing of Federally Forfeited Property | 21.* | | | 79,578 | | | 79,578 |
| Total U.S. Department of the Treasury | | | | \$ 884,923,225 | \$ 502,171,029 | \$ 0 | \$ 1,387,094,254 |
| Equal Employment Opportunity Commission | | | | | | | |
| Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | 30.002 | | | \$ 542,200 | \$ | \$ | \$ 542,200 |
| Total Equal Employment Opportunity Commission | | | | \$ 542,200 | \$ 0 | \$ 0 | \$ 542,200 |
| General Services Administration | | | | | | | |
| Donation of Federal Surplus Personal Property (Note 8) | 39.003 | | | \$ | \$ 41,919 | \$ | \$ 41,919 |
| Total General Services Administration | | | | \$ 0 | \$ 41,919 | \$ 0 | \$ 41,919 |
| National Endowment for the Arts | | | | | | | |
| Promotion of the Arts Partnership Agreements | 45.025 | | | \$ | \$ 837,450 | \$ | \$ 837,450 |
| Total National Endowment for the Arts | | | | \$ 0 | \$ 837,450 | \$ 0 | \$ 837,450 |
| Institute of Museum and Library Services | | | | | | | |
| Museums for America | 45.301 | | | \$ 86,945 | \$ | \$ | \$ 86,945 |
| Grants to States | 45.310 | | | 4,382,376 | 616,203 | | 4,998,579 |
| COVID-19 - Grants to States | 45.310 | | | 190,021 | 621,443 | | 811,464 |
| Total 45.310 | | | | \$ 4,572,397 | \$ 1,237,646 | \$ 0 | \$ 5,810,043 |
| Total Institute of Museum and Library Services | | | | \$ 4,659,342 | \$ 1,237,646 | \$ 0 | \$ 5,896,988 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------------|-----------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| Small Business Administration | | | | | | | |
| State Trade Expansion | 59.061 | | | \$ | \$ 1,136,329 | \$ | \$ 1,136,329 |
| Total Small Business Administration | | | | \$ 0 | \$ 1,136,329 | \$ 0 | \$ 1,136,329 |
| U.S. Department of Veterans Affairs | | | | | | | |
| Grants to States for Construction of State Home Facilities | 64.005 | | | \$ 15,628,230 | \$ | \$ | \$ 15,628,230 |
| Veterans State Domiciliary Care | 64.014 | | | 319,767 | | | 319,767 |
| Veterans State Nursing Home Care | 64.015 | | | 20,706,051 | | | 20,706,051 |
| Veterans Information and Assistance | 64.115 | | | 429,229 | | | 429,229 |
| Total U.S. Department of Veterans Affairs | | | | \$ 37,083,277 | \$ 0 | \$ 0 | \$ 37,083,277 |
| U.S. Environmental Protection Agency | | | | | | | |
| Clean Water State Revolving Fund Cluster: | | | | | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | | | \$ 1,777,227 | \$ 87,823,277 | \$ | \$ 89,600,504 |
| Total Clean Water State Revolving Fund Cluster | | | | \$ 1,777,227 | \$ 87,823,277 | \$ 0 | \$ 89,600,504 |
| Drinking Water State Revolving Fund Cluster: | | | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | | | \$ 8,681,149 | \$ 61,902,439 | \$ | \$ 70,583,588 |
| Total Drinking Water State Revolving Fund Cluster | | | | \$ 8,681,149 | \$ 61,902,439 | \$ 0 | \$ 70,583,588 |
| Air Pollution Control Program Support (Note 13) | 66.001 | | | \$ 5,687,721 | \$ | \$ 89,337 | \$ 5,777,058 |
| State Indoor Radon Grants | 66.032 | | | 180,622 | 50,000 | | 230,622 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | | | 1,163,499 | 33,497 | | 1,196,996 |
| Diesel Emissions Reduction Act (DERA) State Grants | 66.040 | | | 19,431 | 438,358 | | 457,789 |
| Multipurpose Grants to States and Tribes | 66.204 | | | 114,336 | 334 | | 114,670 |
| State Environmental Justice Cooperative Agreement Program | 66.312 | | | 11,154 | | | 11,154 |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | | | 407,830 | 20,000 | | 427,830 |
| State Public Water System Supervision | 66.432 | | | 4,394,252 | | | 4,394,252 |
| Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d)) | 66.444 | | | 278,950 | | | 278,950 |
| Water Quality Management Planning | 66.454 | | | 430,291 | 407,938 | | 838,229 |
| Nonpoint Source Implementation Grants | 66.460 | | | 105,000 | 2,140,754 | | 2,245,754 |
| Regional Wetland Program Development Grants | 66.461 | | | 217,006 | 116,276 | | 333,282 |
| Great Lakes Program (Note 15) | 66.469 | | | 5,147,252 | 1,834,271 | | 6,981,523 |
| Great Lakes Program | 66.469 | Central Michigan University | GL00E01567 | 10,251 | | | 10,251 |
| Great Lakes Program | 66.469 | Michigan State University | 00E02802 | | 65,000 | | 65,000 |
| Total 66.469 | | | | \$ 5,157,503 | \$ 1,899,271 | \$ 0 | \$ 7,056,774 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|--|---------------------------------|------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | | | \$ 82,944 | \$ 168,917 | \$ | \$ 251,861 |
| Performance Partnership Grants | 66.605 | | | 12,205,954 | 121,907 | | 12,327,861 |
| Environmental Information Exchange Network Grant Program and Related Assistance | 66.608 | | | 29,740 | 77,314 | | 107,054 |
| Pollution Prevention Grants Program | 66.708 | | | 12,981 | | | 12,981 |
| Hazardous Waste Management State Program Support (Note 13) | 66.801 | | | 2,079,530 | | 135,279 | 2,214,809 |
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | | | 2,595,237 | 57,210 | | 2,652,447 |
| Underground Storage Tank (UST) Prevention, Detection, and Compliance Program | 66.804 | | | 598,524 | | | 598,524 |
| Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | | | 1,835,087 | | | 1,835,087 |
| State and Tribal Response Program Grants | 66.817 | | | 811,912 | | | 811,912 |
| Total U.S. Environmental Protection Agency | | | | \$ 48,877,880 | \$ 155,257,492 | \$ 224,616 | \$ 204,359,988 |
| U.S. Department of Energy | | | | | | | |
| State Energy Program | 81.041 | | | \$ 718,556 | \$ 647,619 | \$ | \$ 1,366,175 |
| Weatherization Assistance for Low-Income Persons | 81.042 | | | 2,500,833 | 13,221,339 | | 15,722,172 |
| State Heating Oil and Propane Program | 81.138 | | | 4,285 | | | 4,285 |
| Total U.S. Department of Energy | | | | \$ 3,223,674 | \$ 13,868,958 | \$ 0 | \$ 17,092,632 |
| 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 | | | 176,124 | | | 176,124 |
| Total Student Financial Assistance Cluster | | | | \$ 203,309 | \$ 0 | \$ 0 | \$ 203,309 |
| Special Education Cluster (IDEA): | | | | | | | |
| Special Education Grants to States | 84.027A | | | \$ 19,839,173 | \$ 401,789,726 | \$ | \$ 421,628,899 |
| Special Education Preschool Grants | 84.173A | | | 726,054 | 11,696,481 | | 12,422,535 |
| Total Special Education Cluster (IDEA) | | | | \$ 20,565,227 | \$ 413,486,207 | \$ 0 | \$ 434,051,434 |
| Adult Education - Basic Grants to States | 84.002A | | | \$ 2,064,466 | \$ 11,513,304 | \$ | \$ 13,577,770 |
| Title I Grants to Local Educational Agencies | 84.010A | | | 5,468,193 | 462,337,702 | | 467,805,895 |
| Migrant Education State Grant Program | 84.011A | | | 433,676 | 5,659,460 | | 6,093,136 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013A | | | 1,035,860 | | | 1,035,860 |
| Federal Family Education Loans - Guaranty Agency (Notes 9 and 10) | 84.032G | | | 46,143,502 | | | 46,143,502 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing Number | Pass-Through Entity | Pass-Through Identification Number | Directly Expended | Distributed to Subrecipients | In-Kind Assistance (Note 13) | Total Expended, Distributed, and In-Kind Assistance |
|--|---------------------------------|--|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| Federal Family Education Loans - Guaranty Agency (Notes 6, 9, and 10) | 84.032G | | | \$ 855,392,251 | \$ | \$ | \$ 855,392,251 |
| Total 84.032G | | | | \$ 901,535,753 | \$ 0 | \$ 0 | \$ 901,535,753 |
| Federal Family Education Loans - Lender (Notes 9 and 11) | 84.032L | | | \$ (4,094,203) | \$ | \$ | \$ (4,094,203) |
| Federal Family Education Loans - Lender (Notes 6, 9, and 11) | 84.032L | | | 305,284,875 | | | 305,284,875 |
| Total 84.032L | | | | \$ 301,190,672 | \$ 0 | \$ 0 | \$ 301,190,672 |
| Career and Technical Education -- Basic Grants to States | 84.048A | | | \$ 4,184,923 | \$ 34,162,577 | \$ | \$ 38,347,500 |
| Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126A | | | 104,938,931 | | | 104,938,931 |
| Migrant Education Coordination Program | 84.144F | | | 38,750 | | | 38,750 |
| Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | 84.177B | | | 849,897 | | | 849,897 |
| Special Education-Grants for Infants and Families | 84.181A | | | 961,715 | 11,600,256 | | 12,561,971 |
| School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs) | 84.184F | | | 411,236 | 497,627 | | 908,863 |
| Education for Homeless Children and Youth | 84.196A | | | 231,424 | 1,821,601 | | 2,053,025 |
| Charter Schools | 84.282A | | | 584,367 | 4,321,503 | | 4,905,870 |
| Twenty-First Century Community Learning Centers | 84.287C | | | 988,973 | 31,973,605 | | 32,962,578 |
| Special Education - State Personnel Development | 84.323A | | | | 1,834,286 | | 1,834,286 |
| Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326K | University of North Carolina at Chapel Hill | 5109830 | 3,384 | | | 3,384 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334S | | | 306,090 | 1,180,256 | | 1,486,346 |
| Credit Enhancement for Charter School Facilities | 84.354A | | | 6,062,936 | | | 6,062,936 |
| Rural Education | 84.358B | | | 110,123 | 1,767,146 | | 1,877,269 |
| English Language Acquisition State Grants | 84.365A | | | 394,140 | 10,462,231 | | 10,856,371 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367A | | | 3,685,154 | 66,844,118 | | 70,529,272 |
| Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments) | 84.368A | | | 40,748 | | | 40,748 |
| Grants for State Assessments and Related Activities | 84.369A | | | 8,964,988 | | | 8,964,988 |
| Comprehensive Literacy Development | 84.371C | | | 123,091 | 83,794 | | 206,885 |
| School Improvement Grants | 84.377A | | | 124,719 | 4,834,462 | | 4,959,181 |
| Student Support and Academic Enrichment Program | 84.424A | | | 1,184,556 | 30,739,662 | | 31,924,218 |
| Education Stabilization Fund: | | | | | | | |
| COVID-19 - Governor's Emergency Education Relief (GEER I and II) Fund | 84.425C | | | 10,221,145 | 53,640,148 | | 63,861,293 |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I and II) Fund | 84.425D | | | 209,253 | 388,874,010 | | 389,083,263 |
| COVID-19 - Discretionary Grants: Reimagining Workforce Preparation Grants | 84.425G | | | 98,689 | | | 98,689 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|--|---------------------------------|--------------------------|---------------------------------------|-------------------------|---------------------------------|------------------------------------|--|
| COVID-19 - Emergency Assistance for Non-Public Schools (EANS) Program | 84.425R | | | \$ 28 | \$ | \$ | \$ 28 |
| Total 84.425 | | | | \$ 10,529,115 | \$ 442,514,158 | \$ 0 | \$ 453,043,273 |
| Randolph-Sheppard - Financial Relief and Restoration Payments | 84.426A | | | \$ 543,909 | \$ | \$ | \$ 543,909 |
| Disaster Recovery Assistance for Education | 84.938B | | | | 8,398 | | 8,398 |
| Total U.S. Department of Education | | | | \$ 1,377,760,325 | \$ 1,537,642,353 | \$ 0 | \$ 2,915,402,678 |
| National Archives and Records Administration | | | | | | | |
| National Historical Publications and Records Grants | 89.003 | | | \$ 17,227 | \$ | \$ | \$ 17,227 |
| Total National Archives and Records Administration | | | | \$ 17,227 | \$ 0 | \$ 0 | \$ 17,227 |
| U.S. Election Assistance Commission | | | | | | | |
| Election Reform Payments | 39.011 | | | \$ 775,628 | \$ | \$ | \$ 775,628 |
| 2018 HAVA Election Security Grants | 90.404 | | | 2,404,458 | 915,797 | | 3,320,255 |
| COVID-19 - 2018 HAVA Election Security Grants | 90.404 | | | 41,790 | | | 41,790 |
| Total 90.404 | | | | \$ 2,446,248 | \$ 915,797 | \$ 0 | \$ 3,362,045 |
| Total U.S. Election Assistance Commission | | | | \$ 3,221,876 | \$ 915,797 | \$ 0 | \$ 4,137,673 |
| 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 | | | \$ 624,745 | \$ 12,909,517 | \$ | \$ 13,534,262 |
| COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | | | 28,709 | 1,686,344 | | 1,715,053 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | | | 1,135,008 | 23,289,066 | | 24,424,074 |
| COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | | | 196,931 | 5,728,151 | | 5,925,082 |
| Nutrition Services Incentive Program | 93.053 | | | | 7,795,143 | | 7,795,143 |
| Total Aging Cluster | | | | \$ 1,985,393 | \$ 51,408,221 | \$ 0 | \$ 53,393,614 |
| CCDF Cluster: | | | | | | | |
| Child Care and Development Block Grant (Notes 12 and 18) | 93.575 | | | \$ 142,893,768 | \$ 10,690,724 | \$ | \$ 153,584,492 |
| Child Care and Development Block Grant (Note 15) | 93.575 | Public Policy Associates | 90YE0219-01-00 | 97,737 | | | 97,737 |
| COVID-19 - Child Care and Development Block Grant (Note 18) | 93.575 | | | 8,861,251 | | | 8,861,251 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 18) | 93.596 | | | 80,001,823 | | | 80,001,823 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|--|---------------------------------|------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| COVID-19 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 18) | 93.596 | | | \$ 14,859,254 | \$ | \$ | \$ 14,859,254 |
| Total CCDF Cluster | | | | \$ 246,713,833 | \$ 10,690,724 | \$ 0 | \$ 257,404,557 |
| Head Start Cluster: | | | | | | | |
| Head Start | 93.600 | | | \$ 167,916 | \$ | \$ | \$ 167,916 |
| Total Head Start Cluster | | | | \$ 167,916 | \$ 0 | \$ 0 | \$ 167,916 |
| Medicaid Cluster: | | | | | | | |
| State Medicaid Fraud Control Units | 93.775 | | | \$ 4,511,026 | \$ | \$ | \$ 4,511,026 |
| State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 93.777 | | | 13,734,214 | | | 13,734,214 |
| Medical Assistance Program | 93.778 | | | 14,727,410,168 | 42,162,823 | | 14,769,572,991 |
| COVID-19 - Medical Assistance Program | 93.778 | | | 944,010,117 | | | 944,010,117 |
| Total Medicaid Cluster | | | | \$ 15,689,665,525 | \$ 42,162,823 | \$ 0 | \$ 15,731,828,348 |
| Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | | | \$ | \$ 154,235 | \$ | \$ 154,235 |
| Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | 93.042 | | | 46,629 | 530,956 | | 577,585 |
| COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | 93.042 | | | | 236,263 | | 236,263 |
| Total 93.042 | | | | \$ 46,629 | \$ 767,219 | \$ 0 | \$ 813,848 |
| Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | 93.043 | | | \$ | \$ 735,765 | \$ | \$ 735,765 |
| Special Programs for the Aging, Title IV, and Title II, Discretionary Projects | 93.048 | | | 12,904 | 54,320 | | 67,224 |
| COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects | 93.048 | | | 85,629 | 1,128,006 | | 1,213,635 |
| Total 93.048 | | | | \$ 98,533 | \$ 1,182,326 | \$ 0 | \$ 1,280,859 |
| Alzheimer's Disease Demonstration Grants to States | 93.051 | | | \$ (519) | \$ (44,034) | \$ | \$ (44,553) |
| National Family Caregiver Support, Title III, Part E | 93.052 | | | 286,652 | 5,430,121 | | 5,716,773 |
| COVID-19 - National Family Caregiver Support, Title III, Part E | 93.052 | | | | 589,396 | | 589,396 |
| Total 93.052 | | | | \$ 286,652 | \$ 6,019,517 | \$ 0 | \$ 6,306,169 |
| Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure | 93.065 | | | \$ 314,370 | \$ | \$ | \$ 314,370 |
| Chronic Diseases: Research, Control, and Prevention | 93.068 | | | 111,353 | 38,560 | | 149,913 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------------|--|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| Public Health Emergency Preparedness | 93.069 | | | \$ 8,449,458 | \$ 7,380,431 | \$ | \$ 15,829,889 |
| Public Health Emergency Preparedness (Note 6) | 93.069 | | | 136,636 | | | 136,636 |
| Total 93.069 | | | | <u>\$ 8,586,094</u> | <u>\$ 7,380,431</u> | <u>\$ 0</u> | <u>\$ 15,966,525</u> |
| Environmental Public Health and Emergency Response | 93.070 | | | \$ 2,767,638 | \$ 380,251 | \$ | \$ 3,147,889 |
| Medicare Enrollment Assistance Program | 93.071 | | | 40,242 | 653,706 | | 693,948 |
| Birth Defects and Developmental Disabilities - Prevention and Surveillance | 93.073 | | | 250,938 | | | 250,938 |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079 | | | 115,997 | | | 115,997 |
| Blood Disorder Program: Prevention, Surveillance, and Research | 93.080 | | | 784 | | | 784 |
| Blood Disorder Program: Prevention, Surveillance, and Research | 93.080 | Regents of the University of Michigan | SUBK00012957 | 39,061 | | | 39,061 |
| Total 93.080 | | | | <u>\$ 39,845</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 39,845</u> |
| Guardianship Assistance | 93.090 | | | \$ 3,218,316 | \$ 989 | \$ | \$ 3,219,305 |
| COVID-19 - Guardianship Assistance | 93.090 | | | 298,530 | | | 298,530 |
| Total 93.090 | | | | <u>\$ 3,516,846</u> | <u>\$ 989</u> | <u>\$ 0</u> | <u>\$ 3,517,835</u> |
| Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | | | \$ 354,564 | \$ 1,149,274 | \$ | \$ 1,503,838 |
| Food and Drug Administration Research | 93.103 | | | 3,055,369 | 329,655 | | 3,385,024 |
| Food and Drug Administration Research | 93.103 | Association of Food and Drug Officials | G-SE-2004-02359; G-1910-02118 | 9,612 | | | 9,612 |
| Total 93.103 | | | | <u>\$ 3,064,981</u> | <u>\$ 329,655</u> | <u>\$ 0</u> | <u>\$ 3,394,636</u> |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | | \$ 407,460 | \$ 571,014 | \$ | \$ 978,474 |
| Maternal and Child Health Federal Consolidated Programs (Note 15) | 93.110 | Wayne State University | WSU20111 | | 39,000 | | 39,000 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | Association of Public Health Laboratories, Inc. | 56300-600-158-21-31 | 43,679 | | | 43,679 |
| Total 93.110 | | | | <u>\$ 451,139</u> | <u>\$ 610,014</u> | <u>\$ 0</u> | <u>\$ 1,061,153</u> |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | | \$ 630,933 | \$ 289,499 | \$ | \$ 920,432 |
| Emergency Medical Services for Children | 93.127 | | | 103,851 | | | 103,851 |
| Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 93.130 | | | 311,273 | | | 311,273 |

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing Number | Pass-Through Entity | Pass-Through Identification Number | Directly Expended | Distributed to Subrecipients | In-Kind Assistance (Note 13) | Total Expended, Distributed, and In-Kind Assistance |
|---|---------------------------------|---------------------------|---------------------------------------|-----------------------|---------------------------------|------------------------------------|--|
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | | \$ 4,936,359 | \$ 6,081,116 | \$ | \$ 11,017,475 |
| COVID-19 - Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | | 46,200 | 128,013 | | 174,213 |
| Total 93.136 | | | | <u>\$ 4,982,559</u> | <u>\$ 6,209,129</u> | <u>\$ 0</u> | <u>\$ 11,191,688</u> |
| Community Programs to Improve Minority Health Grant Program | 93.137 | | | \$ 97,131 | \$ 255,933 | \$ | \$ 353,064 |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | | | 150,613 | 1,738,376 | | 1,888,989 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | | | 132,779 | 936,264 | | 1,069,043 |
| COVID-19 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | | | 1,129 | 40,115 | | 41,244 |
| Total 93.153 | | | | <u>\$ 133,908</u> | <u>\$ 976,379</u> | <u>\$ 0</u> | <u>\$ 1,110,287</u> |
| Grants to States for Loan Repayment | 93.165 | | | \$ 1,225,963 | \$ | \$ | \$ 1,225,963 |
| Disabilities Prevention | 93.184 | | | 275,437 | 71,479 | | 346,916 |
| Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | | | 469,296 | | | 469,296 |
| 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 | 41,920 | | | 41,920 |
| Total 93.197 | | | | <u>\$ 511,216</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 511,216</u> |
| Family Planning Services | 93.217 | | | \$ 1,593,478 | \$ 5,357,318 | \$ | \$ 6,950,796 |
| Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program | 93.235 | | | 400,154 | 1,263,109 | | 1,663,263 |
| State Capacity Building | 93.240 | | | 464,563 | | | 464,563 |
| COVID-19 - State Capacity Building | 93.240 | | | 42,555 | | | 42,555 |
| Total 93.240 | | | | <u>\$ 507,118</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 507,118</u> |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | | | \$ 1,275,044 | \$ 3,382,651 | \$ | \$ 4,657,695 |
| Early Hearing Detection and Intervention | 93.251 | | | 57,118 | 63,250 | | 120,368 |
| Occupational Safety and Health Program | 93.262 | Michigan State University | RC105035-MDHHS | 36,681 | | | 36,681 |
| Immunization Cooperative Agreements | 93.268 | | | 4,931,663 | 4,719,363 | | 9,651,026 |
| Immunization Cooperative Agreements (Note 6) | 93.268 | | | 99,085,692 | | | 99,085,692 |
| COVID-19 - Immunization Cooperative Agreements | 93.268 | | | 6,445,232 | 25,025,116 | | 31,470,348 |
| Total 93.268 | | | | <u>\$ 110,462,587</u> | <u>\$ 29,744,479</u> | <u>\$ 0</u> | <u>\$ 140,207,066</u> |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------|--|---|----------------------|------------------------------|------------------------------|---|
| Viral Hepatitis Prevention and Control | 93.270 | | | \$ 246,205 | \$ 121,520 | \$ | \$ 367,725 |
| Drug Abuse and Addiction Research Programs | 93.279 | University of Pennsylvania | REV19-99012 | 4,576 | | | 4,576 |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | Council of State and Territorial Epidemiologists | P.O. 6718 | 141,582 | | | 141,582 |
| Trans-NIH Research Support (Note 15) | 93.310 | Michigan State University | RC108889MDHHS | 74,151 | | | 74,151 |
| Early Hearing Detection and Intervention Information System (EHDHIS) Surveillance Program | 93.314 | | | 184,250 | (1,016) | | 183,234 |
| CSELS Partnership: Strengthening Public Health Laboratories | 93.322 | Association of Public Health Laboratories, Inc. | 56401-250-451-21-05; 56300-200-202-20-04; 56400-200-943-17-03 | 93,810 | | | 93,810 |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | | | 6,789,846 | 46,873 | | 6,836,719 |
| COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | | | 71,634,070 | 43,339,567 | | 114,973,637 |
| Total 93.323 | | | | <u>\$ 78,423,916</u> | <u>\$ 43,386,440</u> | <u>\$ 0</u> | <u>\$ 121,810,356</u> |
| State Health Insurance Assistance Program | 93.324 | | | \$ 42,779 | \$ 1,399,936 | \$ | \$ 1,442,715 |
| Behavioral Risk Factor Surveillance System | 93.336 | | | 54,180 | 259,497 | | 313,677 |
| COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | | | 3,384,415 | 2,659,556 | | 6,043,971 |
| Sickle Cell Treatment Demonstration Program | 93.365 | Sickle Cell Disease Association of America | 20153529-00 | 5,000 | | | 5,000 |
| Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs | 93.367 | | | 144,145 | | | 144,145 |
| ACL Independent Living State Grants | 93.369 | | | 224,726 | 2,592,723 | | 2,817,449 |
| Title: Multiple Approaches to Support Young Breast Cancer Survivors and Metastatic Breast Cancer Patients | 93.376 | | | 166,361 | 176,139 | | 342,500 |
| The CDC Public Health Cancer Genomics Program: Translating Research into Public Health Practice | 93.380 | | | 429,889 | 89,210 | | 519,099 |
| National and State Tobacco Control Program | 93.387 | | | 1,281,509 | 949,568 | | 2,231,077 |
| National and State Tobacco Control Program (Note 6) | 93.387 | | | 1,453 | | | 1,453 |
| Total 93.387 | | | | <u>\$ 1,282,962</u> | <u>\$ 949,568</u> | <u>\$ 0</u> | <u>\$ 2,232,530</u> |
| COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 93.391 | | | \$ | \$ 78,582 | \$ | \$ 78,582 |
| 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. 7584; P.O. 7450; P.O. 7729 | 61,991 | 92,417 | | 154,408 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|--|---------------------------------|--|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| COVID-19 - 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. 7375; P.O. 7451; P.O. 7729 | \$ 540,177 | \$ | \$ | \$ 540,177 |
| Total 93.421 | | | | \$ 602,168 | \$ 92,417 | \$ 0 | \$ 694,585 |
| NON-ACA/PPHF - Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations | 93.424 | Council of State and Territorial Epidemiologists | REV19-99110 | \$ 18 | \$ | \$ | \$ 18 |
| Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke | 93.426 | | | 1,733,978 | 685,529 | | 2,419,507 |
| Every Student Succeeds Act/Preschool Development Grants | 93.434 | | | 8,665,614 | 2,317,825 | | 10,983,439 |
| Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke | 93.435 | | | 1,182,179 | 796,796 | | 1,978,975 |
| Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN) | 93.436 | | | 567,211 | 131,634 | | 698,845 |
| ACL Assistive Technology | 93.464 | | | 631,740 | | | 631,740 |
| COVID-19 - Title IV-E Kinship Navigator Program | 93.471 | | | 49,256 | 114,473 | | 163,729 |
| COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | | | 1,653,145 | | | 1,653,145 |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | | | 10,874,753 | 447,227 | | 11,321,980 |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | University of Maryland, Baltimore | 3001333 | 29,307 | 300,188 | | 329,495 |
| Total 93.556 | | | | \$ 10,904,060 | \$ 747,415 | \$ 0 | \$ 11,651,475 |
| Temporary Assistance for Needy Families (Note 12) | 93.558 | | | \$ 583,238,626 | \$ 80,556,038 | \$ | \$ 663,794,664 |
| Child Support Enforcement | 93.563 | | | 17,480,433 | 114,380,462 | | 131,860,895 |
| Child Support Enforcement Research | 93.564 | | | 63,581 | 174,220 | | 237,801 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | | | 2,880,552 | 17,801,074 | | 20,681,626 |
| Low-Income Home Energy Assistance (Note 12) | 93.568 | | | 165,735,658 | 10,129,569 | | 175,865,227 |
| COVID-19 - Low-Income Home Energy Assistance | 93.568 | | | 7,184,488 | | | 7,184,488 |
| Total 93.568 | | | | \$ 172,920,146 | \$ 10,129,569 | \$ 0 | \$ 183,049,715 |
| Community Services Block Grant | 93.569 | | | \$ 1,878,432 | \$ 24,608,183 | \$ | \$ 26,486,615 |
| COVID-19 - Community Services Block Grant | 93.569 | | | 199,550 | 10,971,237 | | 11,170,787 |
| Total 93.569 | | | | \$ 2,077,982 | \$ 35,579,420 | \$ 0 | \$ 37,657,402 |
| Refugee and Entrant Assistance Wilson/Fish Program | 93.583 | | | \$ 138,523 | \$ 131,762 | \$ | \$ 270,285 |
| State Court Improvement Program | 93.586 | | | 580,389 | | | 580,389 |
| Community-Based Child Abuse Prevention Grants | 93.590 | | | 311,052 | 816,194 | | 1,127,246 |
| Grants to States for Access and Visitation Programs | 93.597 | | | 259,935 | | | 259,935 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 | | | \$ 1,153,943 | \$ 390 | \$ | \$ 1,154,333 |
| COVID-19 - Chafee Education and Training Vouchers Program (ETV) | 93.599 | | | 24,000 | | | 24,000 |
| Total 93.599 | | | | \$ 1,177,943 | \$ 390 | \$ 0 | \$ 1,178,333 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | | | \$ 2,716,558 | \$ | \$ | \$ 2,716,558 |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | | | 1,332,688 | 1,547,362 | | 2,880,050 |
| Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals | 93.634 | | | 1,013 | 620,049 | | 621,062 |
| Children's Justice Grants to States | 93.643 | | | 458,685 | | | 458,685 |
| Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP | 93.644 | | | (3,500) | | | (3,500) |
| Stephanie Tubbs Jones Child Welfare Services Program (Note 12) | 93.645 | | | 7,816,955 | 473,464 | | 8,290,419 |
| COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | | 736,701 | | | 736,701 |
| Total 93.645 | | | | \$ 8,553,656 | \$ 473,464 | \$ 0 | \$ 9,027,120 |
| Foster Care Title IV-E | 93.658 | | | \$ 70,075,355 | \$ 6,517,643 | \$ | \$ 76,592,998 |
| COVID-19 - Foster Care Title IV-E | 93.658 | | | 3,199,386 | | | 3,199,386 |
| Total 93.658 | | | | \$ 73,274,741 | \$ 6,517,643 | \$ 0 | \$ 79,792,384 |
| Adoption Assistance | 93.659 | | | \$ 106,051,489 | \$ 1,263,847 | \$ | \$ 107,315,336 |
| COVID-19 - Adoption Assistance | 93.659 | | | 8,718,817 | | | 8,718,817 |
| Total 93.659 | | | | \$ 114,770,306 | \$ 1,263,847 | \$ 0 | \$ 116,034,153 |
| Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act | 93.664 | | | \$ 555,608 | \$ 762,335 | \$ | \$ 1,317,943 |
| COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19 | 93.665 | | | 143,472 | 1,203,786 | | 1,347,258 |
| Social Services Block Grant (Note 12) | 93.667 | | | 121,966,101 | 4,019,014 | | 125,985,115 |
| Child Abuse and Neglect State Grants | 93.669 | | | 1,717,709 | 8,259 | | 1,725,968 |
| Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 93.671 | | | 66,174 | 3,812,889 | | 3,879,063 |
| COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 93.671 | | | | 928,341 | | 928,341 |
| Total 93.671 | | | | \$ 66,174 | \$ 4,741,230 | \$ 0 | \$ 4,807,404 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing Number | Pass-Through Entity | Pass-Through Identification Number | Directly Expended | Distributed to Subrecipients | In-Kind Assistance (Note 13) | Total Expended, Distributed, and In-Kind Assistance |
|--|---------------------------------|------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | | | \$ 6,509,381 | \$ 399,607 | \$ | \$ 6,908,988 |
| COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | | | 2,138,752 | | | 2,138,752 |
| Total 93.674 | | | | \$ 8,648,133 | \$ 399,607 | \$ 0 | \$ 9,047,740 |
| Elder Abuse Prevention Interventions Program | 93.747 | | | \$ 636 | \$ | \$ | \$ 636 |
| Children's Health Insurance Program | 93.767 | | | 214,526,828 | 5,022,327 | | 219,549,155 |
| COVID-19 - Children's Health Insurance Program | 93.767 | | | 12,596,818 | | | 12,596,818 |
| Total 93.767 | | | | \$ 227,123,646 | \$ 5,022,327 | \$ 0 | \$ 232,145,973 |
| Opioid STR | 93.788 | | | \$ 9,827,668 | \$ 29,649,780 | \$ | \$ 39,477,448 |
| State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid | 93.796 | | | 8,363,648 | | | 8,363,648 |
| Organized Approaches to Increase Colorectal Cancer Screening | 93.800 | | | 411,533 | 154,525 | | 566,058 |
| Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion | 93.810 | | | 814,656 | | | 814,656 |
| Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | 93.817 | | | 326,372 | 1,092,495 | | 1,418,867 |
| Maternal, Infant and Early Childhood Home Visiting Grant | 93.870 | | | 2,183,688 | 5,375,740 | | 7,559,428 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | | | 1,758,387 | 3,476,837 | | 5,235,224 |
| COVID-19 - National Bioterrorism Hospital Preparedness Program | 93.889 | | | 231,336 | 3,580,306 | | 3,811,642 |
| Total 93.889 | | | | \$ 1,989,723 | \$ 7,057,143 | \$ 0 | \$ 9,046,866 |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | | | \$ 3,615,095 | \$ 2,175,751 | \$ | \$ 5,790,846 |
| Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement | 93.912 | | | 21,224 | | | 21,224 |
| HIV Care Formula Grants | 93.917 | | | 13,588,163 | 5,003,194 | | 18,591,357 |
| COVID-19 - HIV Care Formula Grants | 93.917 | | | 144,805 | 232,604 | | 377,409 |
| Total 93.917 | | | | \$ 13,732,968 | \$ 5,235,798 | \$ 0 | \$ 18,968,766 |
| HIV Prevention Activities Health Department Based | 93.940 | | | \$ 3,695,416 | \$ 3,601,563 | \$ | \$ 7,296,979 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | | | 1,014,039 | | | 1,014,039 |
| Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | | | 185,474 | 52,210 | | 237,684 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------|--------------------------|------------------------------------|--------------------------|------------------------------|------------------------------|---|
| Block Grants for Community Mental Health Services | 93.958 | | | \$ 1,722,875 | \$ 17,556,876 | \$ | \$ 19,279,751 |
| COVID-19 - Block Grants for Community Mental Health Services | 93.958 | | | | 803,820 | | 803,820 |
| Total 93.958 | | | | \$ 1,722,875 | \$ 18,360,696 | \$ 0 | \$ 20,083,571 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | | \$ 1,903,114 | \$ 48,440,806 | \$ | \$ 50,343,920 |
| COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | | 1,500,000 | 1,773,526 | | 3,273,526 |
| Total 93.959 | | | | \$ 3,403,114 | \$ 50,214,332 | \$ 0 | \$ 53,617,446 |
| Sexually Transmitted Diseases (STD) Prevention and Control Grants | 93.977 | | | \$ 1,720,279 | \$ 845,926 | \$ | \$ 2,566,205 |
| COVID-19 - Mental Health Disaster Assistance and Emergency Mental Health | 93.982 | | | 698,347 | 1,348,286 | | 2,046,633 |
| Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems | 93.988 | | | 76,000 | | | 76,000 |
| Preventive Health and Health Services Block Grant | 93.991 | | | 2,198,110 | 2,793,130 | | 4,991,240 |
| Maternal and Child Health Services Block Grant to the States (Note 12) | 93.994 | | | 9,336,542 | 9,670,485 | | 19,007,027 |
| Implementing Health Systems and Environmental Changes to Improve Ovarian Cancer Care | 93.19BFSK0017* | ICF Macro, Inc. | 19BFSK0017 | | 3,893 | | 3,893 |
| Vital Statistics - CDC - NCHS Contract | 93.200-2012-50823* | | | 1,437,342 | | | 1,437,342 |
| Michigan Art Linkage Project | 93.200-2015-87584* | | | 34,911 | | | 34,911 |
| Vital Statistics - CDC - National Death Index Contract | 93.200-2015-M-62296* | | | 149,855 | | | 149,855 |
| Vital Statistics - CDC - National Death Index Contract | 93.200-2016-M-92251* | | | 54,315 | | | 54,315 |
| Behavioral Health Services Information System Contract (Mental Health - Treatment Episode Data Set) | 93.283-07-4803* | Eagle Technologies, Inc. | 283-07-4803 | | 116,588 | | 116,588 |
| Behavioral Health Services Information System Contract (Substance Abuse) | 93.283-07-4803* | Eagle Technologies, Inc. | 283-07-4803 | 215,312 | | | 215,312 |
| FDA Tobacco Retail Inspection Contract | 93.75F40121C00029* | | | 683,650 | | | 683,650 |
| FDA Tobacco Retail Inspection Contract | 93.HHSF223201400074C* | | | 514,768 | | | 514,768 |
| Total U.S. Department of Health and Human Services | | | | \$ 17,603,107,061 | \$ 653,465,915 | \$ 0 | \$ 18,256,572,976 |
| U.S. Corporation for National and Community Service | | | | | | | |
| State Commissions | 94.003 | | | \$ 204,772 | \$ 74,076 | \$ | \$ 278,848 |
| AmeriCorps | 94.006 | | | 154,883 | 8,503,599 | | 8,658,482 |
| Training and Technical Assistance | 94.009 | | | 82,292 | 21,155 | | 103,447 |
| September 11th National Day of Service and Remembrance Grants | 94.012 | | | 589 | 101,716 | | 102,305 |
| Volunteers in Service to America | 94.013 | | | 24,611 | | | 24,611 |
| Volunteer Generation Fund | 94.021 | | | 205,613 | 547,113 | | 752,726 |
| Total U.S. Corporation for National and Community Service | | | | \$ 672,760 | \$ 9,247,659 | \$ 0 | \$ 9,920,419 |

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------------|------------------------|---------------------------------------|----------------------|---------------------------------|------------------------------------|--|
| Executive Office of the President | | | | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | | | \$ 2,263,710 | \$ | \$ | \$ 2,263,710 |
| Total Executive Office of the President | | | | \$ 2,263,710 | \$ 0 | \$ 0 | \$ 2,263,710 |
| Social Security Administration | | | | | | | |
| Disability Insurance/SSI Cluster: | | | | | | | |
| Social Security Disability Insurance | 96.001 | | | \$ 88,476,635 | \$ | \$ | \$ 88,476,635 |
| Total Disability Insurance/SSI Cluster | | | | \$ 88,476,635 | \$ 0 | \$ 0 | \$ 88,476,635 |
| Social Security Administration - Birth Record Contract | 96.00-14-61006* | | | \$ 428,375 | \$ | \$ | \$ 428,375 |
| Social Security Administration - Death Record Contract | 96.SS00-09-60016* | | | 612,219 | | | 612,219 |
| Total Social Security Administration | | | | \$ 89,517,229 | \$ 0 | \$ 0 | \$ 89,517,229 |
| U.S. Department of Homeland Security | | | | | | | |
| Non-Profit Security Program | 97.008 | | | \$ | \$ 970,627 | \$ | \$ 970,627 |
| Boating Safety Financial Assistance | 97.012 | | | 5,584,495 | 1,076,338 | | 6,660,833 |
| Community Assistance Program State Support Services Element (CAP-SSSE) | 97.023 | | | 214,171 | | | 214,171 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | | 2,176,304 | 3,366,388 | | 5,542,692 |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 17) | 97.036 | | | 484,577,637 | 69,225,793 | | 553,803,430 |
| Total 97.036 | | | | \$ 486,753,941 | \$ 72,592,181 | \$ 0 | \$ 559,346,122 |
| Hazard Mitigation Grant | 97.039 | | | \$ 700,514 | \$ 2,724,468 | \$ | \$ 3,424,982 |
| National Dam Safety Program | 97.041 | | | 88,418 | | | 88,418 |
| Emergency Management Performance Grants | 97.042 | | | 6,696,781 | 2,387,881 | | 9,084,662 |
| Cooperating Technical Partners | 97.045 | | | 309,067 | | | 309,067 |
| BRIC: Building Resilient Infrastructure and Communities | 97.047 | | | 43,634 | 1,745,055 | | 1,788,689 |
| COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | 97.050 | | | 305,353,858 | | | 305,353,858 |
| Homeland Security Grant Program | 97.067 | | | 1,862,027 | 8,383,664 | | 10,245,691 |
| Homeland Security Grant Program | 97.067 | Macomb County | R2-2018-82-0030; | 50,652 | | | 50,652 |
| Homeland Security Grant Program | 97.067 | Monroe County | R2-2019-82-0105 601306 | 14,074 | | | 14,074 |
| Total 97.067 | | | | \$ 1,926,753 | \$ 8,383,664 | \$ 0 | \$ 10,310,417 |

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021
(Continued)

| Federal Agency/Program or Cluster | Assistance Listing 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 |
|---|---------------------------------|------------------------|---------------------------------------|--------------------------|---------------------------------|------------------------------------|--|
| Disaster Assistance Projects | 97.088 | | | \$ 153,509 | \$ | \$ | \$ 153,509 |
| Homeland Security Biowatch Program | 97.091 | | | 1,521,161 | | | 1,521,161 |
| HSI - Task Force Officer | 97.* | | | 26,115 | | | 26,115 |
| Total U.S. Department of Homeland Security | | | | \$ 809,372,417 | \$ 89,880,214 | \$ 0 | \$ 899,252,631 |
| Total Financial Assistance | | | | \$ 40,388,065,841 | \$ 4,196,286,576 | \$ 4,209,958 | \$ 44,588,562,375 |
| Total Non-Cash Assistance | | | | \$ 1,259,906,291 | \$ 135,058,353 | \$ 0 | \$ 1,394,964,644 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ 41,647,972,132 | \$ 4,331,344,929 | \$ 4,209,958 | \$ 45,983,527,019 |

* Assistance Listing 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 Western Michigan University, Central 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 2021. 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 2021 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, 2021. In addition, some of the programs noted below also include other State agencies' expenditures, which are reported as of September 30, 2021.

| Assistance Listing Number (ALN) | Federal Program Title | MSHDA Expenditures as of June 30, 2021 | Other State Agencies' Expenditures as of September 30, 2021 | Total (as Reported on the SEFA) |
|--|---|--|---|------------------------------------|
| 14.169 | Housing Counseling Assistance Program | \$ 731,760 | \$ 0 | \$ 731,760 |
| 14.182 | Section 8 - Contract Administration | \$ 344,186,565 | \$ 0 | \$ 344,186,565 |
| 14.182 | Section 8 - New Construction/ Substantial Rehabilitation | \$ 43,095,410 | \$ 0 | \$ 43,095,410 |
| 14.231 | Emergency Solutions Grant Program | \$ 4,228,994 | \$ 0 | \$ 4,228,994 |
| 14.231 | COVID-19 - Emergency Solutions Grant Program | \$ 7,566,974 | \$ 0 | \$ 7,566,974 |

| Assistance Listing Number (ALN) | Federal Program Title | MSHDA Expenditures as of June 30, 2021 | Other State Agencies' Expenditures as of September 30, 2021 | Total (as Reported on the SEFA) |
|---------------------------------|--|--|---|---------------------------------|
| 14.239 | Home Investment Partnerships Program | \$ 26,007,249 | \$ 0 | \$ 26,007,249 |
| 14.256 | ARRA - Neighborhood Stabilization Program (Recovery Act Funded) | \$ 46,322 | \$ 0 | \$ 46,322 |
| 14.267 | Continuum of Care Program | \$ 1,598,970 | \$ 8,629,851 | \$ 10,228,821 |
| 14.275 | Housing Trust Fund | \$ 9,208,129 | \$ 0 | \$ 9,208,129 |
| 14.326 | Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities | \$ 308,418 | \$ 0 | \$ 308,418 |
| 14.856 | Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation | \$ 959,330 | \$ 0 | \$ 959,330 |
| 14.871 | Section 8 Housing Choice Vouchers | \$ 197,087,511 | \$ 0 | \$ 197,087,511 |
| 14.871 | Emergency Housing Voucher Program | \$ 623,200 | \$ 0 | \$ 623,200 |
| 14.871 | COVID-19 - Section 8 Housing Choice Vouchers | \$ 11,113,488 | \$ 0 | \$ 11,113,488 |
| 14.879 | Mainstream Vouchers | \$ 671,215 | \$ 0 | \$ 671,215 |
| 14.879 | COVID-19 - Mainstream Vouchers | \$ 12,790 | \$ 0 | \$ 12,790 |
| 14.896 | Family Self-Sufficiency Program | \$ 1,061,207 | \$ 0 | \$ 1,061,207 |
| 21.019 | COVID-19 - Coronavirus Relief Fund | \$ 62,855,322 | \$ 977,400,648 | \$ 1,040,255,970 |
| 21.023 | COVID-19 - Emergency Rental Assistance Program | \$ 86,783,546 | \$ 0 | \$ 86,783,546 |

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 \$165,217,331 for the Airport Improvement Program (ALN 20.106) channeled to primary airports for fiscal year 2021 are not included in the SEFA. Included in this amount are Coronavirus Aid, Relief, and Economic Security (CARES) Act expenditures totaling \$81,522,589 and Coronavirus Response and Relief Appropriations Act of 2021 expenditures totaling \$6,529,265. 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 (ALN 39.003) is 23.2% 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 2021 were \$20,938.

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 (ALN 84.032). As of September 30, 2021, the outstanding original principal balance of loans guaranteed under the Federal Family Education Loans Program - Guaranty Agency (ALN 84.032G) by the Michigan Finance Authority was \$716,754,632. In addition, as of September 30, 2021, \$241,124,947 in loans were outstanding under the Federal Family Education Loans Program - Lender (ALN 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 2021.

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 2021 was:

| <u>Federal Program Title</u> | <u>ALN</u> | <u>Federal Expenditures</u> |
|---|------------|-----------------------------|
| Federal Family Education Loans - Guaranty Agency | 84.032G | |
| Beginning of fiscal year balance - Loans from prior years | | \$ 855,392,251 |
| Loan loss reinsured by USDOE | | 33,408,891 |
| Account maintenance fees | | 633,145 |
| Loan recoveries - Net of amounts returned to USDOE | | 643,904 |
| Loans repurchased and rehabilitated | | 6,001,627 |
| Reimbursement of loss revenue from collections pause | | 5,455,935 |
| Total Federal Family Education Loans - Guaranty Agency | | <u>\$ 901,535,753</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 2021 was:

| <u>Federal Program Title</u> | <u>ALN</u> | <u>Federal Expenditures</u> |
|---|------------|-----------------------------|
| Federal Family Education Loans - Lender | 84.032L | |
| Beginning of fiscal year balance - Loans from prior years | | \$ 305,284,875 |
| Interest subsidy payments | | 542,121 |
| Special allowance payments | | (4,636,324) |
| Total Federal Family Education Loans - Lender | | <u>\$ 301,190,672</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 (ALN 93.568) | \$ 6,402,404 |
| Stephanie Tubbs Jones Child Welfare Services Program (ALN 93.645) | \$ 1,343,431 |
| Social Services Block Grant (ALN 93.667) | \$ 93,564,231 |
| Maternal and Child Health Services Block Grant to the States (ALN 93.994) | \$ 36,341,094 |

- b. MDHHS moved \$77,279,419 of the Temporary Assistance for Needy Families (TANF) (ALN 93.558) grant award to the Social Services Block Grant (ALN 93.667) and \$6,893,736 of the TANF grant award to the CCDF Cluster (ALN 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 (ALN 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 (ALN 66.001) and the Hazardous Waste Management State Program Support (ALN 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 Chesterfield Township Home for Veterans, Grand Rapids Home for Veterans, and the D.J. Jacobetti Home for Veterans received federal Medicare revenue totaling \$790,235 and Medicaid revenue totaling \$2,534,858 in fiscal year 2021. 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 | ALN | Federal Expenditures |
|---|--------|----------------------|
| Wildlife Services | 10.028 | \$ 25,802 |
| Interjurisdictional Fisheries Act of 1986 | 11.407 | 15,982 |
| Fish and Wildlife Management Assistance | 15.608 | 79,629 |
| Wildlife Restoration and Basic Hunter Education | 15.611 | 471,182 |
| State Wildlife Grants | 15.634 | 300,291 |
| Highway Research and Development Program | 20.200 | 2,325,259 |
| Highway Planning and Construction | 20.205 | 6,584,612 |
| Great Lakes Program | 66.469 | 12,227 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 39,000 |
| Trans-NIH Research Support | 93.310 | 74,151 |
| Child Care and Development Block Grant | 93.575 | 97,737 |
| Total R&D Expenditures | | <u>\$ 10,025,872</u> |

Note 16 Supplemental Nutrition Assistance Program (SNAP)

In response to the COVID-19 pandemic, SNAP (ALN 10.551) issued emergency allotment benefits. 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 \$1,222,397,568 of emergency allotment benefits.

Note 17 Disaster Grants - Public Assistance (Presidentially Declared Disasters) and Coronavirus Relief Fund

The expenditures reported for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program (ALN 97.036) include \$28,446,624 related to reclassification of expenditures incurred in the prior year, including expenditures that were reported for the Coronavirus Relief Fund (CRF) program (ALN 21.019) in fiscal year 2020. The fiscal year 2021 CRF program expenditures do not include the reversing effect of \$27,138,621 of expenditures charged to the CRF program in fiscal year 2020 that were subsequently claimed under the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program in fiscal year 2021.

Note 18 Funding Sources Within the CCDF Cluster

The expenditures reported for the CCDF Cluster (ALNs 93.575 and 93.596) direct awards are from the following funding sources:

| Funding Source | Federal Expenditures |
|---|-----------------------|
| Child Care and Development Block Grant (CCDBG) | \$ 146,690,756 |
| Child Care and Development Fund (CCDF) CARES Act | 8,861,251 |
| Child Care Mandatory and Matching Funds of the CCDF | 80,001,823 |
| CCDF American Rescue Plan Supplemental | 14,859,254 |
| TANF | <u>6,893,736</u> |
| Total CCDF Cluster Expenditures | <u>\$ 257,306,820</u> |

INDEPENDENT AUDITOR'S REPORT



OAG

Office of the Auditor General

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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, 2021. 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 Western Michigan University, Central 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. Our audit, described below, did not include the federal expenditures 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.

| Assistance Listing Number(s) | Program or Cluster | Percent Audited by Other Auditors | Total Expenditures |
|------------------------------|---|-----------------------------------|--------------------|
| 17.225 | Unemployment Insurance, including COVID-19 | 100% | \$14,486,552,995 |
| 93.575 and 93.596 | CCDF Cluster, including COVID-19 | 1% | \$ 257,404,557 |
| 97.050 | Presidential Declared Disaster Assistance to Individuals and Households - Other Needs, including COVID-19 | 100% | \$ 305,353,858 |

We did not audit the State of Michigan's compliance with the compliance requirements listed below applicable to the Federal Family Education Loans - Guaranty Agency, ALN 84.032G, and Federal Family Education Loans - Lender, ALN 84.032L. Third-party servicers performed the compliance requirements for the State of Michigan and have obtained examinations performed under the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (April 2020), the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* (January 2011), and the *Guide for Financial Statement Audits and Compliance Attestation*

Engagements of Lender Servicers Administering Federal Family Education Loan Program Loans (September 2020), issued by the U.S. Department of Education. Our report does not include the results of the other accountants' examinations of the third-party servicers' compliance with such requirements.

| Assistance Listing Number(s) | Third-Party Servicer | Compliance Requirements | Period Covered by Examination(s) |
|------------------------------|---|---|--|
| 84.032G | Educational Credit Management Corporation | Special Test and Provisions (Federal Share of Borrower Payments and Assignment of Defaulted Loans to ED) | 01/01/2020 – 12/31/2020 01/01/2021 – 12/31/2021 |
| 84.032L | Nelnet, Inc. | Reporting and Special Tests and Provisions (Individual Record Review; Interest Benefits; Special Allowance Payments; Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence by Lenders in the Collection of Delinquent Loans; Timely Claim Filings by Lenders or Servicers; Curing Due-Diligence and Timely Filing Violations) | 01/01/2020 – 12/31/2020 01/01/2021 – 12/31/2021 |

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

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 | Assistance Listing 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; Reporting; and Special Tests and Provisions - Health and Safety Requirements | 2021-018 2021-040 2021-041 |

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

Adverse Opinion on CCDF Cluster

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 for the fiscal year ended September 30, 2021.

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 | Assistance Listing 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 | 2021-005 |
| U.S. Department of Labor | 17.225 | Unemployment Insurance, including COVID-19 | Allowable Costs/Cost Principles and Eligibility | 2021-061 |
| U.S. Department of Labor | 17.258, 17.259, and 17.278 | WIOA Cluster | Reporting | 2021-034 |
| U.S. Department of Education | 84.425 | Education Stabilization Fund, including COVID-19 | Reporting and Subrecipient Monitoring | 2021-018 2021-038 2021-039 |
| 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; Matching, Level of Effort, and Earmarking; Reporting; and Special Tests and Provisions - Managed Care Financial Audit | 2021-005 2021-019 2021-022 2021-029 |

| Federal Awarding Agency | Assistance Listing Number(s) | Program or Cluster | Compliance Requirements | Finding Number(s) |
|--|------------------------------|---|--|--|
| U.S. Department of Health and Human Services | 93.268 | Immunization Cooperative Agreements, including COVID-19 | Reporting and Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization | 2021-019 2021-051 |
| U.S. Department of Health and Human Services | 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19 | Reporting | 2021-019 |
| 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; Reporting; and Special Tests and Provisions - Income Eligibility and Verification System | 2021-005 2021-019 2021-053 2021-054 |
| U.S. Department of Health and Human Services | 93.568 | Low-Income Home Energy Assistance, including COVID-19 | Eligibility and Reporting | 2021-019 2021-057 |
| U.S. Department of Health and Human Services | 93.658 | Foster Care - Title IV-E, including COVID-19 | Cash Management and Reporting | 2021-017 2021-019 |
| U.S. Department of Health and Human Services | 93.659 | Adoption Assistance, including COVID-19 | Reporting | 2021-019 |
| U.S. Department of Health and Human Services | 93.667 | Social Services Block Grant | Reporting | 2021-019 |
| 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; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Managed Care Financial Audit | 2021-005 2021-022 2021-023 2021-029 |
| U.S. Department of Homeland Security | 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19 | Reporting | 2021-060 |

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, 2021.

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, 2021.

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 2021-015, 2021-025, 2021-027, 2021-033, 2021-035, 2021-042, 2021-043, 2021-044, 2021-045, 2021-055, and 2021-059. 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 2021-003, 2021-004, 2021-005, 2021-017, 2021-018, 2021-019, 2021-022, 2021-023, 2021-029, 2021-034, 2021-038, 2021-039, 2021-040, 2021-041, 2021-051, 2021-053, 2021-054, 2021-057, and 2021-060 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 2021-001, 2021-002, 2021-006, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, 2021-014, 2021-015, 2021-016, 2021-017, 2021-019, 2021-020, 2021-021, 2021-023, 2021-024, 2021-025, 2021-026, 2021-027, 2021-028, 2021-030, 2021-031, 2021-032, 2021-033, 2021-035, 2021-036, 2021-037, 2021-042, 2021-043, 2021-044, 2021-045, 2021-046, 2021-047, 2021-048, 2021-049, 2021-050, 2021-052, 2021-055, 2021-056, 2021-058, and 2021-059 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, 2021 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated March 18, 2022, 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
August 11, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

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

| Assistance Listing Number(s) | Name of Major Federal Program or Cluster | Opinion |
|------------------------------|---|------------|
| 10.551 and 10.561 | SNAP Cluster, including COVID-19 | Qualified |
| 10.565, 10.568, and 10.569 | Food Distribution Cluster, including COVID-19 | Unmodified |
| 10.542 | Pandemic EBT Food Benefits, including COVID-19 | Unmodified |
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children, including COVID-19 | Unmodified |
| 14.871 and 14.879 | Housing Voucher Cluster, including COVID-19 | Unmodified |
| 17.258, 17.259, and 17.278 | WIOA Cluster | Qualified |
| 20.205, 20.219, and 20.224 | Highway Planning and Construction Cluster, including COVID-19 | Unmodified |
| 21.019 | Coronavirus Relief Fund, including COVID-19 | Unmodified |
| 21.023 | Emergency Rental Assistance Program, including COVID-19 | Unmodified |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds, including COVID-19 | Unmodified |
| 66.458 | Clean Water State Revolving Fund Cluster | Unmodified |
| 66.468 | Drinking Water State Revolving Fund Cluster | Unmodified |
| 84.010 | Title I Grants to Local Educational Agencies | Unmodified |
| 84.032 G, L | Federal Family Education Loans - Guaranty Agency and Lender | Unmodified |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States | Unmodified |
| 84.425 | Education Stabilization Fund, including COVID-19 | Qualified |
| 93.575 and 93.596 | CCDF Cluster, including COVID-19 | Adverse |
| 93.775, 93.777, and 93.778 | Medicaid Cluster, including COVID-19 | Qualified |
| 93.268 | Immunization Cooperative Agreements, including COVID-19 | Qualified |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19 | Qualified |
| 93.558 | Temporary Assistance for Needy Families | Qualified |
| 93.568 | Low-Income Home Energy Assistance, including COVID-19 | Qualified |
| 93.569 | Community Services Block Grant, including COVID-19 | Unmodified |
| 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 | Qualified |

* See glossary at end of report for definition.

| Assistance Listing Number(s) | Name of Major Federal Program or Cluster | Opinion |
|------------------------------|---|------------|
| 93.917 | HIV Care Formula Grants, including COVID-19 | Unmodified |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19 | Qualified |

Major Federal Programs Audited by Others

| Assistance Listing 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 |

Dollar threshold used to distinguish between type A and type B programs: \$68,975,291

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.

* See glossary at end of report for definition.

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 Annual Comprehensive Financial Report (Annual Report)* (071-0010-22), located at:

< audgen.michigan.gov/wp-content/uploads/2022/08/r071001022-2356.pdf >.

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

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING 2021-001

Access Limitation for Confidential Information in SIGMA*

| | |
|--|---|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |
| Total COVID-19 Expenditures | \$1,040,255,970 |
| 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 |

| | |
|--|--|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Rehabilitation Services - Vocational Rehabilitation Grants to States: ALN 84.126 |
| Federal Award Identification Number (FAIN) and Year | H126A200099 10/01/2019 - 09/30/2020 H126A200100 10/01/2019 - 09/30/2020 H126A210099 10/01/2020 - 09/30/2022 H126A210100 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$104,938,931 |
| 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 | 2020-001 |
| 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 Title and Number | Social Services Block Grant: ALN 93.667 |
| Federal Award Identification Number (FAIN) and Year | 21 01 MI SOSR 10/01/2020 - 09/30/2022 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$125,985,115 |
| 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 | 2020-001 |
| State Agency | Michigan Department of Health and Human Services |

* See glossary at end of report for definition.

Condition

The Michigan Department of Health and Human Services (MDHHS) and the Department of Labor and Economic Opportunity (LEO) did not sufficiently limit access to confidential information to appropriate users of the information in the Statewide Integrated Governmental Management Applications (SIGMA). We noted MDHHS and LEO staff included certain confidential client and employee information within the check description field or 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.

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. State of Michigan (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 it revised its process to stop including transaction support with client and employee information on October 1, 2018 and the inclusion of transaction support with client and employee information was an oversight.

LEO informed us that the inclusion of client information was an oversight.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS and LEO agree with the finding.

* See glossary at end of report for definition.

FINDING 2021-002**SIGMA High-Risk Activity Monitoring**

| | |
|--|--|
| Federal Agency | U.S. Department of Labor |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | WIOA Cluster: ALN 17.258, 17.259, and 17.278 |
| Federal Award Identification Number (FAIN) and Year | AA-32196-18-55-A-26 07/01/2018 - 06/30/2021 AA-33236-19-55-A-26 07/01/2019 - 06/30/2022 AA-34775-20-55-A-26 07/01/2020 - 06/30/2023 AA-36326-21-55-A-26 07/01/2021 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$87,365,346 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Matching, Level of Effort, and Earmarking; and Period of Performance |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Department of Labor and Economic Opportunity |

| | |
|--|---|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |
| Total COVID-19 Expenditures | \$1,040,255,970 |
| 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 | 2020-002 |
| State Agency | Michigan Department of Corrections |

| | |
|--|--|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Rehabilitation Services - Vocational Rehabilitation Grants to States: ALN 84.126 |
| Federal Award Identification Number (FAIN) and Year | H126A200099 10/01/2019 - 09/30/2020 H126A200100 10/01/2019 - 09/30/2020 H126A210099 10/01/2020 - 09/30/2022 H126A210100 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$104,938,931 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Period of Performance |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-002 |
| 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 1 of the 2 sampled reports. LEO provided evidence that it reviewed the report 138 days after the reporting period.
- b. MDOC did not perform its high-risk activity monitoring in a timely manner for 3 of the 4 sampled reports. MDOC provided evidence that it reviewed the reports; however, on average these reviews were completed 278 days after the reporting periods.

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 initiated a process in May 2021 to address the backlog of unreviewed override reports covering January 1, 2021 through May 3, 2021 and completed the review of these reports in fiscal year 2022.

For part b., MDOC informed us that it was aware of its backlog of prior year high-risk activity reviews and has retrospectively completed these reviews. Also, MDOC has identified and implemented efficiency improvements to its review process.

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 2021-003
Bridges Interface Controls

| | |
|--|---|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | SNAP Cluster: ALN 10.551, 10.561, and 10.561 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | EBT - 2020 10/01/2019 - 09/30/2020 EBT - 2021 10/01/2020 - 09/30/2021 212MI100S2514 10/01/2020 - 09/30/2021 212MI100S2519 10/01/2020 - 09/30/2021 212MI100S2520 10/01/2020 - 09/30/2021 212MI100S8026 10/01/2020 - 09/30/2021 212MI100S8036 10/01/2020 - 09/30/2021 212MI100S9018 10/01/2020 - 09/30/2021 212MI123Q3903 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$3,394,088,130 |
| Total COVID-19 Expenditures | \$1,214,371 |
| 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 | 2020-003 |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

| | |
|--|---|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Pandemic EBT Food Benefits: ALN 10.542 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | Not Applicable |
| Total Expenditures of Federal Awards | \$710,850,723 |
| Total COVID-19 Expenditures | \$710,850,723 |
| Compliance Requirement(s) | Activities Allowed or Unallowed and 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 | Public Policy Associates |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD 10/01/2018 - 09/30/2021 2001MICCC3 12/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCDF 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 |
| Total COVID-19 Expenditures | \$23,720,505 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special |

| | |
|---|--|
| 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 | 2020-003 |
| 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| 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 | 2020-003 |
| 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 Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | 2020-003 |
| 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 Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) |

| | | |
|--|---|-------------------------|
| Federal Award Identification Number (FAIN) and Year | 20 01 MI E5C3 | 03/27/2020 - 09/30/2021 |
| | 20 01 MI LIEA | 10/01/2019 - 09/30/2021 |
| | 20 01 MI LIE4 | 10/01/2019 - 09/30/2021 |
| | 21 01 MI E5C6 | 03/11/2021 - 09/30/2022 |
| | 21 01 MI LIEA | 10/01/2020 - 09/30/2022 |
| | 21 01 MI LWC5 | 05/28/2021 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$183,049,715 | |
| Total COVID-19 Expenditures | \$7,184,488 | |
| Compliance Requirement(s) | Eligibility | |
| Type of Finding | Material Weakness | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | 2020-003 | |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 | 10/01/2019 - 09/30/2021 |
| | 2105MI5021 | 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 | |
| Total COVID-19 Expenditures | \$12,596,818 | |
| 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 | 2020-003 | |
| 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, Pandemic Electronic Benefits Transfer (P-EBT) Food Benefits, CCDF Cluster, Medicaid Cluster, Temporary Assistance for Needy Families (TANF),

* See glossary at end of report for definition.

Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP). We noted:

- a. DTMB did not ensure that the file control and batch summary tables used to reconcile Bridges interfaces consistently accounted for interface header and trailer records, represented control totals of information processed, or reported if the interface processing occurred with or without exceptions for 1 (13%) of the 8 interfaces sampled.
- b. 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 part a., DTMB informed us that because of a coding issue, the skipped record count was not captured.

For part b., 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's 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, P-EBT, CCDF Cluster, Medicaid Cluster, TANF, LIHEAP, and CHIP.

Management Views

MDHHS and DTMB agree with the finding.

FINDING 2021-004**Bridges Security Management and Access Controls***

| | |
|--|---|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | SNAP Cluster: ALN 10.551, 10.561, and 10.561 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | EBT - 2020 10/01/2019 - 09/30/2020 EBT - 2021 10/01/2020 - 09/30/2021 212MI100S2514 10/01/2020 - 09/30/2021 212MI100S2519 10/01/2020 - 09/30/2021 212MI100S2520 10/01/2020 - 09/30/2021 212MI100S8026 10/01/2020 - 09/30/2021 212MI100S8036 10/01/2020 - 09/30/2021 212MI100S9018 10/01/2020 - 09/30/2021 212MI123Q3903 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$3,394,088,130 |
| Total COVID-19 Expenditures | \$1,214,371 |
| 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 | 2020-004 |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

| | |
|--|---|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Pandemic EBT Food Benefits: ALN 10.542 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | Not Applicable |
| Total Expenditures of Federal Awards | \$710,850,723 |
| Total COVID-19 Expenditures | \$710,850,723 |
| Compliance Requirement(s) | Activities Allowed or Unallowed, Eligibility, and Reporting |
| 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 |

* See glossary at end of report for definition.

| | |
|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Public Policy Associates |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD 10/01/2018 - 09/30/2021 2001MICCC3 12/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCDF 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 |
| Total COVID-19 Expenditures | \$23,720,505 |
| 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 | 2020-004 |
| 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| 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 | 2020-004 |
| 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 Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | 2020-004 |
| 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 Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | <div>20 01 MI E5C3 03/27/2020 - 09/30/2021</div> <div>20 01 MI LIEA 10/01/2019 - 09/30/2021</div> <div>20 01 MI LIE4 10/01/2019 - 09/30/2021</div> <div>21 01 MI E5C6 03/11/2021 - 09/30/2022</div> <div>21 01 MI LIEA 10/01/2020 - 09/30/2022</div> <div>21 01 MI LWC5 05/28/2021 - 09/30/2023</div> |
| Total Expenditures of Federal Awards | \$183,049,715 |
| Total COVID-19 Expenditures | \$7,184,488 |
| Compliance Requirement(s) | Eligibility |
| Type of Finding | Material Weakness |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-004 |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | <div>2005MI5021 10/01/2019 - 09/30/2021</div> <div>2105MI5021 10/01/2020 - 09/30/2022</div> |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 | 2020-004 |
| 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 33 (83%) of the 40 sampled Bridges incompatible role exception requests. Of the 7 forms received, we noted that MDHHS did not properly approve all 7 forms prior to granting the exception requests.

- b. MDHHS did not maintain documentation for 20 (25%) of 80 sampled local office security monitoring reports. Also, MDHHS did not complete timely reviews for 8 (13%) of 60 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 1 (3%) of the 40 sampled Bridges application security agreements. Of the 39 forms received, we noted that MDHHS did not properly approve 7 (18%) 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.
- f. MDHHS did not maintain documentation for 10 (50%) of the 20 sampled local office high-risk Bridges transaction monitoring reports. Of the 10 reports received, MDHHS did not complete the review timely or did not document its review date for 3 (30%) 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 (38%) of 24 sampled non-local office high-risk Bridges transactions reports. Of the 15 reports received, MDHHS did not properly document its review and review date for 10 (67%) reports.

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.

* See glossary at end of report for definition.

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 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, P-EBT, 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 agrees with parts a., b., and d. through g. of the finding. MDHHS and DTMB disagree with part c. of the finding.

For part c., while MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to Bridges and that there is increased risk that MDHHS and DTMB cannot ensure the security of Bridges and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in

conjunction with intrusion protection, antivirus software, and State of Michigan standard security safeguards.

Auditor's Comments to Management Views*

MDHHS and DTMB acknowledge they did not fully establish and implement effective security configurations for the database. IT security controls are designed to reduce risk to an acceptable level, not eliminate it entirely. So even if all expected security configurations had been in place, some level of risk still exists. In acknowledging the identified weaknesses, the agencies also imply an increased risk above the planned acceptable amount.

The method of security MDHHS and DTMB describe is referred to as "defense in depth." It is most effective against outside threats when all levels of security are employed and working to reduce the risk of a security breach. However, past audits of other security layers, such as network and cybersecurity, operating system*, disaster recovery, and physical security, have identified weaknesses in these other layers. In addition, threats can come from within State government where attackers can evade some levels of these controls.

Given these facts, the finding stands as written.

FINDING 2021-005

Income Eligibility and Verification System

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Agriculture | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | SNAP Cluster: ALN 10.551, 10.561, and 10.561 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | EBT - 2020 | 10/01/2019 - 09/30/2020 |
| | EBT - 2021 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2514 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2519 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2520 | 10/01/2020 - 09/30/2021 |
| | 212MI100S8026 | 10/01/2020 - 09/30/2021 |
| | 212MI100S8036 | 10/01/2020 - 09/30/2021 |
| | 212MI100S9018 | 10/01/2020 - 09/30/2021 |
| | 212MI123Q3903 | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$3,394,088,130 | |
| Total COVID-19 Expenditures | \$1,214,371 | |
| 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 | 2020-006 | |
| 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |

* See glossary at end of report for definition.

| | |
|---|--|
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| 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 | 2020-006 |
| 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 Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | 2020-006 |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 | 2020-006 |
| 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 5 (38%) 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 9 (16%) of 58 cases reviewed. In addition, 480 (4%) of 11,101 lottery income records were not sent to caseworkers for manual consideration and action.
- c. For 7 (54%) of 13 IEVS interfaces, MDHHS did not take timely action on IEVS information in 11 (19%) of 58 cases reviewed, of which 8 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) death records for all applicants and recipients.
- g. 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 CHIP Healthy Kids program in the applicable IEVS interfaces conducted during the audit period.
- h. MDHHS was unable to provide documentation for 11 (16%) of 70 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) requires 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 2021-003, 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 yet establish and implement the applicable IEVS interfaces to validate income, social security number, criminal background, or citizenship.

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 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 h., 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 eligibility archival process had several migrations that took place during the fiscal year, and as a result, the Enterprise team was not able to 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 f. and part h. of the finding. MDHHS disagrees with part g. of the finding.

For part g., 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.

Auditor's Comments to Management Views

Regarding part g., 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 data bases, 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 federal regulations 42 *CFR* 435.926(d)(4) and 42 *CFR* 457.342.

Therefore, the finding stands as written.

FINDING 2021-006

ADP Security Program

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Agriculture | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | SNAP Cluster: ALN 10.551, 10.561, and 10.561 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | EBT - 2020 | 10/01/2019 - 09/30/2020 |
| | EBT - 2021 | 10/01/2020 - 09/30/2021 |
| | 212M1100S2514 | 10/01/2020 - 09/30/2021 |

| | | |
|---|--|-------------------------|
| FAIN and Year (Continued) | 212MI100S2519 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2520 | 10/01/2020 - 09/30/2021 |
| | 212MI100S8026 | 10/01/2020 - 09/30/2021 |
| | 212MI100S8036 | 10/01/2020 - 09/30/2021 |
| | 212MI100S9018 | 10/01/2020 - 09/30/2021 |
| | 212MI123Q3903 | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$3,394,088,130 | |
| Total COVID-19 Expenditures | \$1,214,371 | |
| 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 | 2020-007 | |
| 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| 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 | 2020-007 | |
| 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 Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST | 10/01/2019 - 09/30/2020 |
| | 21 01 MI FOST | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 | |
| Total COVID-19 Expenditures | \$3,199,386 | |
| 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 | 2020-007 | |
| 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 8 significant systems and noted:

- a. MDHHS did not include all critical elements in the business continuity plan (BCP) for 2 systems, 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 2021, 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 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 limited resources, in addition to competing priorities during the pandemic, caused delays in the completion of a comprehensive ADP security program.

Effect

MDHHS cannot demonstrate 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. 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 2021-007**MiSACWIS Security Management and Access Controls**

| | |
|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | 2020-008 |
| 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 Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST 10/01/2019 - 09/30/2020 21 01 MI FOST 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 |
| Total COVID-19 Expenditures | \$3,199,386 |
| 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 | 2020-008 |
| 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 Title and Number | Adoption Assistance: ALN 93.659 and 93.659 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI ADPT 10/01/2019 - 09/30/2020 21 01 MI ADPT 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$116,034,153 |
| Total COVID-19 Expenditures | \$8,718,817 |
| 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 | 2020-008 |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Social Services Block Grant: ALN 93.667 |

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| Federal Award Identification Number (FAIN) and Year | 21 01 MISOSR 21 01 MI TANF | 10/01/2020 - 09/30/2022 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$125,985,115 | |
| 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 | 2020-008 | |
| 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 maintain documentation for 2 (5%) of the 40 sampled MiSACWIS application security agreements. Of the 38 forms received, we noted that MDHHS did not properly approve 1 (3%) form prior to granting access to MiSACWIS.
- b. MDHHS did not maintain documentation for 5 (13%) of 40 sampled MiSACWIS incompatible role exception requests. Of the 35 forms that were received, we noted that MDHHS did not properly approve 9 (26%) 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.

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. 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 2021.

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 agrees with parts a., b., and d. of the finding. MDHHS and DTMB disagree with part c. of the finding.

For part c., while MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to MiSACWIS and that there is increased risk that MDHHS and DTMB cannot ensure the security of MiSACWIS and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and State of Michigan standard security safeguards.

Auditor's Comments to Management Views

MDHHS and DTMB acknowledge they did not fully establish and implement effective security configurations for the database. IT security controls are designed to reduce risk to an acceptable level, not eliminate it entirely. So even if all expected security configurations had been in place, some level of risk still exists. In acknowledging the identified weaknesses, the agencies also imply an increased risk above the planned acceptable amount.

The method of security MDHHS and DTMB describe is referred to as "defense in depth." It is most effective against outside threats when all levels of security are employed and working to reduce the risk of a security breach. However, past audits of other security layers, such as network and cybersecurity, operating system, disaster recovery, and physical security, have

identified weaknesses in these other layers. In addition, threats can come from within State government where attackers can evade some levels of these controls.

Given these facts, the finding stands as written.

FINDING 2021-008

CHAMPS Security Management and Access Controls

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| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| Compliance Requirements | 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 | 2020-009 |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

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| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| Compliance Requirements | 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 | 2020-009 |
| 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 a user's access was appropriate based on the roles and responsibilities of their job functions. We noted 1 (7%) of the 15 sampled users with access rights beyond what was necessary to perform their job responsibilities.

Criteria

Federal regulation 45 *CFR* 95.621 provides that state agencies are responsible for the security of the information systems used to administer U.S. Department of Health and Human Services (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.

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 the user's responsibilities shifted after beginning a new assignment and this role was no longer needed after April 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 disagree with part a. of the finding. MDHHS agrees with part b. of the finding.

For part a., while MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB

disagrees that there is elevated risk that individuals may make inappropriate changes to CHAMPS and that there is increased risk that MDHHS and DTMB cannot ensure the security of CHAMPS and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and State of Michigan standard security safeguards.

Auditor's Comments to Management Views

MDHHS and DTMB acknowledge they did not fully establish and implement effective security configurations for the database. IT security controls are designed to reduce risk to an acceptable level, not eliminate it entirely. So even if all expected security configurations had been in place some level of risk still exists. In acknowledging the identified weaknesses, the agencies also imply an increased risk above the planned acceptable amount.

The method of security MDHHS and DTMB describe is referred to as "defense in depth." It is most effective against outside threats when all levels of security are employed and working to reduce the risk of a security breach. However, past audits of other security layers, such as network and cybersecurity, operating system, disaster recovery, and physical security, have identified weaknesses in these other layers. In addition, threats can come from within State government where attackers can evade some levels of these controls.

Given these facts, the finding stands as written.

FINDING 2021-009

EGrAMS Security Management and Access Controls

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| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Council of State Governments and Tufts University |
| Assistance Listing Title and Number | WIC Special Supplemental Nutrition Program for Women, Infants, and Children: ALN 10.557 and 10.557 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 212MI003W1003 10/01/2020 - 09/30/2021 212MI003W1006 10/01/2020 - 09/30/2021 212IM003W6003 10/01/2020 - 09/30/2021 212MI003W6006 10/01/2020 - 09/30/2021 212MI003W7003 10/01/2020 - 09/30/2021 212MI013W5003 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$143,669,980 |
| Total COVID-19 Expenditures | \$26,421,216 |
| Compliance Requirement(s) | Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Period of Performance |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-010 |
| State Agency | Michigan Department of Health and Human Services |

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| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |

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|---------------------------------------|--|
| Total COVID-19 Expenditures | \$1,040,255,970 |
| 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 | 2020-010 |
| State Agency | Michigan Department of Health and Human Services |

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|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Immunization Cooperative Agreements: ALN 93.268 and 93.268 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | NH23IP922635 07/01/2019 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$140,207,066 |
| Total COVID-19 Expenditures | \$31,470,348 |
| 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 |

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|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): ALN 93.323 and 93.323 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | NU50CK000510 08/01/2019 - 07/31/2024 |
| Total Expenditures of Federal Awards | \$121,810,356 |
| Total COVID-19 Expenditures | \$114,973,637 |
| Compliance Requirement(s) | Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Period of Performance, and Subrecipient Monitoring |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-010 |
| State Agency | Michigan Department of Health and Human Services |

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| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | HIV Care Formula Grants: ALN 93.917 and 93.917 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | X0700044 04/01/2017 - 03/31/2022 X7C36929 04/01/2020 - 09/29/2021 |
| Total Expenditures of Federal Awards | \$18,968,766 |
| Total COVID-19 Expenditures | \$377,409 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; 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 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 20 (25%) of 81 sampled non-privileged users to ensure that the users' access to 2021 grants and projects was assigned in accordance with their job responsibilities.
- b. MDHHS did not maintain or properly approve all applicable security access forms prior to granting access for 3 (21%) of 14 sampled EGrAMS users.
- c. MDHHS did not disable 13 (12%) of 106 sampled active EGrAMS user accounts that had not accessed the application in over 60 days as of September 30, 2021.

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 and that the information system automatically disables inactive user accounts after 60 days.

Cause

For part a., MDHHS informed us that after the fiscal year 2021 reconciliation process was completed, it was determined that the initial list of users generated from EGrAMS did not include the entire population of EGrAMS users that required certification. The missing users were identified and the approvals for these users were requested and subsequently received during the fiscal year 2022 reconciliation process.

For part b., for 1 error, MDHHS informed us that the approval of the form by the system administrator and grant section manager was not documented because the Bureau of Grants and Purchasing received an electronic security access form that could not be altered. For 2 errors, MDHHS informed us that not all users were included in the annual reconciliation process, which is used to update user access to the current grant year.

For part c., EGrAMS did not automatically disable user accounts after 60 days of inactivity. Also, MDHHS informed us competing priorities impacted its review of user access.

* See glossary at end of report for definition.

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 2021-010

MARS User Access

| | |
|--|--|
| Federal Agency | U.S. Department of Labor |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | WIOA Cluster: ALN 17.258, 17.259, and 17.278 |
| Federal Award Identification Number (FAIN) and Year | AA-32196-18-55-A-26 07/01/2018 - 06/30/2021 AA-33236-19-55-A-26 07/01/2019 - 06/30/2022 AA-34775-20-55-A-26 07/01/2020 - 06/30/2023 AA-36326-21-55-A-26 07/01/2021 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$87,365,346 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Matching, Level of Effort, and Earmarking; and Period of Performance |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Department of Labor and Economic Opportunity |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | 2020-048 |
| 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). Michigan Works! Agencies used MARS to request reimbursement, report expenditures, and view financial data related to employment, education, and training services provided to clients. We noted:

- a. LEO did not consistently follow the State's established policies and procedures over the granting of access to MARS. Our review disclosed:
 - (1) LEO did not ensure that the access rights were consistent with the most recently approved MARS application access requests for 2 (13%) of 16 sampled MARS users.
 - (2) LEO did not maintain documentation that a section manager approved the MARS application access request for 1 (6%) of 16 sampled MARS users.
- b. LEO did not review MARS user access semiannually for privileged accounts or annually for all other accounts.
- c. LEO did not disable 55 (37%) of 150 active MARS user accounts that had not accessed the application in over 60 days as of September 30, 2021.

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 separation of duties must be implemented through assigned information system access authorizations, that accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts, and that the information system automatically disables inactive user accounts after 60 days.

Cause

LEO informed us that because of staffing limitations, some processes could not be followed or established.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

LEO agrees with the finding.

FINDING 2021-011

MATT 2.0 Security Management and Access Controls

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| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |
| Total COVID-19 Expenditures | \$1,040,255,970 |
| 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 State Housing Development Authority |

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|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Emergency Rental Assistance Program: ALN 21.023 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | ERA0415 03/13/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$86,783,546 |
| Total COVID-19 Expenditures | \$86,783,546 |
| 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 State Housing Development Authority |

Condition

The Michigan State Housing Development Authority (MSHDA) did not fully establish effective security management and access controls over the MSHDA Activity Tracking Tool (MATT) 2.0 users. Federal program subrecipients utilize MATT 2.0 to submit financial status reports and payment requests. Also, MSHDA program staff utilizes MATT 2.0 to manage its subgrants and review and approve subrecipient payment requests. We noted:

- a. MSHDA did not establish a process to review previously created active generic or test accounts that were not associated with a specific user.

- b. MSHDA did not review user access semiannually for privileged accounts or annually for all other accounts.
- c. MSHDA did not disable 3,096 (88%) of 3,514 MATT 2.0 user accounts that last logged in before fiscal year 2021. These users include 111 MSHDA employees, 8 other State employees, and 2,977 external partners. Also, 2,197 (71%) of these users had not logged in since access was granted.

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 specify the authorized users for each account, that accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts, and the information system to automatically disable inactive user accounts after 60 days.

Cause

MSHDA informed us that it is in process of establishing controls over internal generic and test accounts and reviewing and disabling internal user accounts. Also, MSHDA believed its review should be limited to those users who do not use the portal.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to MATT 2.0. As a result, an increased risk exists that MSHDA cannot ensure the security of the MATT 2.0 data used to issue payments to subrecipients of federal awards.

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA fully establish effective security management and access controls over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2021-012

MATT 2.0 Change Management Process

| | |
|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |
| Total COVID-19 Expenditures | \$1,040,255,970 |
| 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 State Housing Development Authority |

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|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Emergency Rental Assistance Program: ALN 21.023 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | ERA0415 03/13/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$86,783,546 |
| Total COVID-19 Expenditures | \$86,783,546 |
| 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 State Housing Development Authority |

Condition

MSHDA did not fully implement an effective change management process over its MATT 2.0 application. We sampled 20 MATT 2.0 change records and noted for all 20 records that MSHDA did not document approvals prior to implementation of changes in the production environment.

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.

SOM Technical Standard 1340.00.060.04 requires that the business owner authorize the implementation in the production environment.

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 tracking and documenting system changes.

Cause

MSHDA informed us that it authorized the change to the production environment after receipt of verbal approval from the responsible business area.

Effect

Without an effective change management process, individuals may make unauthorized or inappropriate changes to MATT 2.0. As a result, an increased risk exists that MSHDA cannot ensure that MATT 2.0 is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend that MSHDA fully implement an effective change management process over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2021-013

MDE, Security Management and Access Controls

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| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Food Distribution Cluster: ALN 10.565, 10.565 (COVID-19), 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 212MI003J7003 10/01/2020 - 09/30/2021 212MI003J8003 10/01/2020 - 09/30/2021 212MI053Y7503 10/01/2020 - 09/30/2021 212MI053Y8005 10/01/2020 - 09/30/2021 212MI053Y8105 10/01/2020 - 09/30/2021 212MI053Y8703 10/01/2020 - 09/30/2021 212MI053Y8732 10/01/2020 - 09/30/2021 212MI124Q2204 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$108,188,492 |
| Total COVID-19 Expenditures | \$20,975,598 |
| 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 | 2020-011 |
| State Agency | Michigan Department of Education |

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| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |
| Total COVID-19 Expenditures | \$1,040,255,970 |

| | |
|---------------------------------------|---|
| 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 Education |

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|--|---|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Title I Grants to Local Educational Agencies: ALN 84.010 |
| Federal Award Identification Number (FAIN) and Year | S010A180022 07/01/2018 - 09/30/2019 S010A180022 - 18A 07/01/2018 - 09/30/2019 S010A190022 07/01/2019 - 09/30/2020 S010A200022 07/01/2020 - 09/30/2021 S010A200022 - 20A 07/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$467,805,895 |
| 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 |

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|--|---|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Education Stabilization Fund: ALN 84.425 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | S425C210014 01/08/2021 - 09/30/2022 S425C210014 - 21A 01/08/2021 - 09/30/2022 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$453,043,273 |
| Total COVID-19 Expenditures | \$453,043,273 |
| 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 | Public Policy Associates |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD 10/01/2018 - 09/30/2021 2001MICCC3 12/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCDF 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 |

| | |
|---------------------------------------|---|
| Total COVID-19 Expenditures | \$23,720,505 |
| Compliance Requirement(s) | Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-011 |
| State Agency | Michigan Department of Education |

Condition

The Michigan Department of Education (MDE) did not fully establish effective security management and access controls over Michigan Electronic Grants System Plus (MEGS+); Cash Management System (CMS); Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS); Michigan Nutrition Data (MiND); Next Generation Grant, Application and Cash Management System (NexSys); and Jira. We noted:

- a. MDE did not consistently follow its established policies and procedures over the granting of access to MEGS+ and NexSys. Our review disclosed:
 - (1) MDE did not ensure that security access forms were properly approved prior to granting access for 1 (2%) of 44 sampled MEGS+ users. Of the 43 properly approved forms, MDE did not grant access that was consistent with the approved security access form for 2 (5%) MEGS+ users.
 - (2) MDE did not maintain the security access form for 1 (4%) of 25 sampled NexSys users. Of the 24 forms received, 9 forms related to replacing an existing user and we noted for 3 (33%) of these users MDE did not deactivate the existing users' accounts.
- b. MDE did not review all privileged accounts on a semiannual basis for MEGS+ and Jira.
- c. MDE did not review all non-privileged accounts on an annual basis for MEGS+, CMS, GEMS/MARS, MiND, and Jira.
- d. MDE did not disable inactive MEGS+, GEMS/MARS, and MiND users who had not accessed the applications in over 60 days as of September 30, 2021 as noted below:

| System | As of September 30, 2021 | |
|-----------|--------------------------------|--|
| | Number of Active User Accounts | Number (Percent) of User Accounts Not Accessed in Over 60 Days |
| MEGS+ | 4,250 | 338 (8%) |
| GEMS/MARS | 3,294 | 1,570 (48%) |
| MiND | 1,907 | 694 (36%) |

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 separation of duties must be implemented through assigned information system access authorizations, that accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts, and that the information system automatically disables inactive user accounts after 60 days.

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

Cause

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

For part b., MDE informed us that internal control and monitoring activities need improvement to ensure semiannual reviews are documented and appropriate action is taken when the semiannual reviews are not completed as requested.

For part c., MDE informed us that it performs annual reviews on a sample basis for MEGS+, CMS, GEMS/MARS, and MiND non-privileged accounts because of the volume of accounts. Also, MDE informed us that internal control and monitoring activities were not sufficient to ensure that it documented the Jira annual reviews.

For part d., MDE informed us that it does not deactivate users after 60 days of inactivity because many users do not regularly use the systems and the 60-day lockout would result in those users requesting reactivation to the systems.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE agrees with the finding.

FINDING 2021-014**MDE, IT Change Management Process**

| | |
|--|--|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Food Distribution Cluster: ALN 10.565, 10.565 (COVID-19), 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 212MI003J7003 10/01/2020 - 09/30/2021 212MI003J8003 10/01/2020 - 09/30/2021 212MI053Y7503 10/01/2020 - 09/30/2021 212MI053Y8005 10/01/2020 - 09/30/2021 212MI053Y8105 10/01/2020 - 09/30/2021 212MI053Y8703 10/01/2020 - 09/30/2021 212MI053Y8732 10/01/2020 - 09/30/2021 212MI124Q2204 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$108,188,492 |
| Total COVID-19 Expenditures | \$20,975,598 |
| Compliance Requirement(s) | Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Eligibility |
| 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 Title and Number | Title I Grants to Local Educational Agencies: ALN 84.010 |
| Federal Award Identification Number (FAIN) and Year | S010A180022 07/01/2018 - 09/30/2019 S010A180022 - 18A 07/01/2018 - 09/30/2019 S010A190022 07/01/2019 - 09/30/2020 S010A200022 07/01/2020 - 09/30/2021 S010A200022 - 20A 07/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$467,805,895 |
| 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 Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Education Stabilization Fund: ALN 84.425 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | S425C210014 01/08/2021 - 09/30/2022 S425C210014 - 21A 01/08/2021 - 09/30/2022 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$453,043,273 |
| Total COVID-19 Expenditures | \$453,043,273 |

| | |
|---------------------------------------|---|
| 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 | Public Policy Associates |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD 10/01/2018 - 09/30/2021 2001MICCC3 12/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCDF 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 |
| Total COVID-19 Expenditures | \$23,720,505 |
| Compliance Requirement(s) | Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Education |

Condition

MDE did not fully implement an effective change management process over MEGS+ and NexSys. We sampled 10 MEGS+ and 18 NexSys change deployments and noted:

| Control Weakness | Number (Percent) of Sample Items by System | |
|--|--|---------|
| | MEGS+ | NexSys |
| MDE did not document testing results at one or more stages of process. | 2 (20%) | 3 (17%) |
| MDE did not approve implementing the change in the production environment. | 0 (0%) | 1 (6%) |

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 and authorize push to production. 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

MDE informed us that it did not always follow established processes for documenting testing and business owner approvals.

Effect

Without an effective change management process, individuals may make unauthorized or inappropriate changes to MEGS+ and NexSys. As a result, an increased risk exists that MDE cannot ensure that MEGS+ and NexSys are configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend that MDE fully implement an effective change management process over MEGS+ and NexSys.

Management Views

MDE agrees with the finding.

FINDING 2021-015

MDHHS, PACAP - Inappropriate PACAP Allocation

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Agriculture | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | SNAP Cluster: ALN 10.551, 10.561, and 10.561 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | EBT - 2020 | 10/01/2019 - 09/30/2020 |
| | EBT - 2021 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2514 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2519 | 10/01/2020 - 09/30/2021 |
| | 212MI100S2520 | 10/01/2020 - 09/30/2021 |
| | 212MI100S8026 | 10/01/2020 - 09/30/2021 |
| | 212MI100S8036 | 10/01/2020 - 09/30/2021 |
| | 212MI100S9018 | 10/01/2020 - 09/30/2021 |
| | 212MI123Q3903 | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$3,394,088,130 | |
| Total COVID-19 Expenditures | \$1,214,371 | |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking | |
| Type of Finding | Significant Deficiency and Noncompliance | |
| Known Questioned Costs by FAIN | Undeterminable | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

| | | |
|--|--|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Public Policy Associates | |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD | 10/01/2018 - 09/30/2021 |
| | 2001MICCC3 | 12/27/2020 - 09/30/2023 |
| | 2001MICCDF | 10/01/2019 - 09/30/2022 |
| | 2101MICCDF | 10/01/2020 - 09/30/2023 |

| | |
|---|--|
| Total Expenditures of Federal Awards | \$257,404,557 |
| Total COVID-19 Expenditures | \$23,720,505 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency and Noncompliance |
| Known Questioned Costs by FAIN | Undeterminable |
| Repeat Finding | Not Applicable |
| State Agencies | Michigan Department of Education and Michigan Department of Health and Human Services |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency and Noncompliance |
| Known Questioned Costs by FAIN | Undeterminable |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles |
| Type of Finding | Significant Deficiency and Noncompliance |
| Known Questioned Costs by FAIN | Undeterminable |
| Repeat Finding | Not Applicable |
| State Agencies | Michigan Department of Education and Michigan Department of Health and Human Services |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Community Services Block Grant: ALN 93.569 and 93.569 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2001MICOSR 10/01/2019 - 09/30/2021 2001MICSC3 03/27/2020 - 09/30/2022 2101MICOSR 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$37,657,402 |
| Total COVID-19 Expenditures | \$11,170,787 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles |
| 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 |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST 10/01/2019 - 09/30/2020 21 01 MI FOST 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 |
| Total COVID-19 Expenditures | \$3,199,386 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles |
| 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 |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Adoption Assistance: ALN 93.659 and 93.659 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI ADPT 10/01/2019 - 09/30/2020 21 01 MI ADPT 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$116,034,153 |
| Total COVID-19 Expenditures | \$8,718,817 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency and Noncompliance |
| Known Questioned Costs by FAIN | Undeterminable |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Social Services Block Grant: ALN 93.667 |
| Federal Award Identification Number (FAIN) and Year | 21 01 MI SOSR 10/01/2020 - 09/30/2022 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$125,985,115 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles |
| 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 |

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|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |

| | |
|---|---|
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency and Noncompliance |
| Known Questioned Costs by FAIN | Undeterminable |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not ensure that it used the appropriate Public Assistance Cost Allocation Plan (PACAP) data to allocate expenditures to its federal programs. We noted:

- a. 8 (47%) of 17 sampled cost pools were affected by MDHHS using incorrect data to calculate the PACAP percentages for 4 (2%) of 210 statistic groups.
- b. 6 (35%) of 17 sampled cost pools were affected by MDHHS using incomplete data to calculate the PACAP percentages for 13 (6%) of 210 statistic groups.

Criteria

Federal regulation 45 *CFR* 95.507 and Appendix VI of federal regulation 2 *CFR* 200 state that costs are allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Federal regulation 45 *CFR* 95.517 requires MDHHS to claim federal financial participation for costs associated with a program only in accordance with its approved or amended (at its discretion) PACAP.

Federal regulation 2 *CFR* 200.306 requires that costs used for matching be allowable costs to the federal award.

Cause

MDHHS informed us that current quality control processes did not detect the errors.

Effect

MDHHS incorrectly allocated expenditures to various federal programs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2021-016**Treasury, Cash Management Improvement Act - Recertification of Clearance Patterns**

| | |
|--|--|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Council of State Governments and Tufts University |
| Assistance Listing Title and Number | WIC Special Supplemental Nutrition Program for Women, Infants, and Children: ALN 10.557 and 10.557 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 212MI003W1003 10/01/2020 - 09/30/2021 212MI003W1006 10/01/2020 - 09/30/2021 212IM003W6003 10/01/2020 - 09/30/2021 212MI003W6006 10/01/2020 - 09/30/2021 212MI003W7003 10/01/2020 - 09/30/2021 212MI013W5003 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$143,669,980 |
| Total COVID-19 Expenditures | \$26,421,216 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| State Agencies | Michigan Department of Health and Human Services and Michigan Department of Treasury |

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|--|--|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Rehabilitation Services - Vocational Rehabilitation Grants to States: ALN 84.126 |
| Federal Award Identification Number (FAIN) and Year | H126A200099 10/01/2019 - 09/30/2020 H126A200100 10/01/2019 - 09/30/2020 H126A210099 10/01/2020 - 09/30/2022 H126A210100 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$104,938,931 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| 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 Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| 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 Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI E5C3 03/27/2020 - 09/30/2021 20 01 MI LIEA 10/01/2019 - 09/30/2021 20 01 MI LIE4 10/01/2019 - 09/30/2021 21 01 MI E5C6 03/11/2021 - 09/30/2022 21 01 MI LIEA 10/01/2020 - 09/30/2022 21 01 MI LWC5 05/28/2021 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$183,049,715 |
| Total COVID-19 Expenditures | \$7,184,488 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| 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 Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST 10/01/2019 - 09/30/2020 21 01 MI FOST 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 |
| Total COVID-19 Expenditures | \$3,199,386 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| 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 Title and Number | Adoption Assistance: ALN 93.659 and 93.659 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI ADPT 10/01/2019 - 09/30/2020 21 01 MI ADPT 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$116,034,153 |
| Total COVID-19 Expenditures | \$8,718,817 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| 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 Title and Number | Social Services Block Grant: ALN 93.667 |
| Federal Award Identification Number (FAIN) and Year | 21 01 MI SOSR 10/01/2020 - 09/30/2020 21 01 MI TANF 10/01/2020 - Until Expended |

| | |
|---|---|
| Total Expenditures of Federal Awards | \$125,985,115 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-012 |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 |

Background

As disclosed in Finding 2020-012 of the fiscal year 2020 State of Michigan Single Audit Report, the Michigan Department of Treasury (Treasury) did not review and recertify the accuracy of clearance patterns contained in the agreement with the U.S. Department of the Treasury, referred to as the Treasury State Agreement (TSA), at the required five-year interval. Therefore, during fiscal year 2021, Treasury utilized queries and worked with the State agencies to develop and recertify the clearance patterns contained in the 2021 TSA.

Condition

Treasury did not adequately review and recertify the accuracy of the clearance patterns specified in its fiscal year 2021 TSA. We noted:

- a. Treasury did not ensure the accuracy of the clearance patterns for those major federal assistance programs or components that had a clearance pattern of greater than 0 days. Our review of 4 programs disclosed:
 - (1) For 3 programs that produced no query results, Treasury relied on the Department's statement on the accuracy of the clearance patterns without further analysis to determine why its queries did not produce any results.
 - (2) For 1 program with 4 separate clearance patterns, Treasury did not limit the query disbursement data to the specific components but instead ran the query on the federal program as a whole.
- b. Treasury did not reassess the accuracy of the clearance patterns for 4 programs that had a clearance pattern of less than 1 day.

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 the State must recertify the accuracy of a clearance pattern every five years.

Cause

For part a., Treasury informed us that it overlooked the need to investigate why its query did not produce results and could not determine the query language needed to review the accuracy of the clearance patterns at the component level.

For part b., Treasury informed us that it did not include any programs that had clearance patterns of less than 1 day in its review.

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. 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 2021-017

MDHHS, Cash Management - Cash Management Process

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI E5C3 03/27/2020 - 09/30/2021 20 01 MI LIEA 10/01/2019 - 09/30/2021 20 01 MI LIE4 10/01/2019 - 09/30/2021 21 01 MI E5C6 03/11/2021 - 09/30/2022 21 01 MI LIEA 10/01/2020 - 09/30/2022 21 01 MI LWC5 05/28/2021 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$183,049,715 |
| Total COVID-19 Expenditures | \$7,184,488 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-013 |
| 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 Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST 10/01/2019 - 09/30/2020 21 01 MI FOST 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 |
| Total COVID-19 Expenditures | \$3,199,386 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-013 |
| 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 Title and Number | Social Services Block Grant: ALN 93.667 |
| Federal Award Identification Number (FAIN) and Year | 21 01 MI SOSR 10/01/2020 - 09/30/2022 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$125,985,115 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Cash Management |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-013 |
| 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:

| ALN | Number (Percent) of | | Inaccurate Noncompliant Cash Draw Information Reported |
|--------|---------------------|-------------------------|--|
| | Cash Draws Reviewed | Noncompliant Cash Draws | |
| 93.568 | 9 | 1 (11%) | 0 |
| 93.658 | 7 | 2 (29%) | 0 |
| 93.667 | 8 | 1 (13%) | 1 |
| | <u>24</u> | <u>4</u> | <u>1</u> |

We noted:

- MDHHS did not prepare reimbursement requests in accordance with CMIA Subpart A for 4 (17%) of 24 cash draws reviewed.
- MDHHS did not accurately report the date funds were disbursed for 1 (25%) of 4 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 and competing priorities 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 Foster Care program, we consider this a material weakness and material noncompliance due to the high error rate of noncompliant cash draws. 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 2021-018

MDE, Reporting - FFATA Reporting

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Education | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Education Stabilization Fund: ALN 84.425 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | S425C210014 | 01/08/2021 - 09/30/2022 |
| | S425C210014 - 21A | 01/08/2021 - 09/30/2022 |
| | S425D200010 | 04/29/2020 - 09/30/2021 |

| | | |
|---|--|--|
| FAIN and Year (Continued) | S425D210010 S425R210030 | 01/05/2021 - 09/30/2022 02/22/2021 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$453,043,273 | |
| Total COVID-19 Expenditures | \$453,043,273 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| 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 | Public Policy Associates | |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD 2001MICCC3 2001MICCDF 2101MICCDF | 10/01/2018 - 09/30/2021 12/27/2020 - 09/30/2023 10/01/2019 - 09/30/2022 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 | |
| Total COVID-19 Expenditures | \$23,720,505 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Education | |

Condition

MDE did not ensure that it reported or accurately reported all subaward information as required by the Federal Funding Accountability and Transparency Act (FFATA) of 2006. Our results for programs with noncompliance with FFATA reporting requirements are summarized in the following table:

| ALN(s) | Number of | | Number of Reports Submitted | | |
|-------------------|------------------|-----------------------|-----------------------------|---------------------------|---|
| | Subawards Tested | Subaward Not Reported | Report Not Timely | Subaward Amount Incorrect | Subaward Key Elements Missing or Inaccurate |
| 84.425 | 31 | 11 | 0 | 0 | 20 |
| 93.575 and 93.596 | 5 | 5 | N/A | N/A | N/A |
| Total | 36 | 16 | 0 | 0 | 20 |

| ALN(s) | Dollar Amount of | | Dollar Amount of Reports Submitted | | |
|-------------------|---------------------|-----------------------|------------------------------------|---------------------------|---|
| | Subawards Tested | Subaward Not Reported | Report Not Timely | Subaward Amount Incorrect | Subaward Key Elements Missing or Inaccurate |
| 84.425 | \$14,032,381 | \$ 5,534,316 | \$0 | \$0 | \$8,498,065 |
| 93.575 and 93.596 | 14,034,482 | 14,034,482 | N/A | N/A | N/A |
| Total | \$28,066,863 | \$19,568,798 | \$0 | \$0 | \$8,498,065 |

N/A = Not applicable.

We noted:

- a. MDE did not report any subaward information for 16 (44%) of 36 sampled subawards.
- b. MDE did not accurately report 1 of 8 key data elements for all 20 subawards reported on the federal Web site.

Criteria

Federal regulation 2 *CFR* 170 implemented FFATA requirements for reporting subaward information and requires MDE report, on the federal Web site, each action that obligates \$30,000 or more in federal funds by the end of the month following the month in which the subaward was made.

Cause

For part a., MDE informed us that Federal Subaward Reporting System (FSRS) access issues contributed to its inability to report certain Education Stabilization Fund (ESF) subawards as required. Also, MDE indicated that an MDE information system error impacted its ability to submit the CCDF Cluster subaward information.

For part b., MDE believed that its key data elements were correct at the time of submission; however, our review of FSRS noted that the program description was inaccurate.

Effect

MDE grant information was not accurate or available for public access through the Web site established to improve transparency of governmental spending as required. We consider this to be a material weakness and material noncompliance because of the high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE ensure that it reports or accurately reports all subaward information as required by FFATA.

Management Views

MDE partially agrees with the finding. During the audit period, MDE attempted to submit the report each month for certain FAINs within the allowable timeframe but was unsuccessful due to those FAINs being assigned to an agency other than MDE. Because MDE was not listed as the primary awardee, MDE was prohibited from submitting the associated reporting in the FSRS and agrees the subaward information was not reported during the audit period. In addition, MDE did not report on certain FAINs due to a system error in the NexSys application; a system which is new to the department. The error caused an incorrect FAIN to be populated, which was automatically filtered out during the review process since there was not a match between a reportable FAIN and the system.

MDE disagrees the program description elements were incorrect at the time of submission. FSRS lacks the ability to show items from a historical perspective, and in the absence of that information, MDE provided screenshots and timestamped documentation to show the elements were accurate at time of submission.

Auditor's Comments to Management Views

Regarding part b., MDE did not provide screenshots and timestamped documentation from FSRS which would validate the program description was accurate at the time of submission. Rather, MDE provided a July 2022 FSRS screen with dates that FSRS was updated and a screen print of an MDE network drive noting when the spreadsheet (which included the correct program description) was last edited. Neither of these substantiate that FSRS was accurate at the time of submission.

Therefore, the finding stands as written.

FINDING 2021-019

MDHHS, Reporting - FFATA Reporting

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

| | | |
|--|--|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Immunization Cooperative Agreements: ALN 93.268 and 93.268 (COVID) | |
| Federal Award Identification Number (FAIN) and Year | NH23IP922635 | 07/01/2020 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$140,207,066 | |
| Total COVID-19 Expenditures | \$31,470,348 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

| | | |
|--|--|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): ALN 93.323 and 93.323 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | NU50CK000510 | 08/01/2019 - 07/31/2024 |
| Total Expenditures of Federal Awards | \$121,810,356 | |
| Total COVID-19 Expenditures | \$114,973,637 | |

| | |
|---------------------------------------|--|
| Compliance Requirement(s) | Reporting |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| Total COVID-19 Expenditures | \$0 |
| Compliance Requirement(s) | Reporting |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI E5C3 10/01/2019 - 09/30/2021 20 01 MI LIEA 10/01/2019 - 09/30/2021 21 01 MI LIE4 10/01/2020 - 09/30/2021 21 01 MI E5C6 03/11/2021 - 09/30/2022 21 01 MI LIEA 10/01/2020 - 09/30/2022 21 01 MI LWC5 05/28/2021 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$183,049,715 |
| Total COVID-19 Expenditures | \$7,184,488 |
| Compliance Requirement(s) | Reporting |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST 10/01/2019 - 09/30/2020 21 01 MI FOST 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 |
| Total COVID-19 Expenditures | \$3,199,386 |
| Compliance Requirement(s) | Reporting |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

| | |
|----------------------------|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |

| | | |
|--|---|-------------------------|
| Assistance Listing Title and Number | Adoption Assistance: ALN 93.659 and 93.659 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI ADPT | 10/01/2019 - 09/30/2020 |
| | 21 01 MI ADPT | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$116,034,153 | |
| Total COVID-19 Expenditures | \$8,718,817 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

| | | |
|--|--|-----------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Social Services Block Grant: ALN 93.667 | |
| Federal Award Identification Number (FAIN) and Year | 21 01 MI SOSR | 10/01/2020 – 09/30/2022 |
| | 21 01 MI TANF | 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$125,985,115 | |
| Total COVID-19 Expenditures | \$0 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 | 10/01/2019 - 09/30/2021 |
| | 2105MI5021 | 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 | |
| Total COVID-19 Expenditures | \$12,596,818 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Significant Deficiency | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

Condition

MDHHS did not ensure that it reported or accurately and timely reported all subaward information as required by the FFATA. Our results for programs with noncompliance with FFATA reporting requirements are summarized in the following table:

| ALN(s) | Number of | | Number of Reports Submitted | | |
|----------------------------|------------------|-----------------------|-----------------------------|---------------------------|---|
| | Subawards Tested | Subaward Not Reported | Report Not Timely | Subaward Amount Incorrect | Subaward Key Elements Missing or Inaccurate |
| 93.268 | 8 | 7 | 1 | 1 | 1 |
| 93.323 | 9 | 9 | N/A | N/A | N/A |
| 93.558 | 13 | 13 | N/A | N/A | N/A |
| 93.568 | 3 | 0 | 2 | 2 | 3 |
| 93.658 | 1 | 1 | N/A | N/A | N/A |
| 93.659 | 1 | 1 | N/A | N/A | N/A |
| 93.667 | 5 | 5 | N/A | N/A | N/A |
| 93.767 | 5 | 2 | 3 | 0 | 3 |
| 93.775, 93.777, and 93.778 | 21 | 20 | 1 | 1 | 1 |
| Total | 66 | 58 | 7 | 4 | 8 |

| ALN(s) | Dollar Amount of | | Dollar Amount of Reports Submitted | | |
|----------------------------|------------------|-----------------------|------------------------------------|---------------------------|---|
| | Subawards Tested | Subaward Not Reported | Report Not Timely | Subaward Amount Incorrect | Subaward Key Elements Missing or Inaccurate |
| 93.268 | \$ 2,730,125 | \$ 1,759,125 | \$ 971,000 | \$ 971,000 | \$ 971,000 |
| 93.323 | 26,457,347 | 26,457,347 | N/A | N/A | N/A |
| 93.558 | 19,501,064 | 19,501,064 | N/A | N/A | N/A |
| 93.568 | 740,864 | 0 | 335,629 | 497,667 | 740,864 |
| 93.658 | 37,132,600 | 37,132,600 | N/A | N/A | N/A |
| 93.659 | 37,132,600 | 37,132,600 | N/A | N/A | N/A |
| 93.667 | 38,702,283 | 38,702,283 | N/A | N/A | N/A |
| 93.767 | 2,317,417 | 260,265 | 2,057,153 | 0 | 2,057,153 |
| 93.775, 93.777, and 93.778 | 27,850,880 | 27,610,880 | 240,000 | 240,000 | 240,000 |
| Total | \$ 192,565,181 | \$188,556,164 | \$3,603,782 | \$1,708,667 | \$4,009,017 |

N/A = Not applicable.

We noted:

- a. MDHHS did not report any subaward information for 58 (88%) of 66 sampled subawards.
- b. Of the 8 subawards submitted:
 - (1) MDHHS did not timely submit subaward information for 7 (88%) subawards.
 - (2) MDHHS did not submit the correct amount for 4 (50%) subawards.
 - (3) MDHHS did not report all key data elements for the 8 (100%) subawards.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires MDHHS report, on the federal Web site, each action that obligates \$30,000 or more in federal funds by the end of the month following the month in which the subaward was made.

Cause

MDHHS informed us that the unavailability of FSRS from October 2020 through May 2021 contributed to its inability to report as required during the fiscal year.

Effect

MDHHS grant information was not accurate or available for public access through the Web site established to improve transparency of governmental spending as required. For 8 of the 9 programs, we consider this to be a material weakness and material noncompliance because of the high error rates. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that it reports or accurately and timely reports all subaward information as required by FFATA.

Management Views

MDHHS agrees with the finding.

FINDING 2021-020

MDHHS, Subrecipient Monitoring - Subaward Information

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Agriculture | |
| Pass-Through Entity | Council of State Governments and Tufts University | |
| Assistance Listing Title and Number | WIC Special Supplemental Nutrition Program for Women, Infants, and Children: ALN 10.557 and 10.557 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 212MI003W1003 | 10/01/2020 - 09/30/2021 |
| | 212MI003W1006 | 10/01/2020 - 09/30/2021 |
| | 212MI003W6006 | 10/01/2020 - 09/30/2021 |
| | 212MI003W6003 | 10/01/2020 - 09/30/2021 |
| | 212MI003W7003 | 10/01/2020 - 09/30/2021 |
| | 212MI013W5003 | 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$143,669,980 | |
| Total COVID-19 Expenditures | \$26,421,216 | |
| Compliance Requirement(s) | Subrecipient Monitoring | |
| Type of Finding | Significant Deficiency | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | 2020-014 | |
| 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 Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) | |

| | | |
|--|--|-------------------------|
| Federal Award Identification Number (FAIN) and Year | 20 01 MI E5C3 | 03/27/2020 - 09/30/2021 |
| | 20 01 MI LIEA | 10/01/2019 - 09/30/2021 |
| | 20 01 MI LIE4 | 10/01/2019 - 09/30/2021 |
| | 2101MIE5C6 | 03/11/2021 - 09/30/2022 |
| | 21 01 MI LIEA | 10/01/2020 - 09/30/2022 |
| | 21 01 MI LWC5 | 05/28/2021 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$183,049,715 | |
| Total COVID-19 Expenditures | \$7,184,488 | |
| 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 Title and Number | Community Services Block Grant: ALN 93.569 and 93.569 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2001MICOSR | 10/01/2019 - 09/30/2021 |
| | 2001MICSC3 | 03/27/2020 - 09/30/2022 |
| | 2101MICOSR | 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$37,657,402 | |
| Total COVID-19 Expenditures | \$11,170,787 | |
| 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 Title and Number | Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI FOST | 10/01/2019 - 09/30/2020 |
| | 21 01 MI FOST | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$79,792,384 | |
| Total COVID-19 Expenditures | \$3,199,386 | |
| 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.

Our results are summarized in the following table:

| | Number (Percent) of Missing FAIN | Number (Percent) of Missing Federal Award Date |
|---------------------|--|---|
| ALN 10.557: | | |
| Information missing | 3 (50%) | 3 (50%) |
| Subawards reviewed | 6 | 6 |
| ALN 93.568: | | |
| Information missing | 7 (78%) | 7 (78%) |
| Subawards reviewed | 9 | 9 |
| ALN 93.569: | | |
| Information missing | 2 (14%) | 0 (0%) |
| Subawards reviewed | 14 | 14 |
| ALN 93.658: | | |
| Information missing | 1 (100%) | 1 (100%) |
| Subawards reviewed | 1 | 1 |

Criteria

Federal regulation 2 *CFR* 200.332(a) effective November 12, 2020, previously codified in federal regulation 2 *CFR* 200.331(a) effective through November 11, 2020, and federal regulation 45 *CFR* 75.352(a) require that all pass-through entities* ensure that every subaward includes certain information, such as the ALN, Assistance Listing Title, FAIN, federal award date, and the dollar amount made available under each federal award.

Cause

MDHHS informed us that the required information was not available at the time it developed and executed the subawards and it did not amend the subawards to include the information once it became known. In addition, the information was not provided to one subrecipient due to human error.

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.

* See glossary at end of report for definition.

FINDING 2021-021

MSHDA, Subrecipient Monitoring - Subaward Information

| | |
|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 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 | \$1,040,255,970 |
| Total COVID-19 Expenditures | \$1,040,255,970 |
| Compliance Requirement(s) | Subrecipient Monitoring |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan State Housing Development Authority |

| | |
|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Emergency Rental Assistance Program: ALN 21.023 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | ERA0415 03/13/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$86,783,546 |
| Total COVID-19 Expenditures | \$86,783,546 |
| Compliance Requirement(s) | Subrecipient Monitoring |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan State Housing Development Authority |

Condition

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

We noted for the fiscal year 2021 grants:

- a. MSHDA did not report the subrecipient's unique entity identifier, FAIN, federal award date, and name of the federal awarding agency for all 9 sampled Coronavirus Relief Fund (CRF) subrecipients.
- b. MSHDA did not report the subrecipient's unique entity identifier for all 9 sampled Emergency Rental Assistance (ERA) Program subrecipients.

Criteria

Federal regulation 2 *CFR* 200.332(a) effective November 12, 2020, previously codified in federal regulation 2 *CFR* 200.331(a) effective through November 11, 2020, requires that all pass-through entities ensure that every subaward includes certain information, including the subrecipient's unique entity identifier (i.e., the Data Universal Numbering System [DUNS] number during the audit period), FAIN, federal award date, and name of the federal awarding agency.

Cause

MSHDA informed us that because of an oversight, it did not always provide all required subaward information to subrecipients.

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

Management Views

MSHDA agrees with the finding.

FINDING 2021-022

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

| | | | |
|---|---|-------------------------|--|
| Federal Agency | U.S. Department of Health and Human Services | | |
| Pass-Through Entity | Not Applicable | | |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 | |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 | |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 | |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 | |
| Total Expenditures of Federal Awards | \$15,731,828,348 | | |
| Total COVID-19 Expenditures | \$944,010,117 | | |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Eligibility; and Matching, Level of Effort, and Earmarking | | |
| Type of Finding | Material Weakness and Material Noncompliance | | |
| Known Questioned Costs by FAIN | 2105MI5MAP - \$1,718 | | |
| Repeat Finding | 2020-016 | | |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) | | |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 | 10/01/2019 - 09/30/2021 | |
| | 2105MI5021 | 10/01/2020 - 09/30/2022 | |
| Total Expenditures of Federal Awards | \$232,145,973 | | |
| Total COVID-19 Expenditures | \$12,596,818 | | |
| 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: \$313 2005MI5021 - \$190 2105MI5021 - \$123 |
| Repeat Finding | 2020-016 |
| 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.

Also, because of the public health emergency, MDHHS was not required to perform redeterminations and could not end healthcare coverage unless the individual voluntarily requested termination, moved out of state, or was deceased. As a result, we sampled beneficiaries for each program who either began receiving assistance or had a change in their type of assistance during fiscal year 2021.

We summarized the results of our eligibility review in the following table:

Medicaid and CHIP Eligibility Review

| | Medicaid | CHIP |
|---|---------------|--------------|
| Total number of beneficiaries sampled | 60 | 60 |
| Number (percent) of MAGI beneficiaries unable to test | 5 (8%) | 15 (25%) |
| Total likely number of MAGI beneficiaries unable to test | 71,931 | 17,564 |
| Total amount of likely payments associated with above beneficiaries | \$135,665,797 | \$15,035,226 |
| Total number of beneficiaries reviewed | 55 | 45 |
| Number (percent) of ineligible beneficiaries | 5 (9%) | 4 (9%) |
| Number (percent) of beneficiaries with missing documentation in the case file | 0 (0%) | 1 (2%) |

For an estimated 71,931 Medicaid and 17,564 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 55 Medicaid and 45 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. Our review disclosed:

- a. MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 5 (9%) of 55 Medicaid and 4 (9%) of 45 CHIP cases reviewed.
- b. MDHHS did not maintain case file documentation that supports the beneficiary eligibility determination for 1 (2%) of 45 CHIP 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 regulation 42 *CFR* 457.965 requires 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 part b., MDHHS indicated that internal control was not always sufficient to ensure document retention.

Effect

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 9% Medicaid and 11% 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.

- \$1,718 - Medicaid Cluster federal share.
- \$313 - CHIP federal share.
- \$529 - 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.

Management Views

MDHHS agrees with the finding.

FINDING 2021-023

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

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Eligibility; and Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-017 |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 | 2005MI5021 - \$0 (unduplicated amount - \$91 included in Finding 2021-022) |
| Repeat Finding | 2020-017 |
| 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 \$91.8 million of CHIP medical payments to the Medicaid Cluster throughout fiscal year 2021.

However, we selected a sample of 10 beneficiaries that were transferred to CHIP and noted that 1 (10%) beneficiary was not eligible for CHIP but was 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 informed us the query incorrectly included certain qualifiers which contributed to the beneficiary being inappropriately transferred to CHIP.

Effect

MDHHS inappropriately transferred \$115 Medicaid Cluster expenditures to CHIP. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Also, of the \$91.8 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 \$91.8 million CHIP expenditures identified by MDHHS as inappropriately charged to and reimbursed by the Medicaid Cluster represented 40% of total CHIP expenditures and 10% 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.

- \$91 - federal share of CHIP payments made to providers for ineligible CHIP beneficiaries, of which \$91 is questioned in Finding 2021-022.
- \$24 - 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 2021-024

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

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5MAP 10/01/2020 - 09/30/2021 2005MI5ADM 10/01/2020 - 09/30/2021 2005MIINCT 10/01/2020 - 09/30/2021 2005MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Provider Eligibility (Screening and Enrollment) |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-019 |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Provider Eligibility (Screening and Enrollment) |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-019 |
| 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 an eligibility record with an identified error for 1 (7%) 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 federal awards.

Cause

For 8 of the errors, MDHHS informed us that its central office does not document or conduct any further review on these errors to prevent duplication of effort since these errors are already reviewed by the local offices.

For the 1 error, MDHHS provided evidence that the error was updated in CHAMPS; however, the record was 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 2021-025

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

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |

| | |
|---------------------------------------|---|
| 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 | 2105MI5MAP - \$70 |
| Repeat Finding | 2020-020 |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 - \$3,580 |
| Repeat Finding | 2020-020 |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS was unable to provide medical records to support 1 (8%) of 13 selected Medicaid fee-for-service claims and 1 (20%) of 5 selected CHIP fee-for-service claims.

Criteria

Federal laws 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 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.

- \$70 - Medicaid Cluster federal share.
- \$3,580 - CHIP federal share.
- \$970 - 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 2021-026

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

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| 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 | 2020-021 |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 | 2020-021 |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not obtain all required disclosures and/or ensure that disclosures were timely and accurately 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 indicated that although MDHHS obtained updated disclosure forms, they were not considered timely or complete for the contract execution or contract renewal of each managed care organization because staff did not have a complete understanding of when and what disclosures needed to be updated. 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 and accurately 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 2021-027

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |

| | | |
|---|---|--|
| FAIN and Year (Continued) | 2105MIINCT 2105MIIMPL | 10/01/2020 - 09/30/2021 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| Compliance Requirement(s) | Allowable Costs/Cost Principles, Cash Management, 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 | 2020-023 | |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 2105MI5021 | 10/01/2019 - 09/30/2021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 | |
| Total COVID-19 Expenditures | \$12,596,818 | |
| 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 | 2020-023 | |
| 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 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 untimely reporting \$2.5 million of the federal share of overpayments.
- b. MDHHS did not have adequate processes in place to ensure receivables recorded in CHAMPS were accurately reflected on the reports used for preparation of the CMS-64 report, resulting in late reporting for items recorded in the first and second quarter of fiscal year 2021.
- c. 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.
- d. MDHHS did not have a process in place to ensure 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.

- e. MDHHS did not report 16 (64%) 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 informed us that system issues and lack of sufficient communication within MDHHS contributed to the untimely reporting of overpayments. Also, MDHHS stated that overpayment receivables entered into CHAMPS were not properly reported due to the design of CHAMPS and that the needed quarterly CHAMPS reports were only scheduled to be run on an annual basis.

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 2021-028

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Medical Loss Ratio

| | | | |
|--|---|------------|--------------|
| Federal Agency | U.S. Department of Health and Human Services | | |
| Pass-Through Entity | Not Applicable | | |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 | - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 | - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 | - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 | - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | | |

| | |
|---------------------------------------|---|
| Total COVID-19 Expenditures | \$944,010,117 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Special Tests and Provisions - Medical Loss Ratio |
| 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 Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| Compliance Requirement(s) | Allowable Costs/Cost Principles and Special Tests and Provisions - Medical Loss Ratio |
| 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 ensure MHP, PIHP, MI Choice, and Dental Health Plan medical loss ratio (MLR) reports contained a comparison of the amounts used in the MLR calculation with the audited financial reports.

The MLR is the proportion of premium revenues spent on behalf of beneficiary services and quality improvement. The Affordable Care Act requires each managed care entity to spend at least 85% of premium dollars on medical care.

Criteria

Federal regulations 42 *CFR* 438.8 and 42 *CFR* 457.1203 require managed care entities to calculate and report an MLR to MDHHS, including a comparison of the amounts reported in the MLR calculation with audited financial reports.

Cause

MDHHS informed us it relies on the attestation included within the MLR reports indicating the information submitted is current, complete, accurate, and in compliance with federal regulation 42 *CFR* 438.8; therefore, MDHHS did not require the comparison to be included.

Effect

MDHHS limits its assurance that the calculated MLR is accurate and could fail to collect remittance owed to the State if entities are overstating the MLR inappropriately. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure MLR reports contain a comparison of the amounts reported in the MLR calculation with audited financial reports.

Management Views

MDHHS agrees with the finding.

FINDING 2021-029

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Managed Care Periodic Audits

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Special Tests and Provisions - Managed Care Financial Audit |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

| | |
|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Special Tests and Provisions - Managed Care Financial Audit |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not ensure an independent audit was conducted and posted to its Web site at least once every three years of encounter and financial data submitted by its managed care entities, which included 17 Managed Care Organizations (MCOs), 10 PIHP entities, and 22 Prepaid Ambulatory Health Plan (PAHP) entities in fiscal year 2021.

Encounter data is detailed information about individual healthcare services provided by managed care entities. The data in aggregate is used to develop capitation rates to cover services provided to beneficiaries.

Criteria

Federal regulations 42 *CFR* 438.602 and 42 *CFR* 457.1285 require MDHHS to conduct, or contract for an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by or on behalf of each MCO, PIHP, and PAHP at least once every three years. In addition, MDHHS is required to publish the results of these audits on its Web site.

Cause

MDHHS informed us it relies on various reviews in lieu of an independent audit of encounter and financial data, such as periodically comparing CHAMPS encounter data with the managed care entities' internally stored encounter data to identify variances.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS significantly limits its assurance that the data submitted by the managed care entities is accurate. Also, inaccurate data could affect the capitation rates that are developed based on the encounter and financial data. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure an independent audit is conducted and posted to its Web site at least once every three years of the accuracy, truthfulness, and completeness of encounter and financial data submitted by the managed care entities.

Management Views

MDHHS agrees with the finding.

FINDING 2021-030

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, ALN 10.557, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - MI-WIC IT General Controls

| | |
|--|---|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Council of State Governments and Tufts University |
| Assistance Listing Title and Number | WIC Special Supplemental Nutrition Program for Women, Infants, and Children: ALN 10.557 and 10.557 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | <div>212MI003W1003 10/01/2020 - 09/30/2021</div> <div>212MI003W1006 10/01/2020 - 09/30/2021</div> <div>212MI003W6006 10/01/2020 - 09/30/2021</div> <div>212MI003W6003 10/01/2020 - 09/30/2021</div> <div>212MI003W7003 10/01/2020 - 09/30/2021</div> <div>212MI013W5003 10/01/2020 - 09/30/2022</div> |
| Total Expenditures of Federal Awards | \$143,669,980 |
| Total COVID-19 Expenditures | \$26,421,216 |
| 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 | 2020-026 |
| 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

While MDHHS and DTMB acknowledge they had not fully implemented database specific access controls and an organization-wide security framework for database security

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

configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to MI-WIC and that there is increased risk that MDHHS and DTMB cannot ensure the security of MI-WIC and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and State of Michigan standard security safeguards.

Auditor's Comments to Management Views

MDHHS and DTMB acknowledge they did not fully establish and implement effective security configurations for the database. IT security controls are designed to reduce risk to an acceptable level, not eliminate it entirely. So even if all expected security configurations had been in place, some level of risk still exists. In acknowledging the identified weaknesses, the agencies also imply an increased risk above the planned acceptable amount.

The method of security MDHHS and DTMB describe is referred to as "defense in depth." It is most effective against outside threats when all levels of security are employed and working to reduce the risk of a security breach. However, past audits of other security layers, such as network and cybersecurity, operating system, disaster recovery, and physical security, have identified weaknesses in these other layers. In addition, threats can come from within State government where attackers can evade some levels of these controls.

Given these facts, the finding stands as written.

FINDING 2021-031

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, ALN 10.557, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - MI-WIC User Access

| | |
|--|--|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Council of State Governments and Tufts University |
| Assistance Listing Title and Number | WIC Special Supplemental Nutrition Program for Women, Infants, and Children: ALN 10.557 and 10.557 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 212MI003W1003 10/01/2020 - 09/30/2021 212MI003W1006 10/01/2020 - 09/30/2021 212MI003W6003 10/01/2020 - 09/30/2021 212MI003W6006 10/01/2020 - 09/30/2021 212MI003W7003 10/01/2020 - 09/30/2021 212MI013W5003 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$143,669,980 |
| Total COVID-19 Expenditures | \$26,421,216 |
| 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 | 2020-027 |
| 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 3 of 4 sampled users' application security agreements.

- b. MDHHS did not review 3 of 5 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 a system defect prevented approval history for user accounts created more than five years ago from being recorded in the MI-WIC database.

For part b., MDHHS informed us that the semiannual user reviews were in development and were not fully implemented in 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 2021-032

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, ALN 10.557, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - MI-WIC Change Management Process

| | |
|--|---|
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Entity | Council of State Governments and Tufts University |
| Assistance Listing Title and Number | WIC Special Supplemental Nutrition Program for Women, Infants, and Children: ALN 10.557 and 10.557 (COVID-19) |

| | | |
|--|---|-------------------------|
| Federal Award Identification Number (FAIN) and Year | 212MI003W1003 | 10/01/2020 - 09/30/2021 |
| | 212MI003W1006 | 10/01/2020 - 09/30/2021 |
| | 212MI003W6003 | 10/01/2020 - 09/30/2021 |
| | 212MI003W6006 | 10/01/2020 - 09/30/2021 |
| | 212MI003W7003 | 10/01/2020 - 09/30/2021 |
| | 212MI013W5003 | 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$143,669,980 | |
| Total COVID-19 Expenditures | \$26,421,216 | |
| Compliance Requirement(s) | Activities Allowed or Unallowed and Allowable Costs/Cost Principles | |
| Type of Finding | Significant Deficiency | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan Department of Health and Human Services | |

Condition

MDHHS did not fully implement an effective change management process over MI-WIC. We sampled 12 MI-WIC change records and noted:

| Control Weakness | Number (Percent) of Sampled Items |
|--|---|
| MDHHS did not document initiation and approval of the change request. | 3 (25%) |
| MDHHS did not document testing results at one or more stages of process. | 2 (17%) |
| MDHHS did not approve implementing the change in the production environment. | 2 (17%) |
| MDHHS did not document post-implementation approvals. | 3 (25%) |

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.

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

MDHHS informed us that it had not adequately maintained support for its change management processes in accordance with established procedures.

Effect

Without an effective change management process, individuals may make unauthorized or inappropriate changes to MI-WIC. As a result, an increased risk exists that MDHHS cannot ensure that MI-WIC is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS fully implement an effective change management process over MI-WIC.

Management Views

MDHHS agrees with the finding.

FINDING 2021-033**Housing Voucher Cluster, ALN 14.871 and 14.879, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Accounting for HAP Expenditures**

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Housing and Urban Development | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Housing Voucher Cluster: ALN 14.871, 14.871 (COVID-19), 14.879, and 14.879 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | MI901VO0672 | 08/01/2019 - 07/31/2020 |
| | MI901VO0673 | 08/01/2019 - 07/31/2020 |
| | MI901VO0674 | 11/01/2019 - 10/31/2020 |
| | MI901VO0680 | 11/01/2019 - 10/31/2020 |
| | MI901VO0727 | 06/01/2020 - 09/30/2020 |
| | MI901VO0729 | 10/01/2020 - 10/31/2020 |
| | MI901VO0730 | 08/01/2020 - 08/31/2020 |
| | MI901VO0731 | 11/01/2020 - 12/31/2020 |
| | MI901VO0732 | 01/01/2021 - 02/28/2021 |
| | MI901VO0733 | 01/01/2021 - 12/31/2021 |
| | MI901VO0734 | 01/01/2021 - 12/31/2021 |
| | MI901VO0735 | 10/01/2020 - 12/31/2020 |
| | MI901VO0736 | 02/01/2021 - 01/31/2022 |
| | MI901VO0781 | 03/01/2021 - 03/31/2021 |
| | MI901VO0782 | 04/01/2021 - 05/31/2021 |
| | MI901VO0783 | 06/01/2021 - 09/30/2021 |
| | MI901AF0255 | 06/01/2020 - 09/30/2020 |
| | MI901AF0256 | 10/01/2020 - 10/31/2020 |
| | MI901AF0258 | 08/01/2020 - 08/31/2020 |
| | MI901AF0259 | 11/01/2020 - 12/31/2020 |
| | MI901AF0260 | 01/01/2021 - 02/28/2021 |
| | MI901AF0261 | 10/01/2020 - 10/31/2020 |
| | MI901AF0262 | 03/01/2021 - 03/31/2021 |
| | MI901AF0263 | 04/01/2021 - 05/31/2021 |
| | MI901AF0264 | 06/01/2021 - 09/30/2021 |
| | MI901AFHV32 | 09/01/2020 - 09/30/2020 |
| | MI901AFHV33 | 06/01/2021 - 06/30/2021 |
| | MI901AFR220 | 09/01/2020 - 09/30/2020 |
| | MI901VOTR03 | 01/01/2021 - 01/31/2021 |
| Total Expenditures of Federal Awards | \$209,508,204 | |
| Total COVID-19 Expenditures | \$11,126,278 | |
| Compliance Requirement(s) | Activities Allowed or Unallowed and Allowable Costs/Cost Principles | |
| Type of Finding | Significant Deficiency and Noncompliance | |
| Known Questioned Costs by FAIN | MI901VO0731 - \$4,908,257 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan State Housing Development Authority | |

Condition

MSHDA had not fully established controls to ensure that expenditures were accurately recorded and claimed against the appropriate housing assistance payment (HAP) grant*.

MSHDA originally claimed \$4,908,257 of expenditures for federal reimbursement against the HAP grant and, after determining the funds were also eligible for reimbursement against the HAP COVID-19 grant, it processed an accounting adjustment charging the HAP COVID-19 grant. Subsequently, MSHDA again processed an accounting transaction inappropriately claiming these same expenditures against the HAP grant.

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. In addition, federal regulation 24 *CFR* 982.158 requires the auditee to maintain complete and accurate accounts and other records for the program in accordance with the U.S. Department of Housing and Urban Development requirements in a manner that permits a speedy and effective audit.

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

MSHDA inadvertently recorded the expenditure transaction twice and its controls did not identify the error.

Effect

MSHDA claimed \$4,908,257 of expenditures that were not in accordance with Housing Voucher Cluster laws and regulations. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$4,908,275 - federal share.

Recommendation

We recommend that MSHDA establish controls to ensure that expenditures are accurately recorded and claimed against the appropriate HAP grant.

Management Views

MSHDA agrees with the finding.

FINDING 2021-034

WIOA Cluster, ALN 17.258, 17.259, and 17.278, Reporting - FFATA Reporting

| | |
|--|--|
| Federal Agency | U.S. Department of Labor |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | WIOA Cluster: ALN 17.258, 17.259, and 17.278 |

* See glossary at end of report for definition.

| | | |
|--|--|--|
| Federal Award Identification Number (FAIN) and Year | AA-32196-18-55-A-26 AA-33236-19-55-A-26 AA-34775-20-55-A-26 AA-36326-21-55-A-26 | 07/01/2018 - 06/30/2021 07/01/2019 - 06/30/2022 07/01/2020 - 06/30/2023 07/01/2021 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$87,365,346 | |
| Total COVID-19 Expenditures | \$0 | |
| Compliance Requirement(s) | Reporting | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Department of Labor and Economic Opportunity | |

Condition

LEO did not report WIOA Cluster subaward information as required by FFATA. We tested 62 subawards totaling \$35,077,637 and determined that LEO did not report any of the subaward information.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires LEO to report, on the federal Web site, each action that obligates \$30,000 or more in federal funds by the end of the month following the month in which the subaward was made.

Cause

LEO did not establish adequate internal control during the fiscal year to ensure that information submitted to the federal system was accurate and complete.

Effect

LEO grant information was not available for public access through the federal Web site established to improve transparency of governmental spending as required. We consider this to be a material weakness and material noncompliance because LEO did not complete any FFATA reporting. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that LEO report WIOA Cluster subaward information as required by FFATA.

Management Views

LEO agrees with the finding.

FINDING 2021-035

Coronavirus Relief Fund, ALN 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payments in Excess of Grant Award Amount

| | |
|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Coronavirus Relief Fund: ALN 21.019 (COVID-19) |

| | | |
|--|---|--|
| Federal Award Identification Number (FAIN) and Year | SLT0040 SLT0247 | 03/01/2020 - 12/31/2021 03/01/2020 - 12/31/2021 |
| Total Expenditures of Federal Awards | \$1,040,255,970 | |
| Total COVID-19 Expenditures | \$1,040,255,970 | |
| Compliance Requirement(s) | Activities Allowed or Unallowed and Allowable Costs/Cost Principles | |
| Type of Finding | Significant Deficiency and Noncompliance | |
| Known Questioned Costs by FAIN | SLT0040 - \$1,046,855 | |
| Repeat Finding | Not Applicable | |
| State Agency | Michigan State Housing Development Authority | |

Condition

MSHDA did not have sufficient controls in place to prevent payments to subrecipients in excess of their CRF grant award amounts. We noted MSHDA overpaid \$1,046,855 to a CRF subrecipient.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over the 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 which are necessary expenditures incurred because of the COVID-19 public health emergency.

Federal Register 86:10 (15 January 2021) page 4,183 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

MSHDA informed us the overpayment was the result of a system error.

Effect

MSHDA made an unallowable payment for the COVID-19 public health emergency. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$1,046,855 - federal share.

Recommendation

We recommend that MSHDA improve its controls to prevent payments to subrecipients in excess of the CRF grant award amounts.

Management Views

MSHDA agrees with the finding.

FINDING 2021-036

Emergency Rental Assistance Program, ALN 21.023, Procurement and Suspension and Debarment - Suspension and Debarment Process

| | |
|--|--|
| Federal Agency | U.S. Department of the Treasury |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Emergency Rental Assistance Program: ALN 21.023 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | ERA0415 03/13/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$86,783,546 |
| Total COVID-19 Expenditures | \$86,783,546 |
| Compliance Requirement(s) | Procurement and Suspension and Debarment |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan State Housing Development Authority |

Condition

MSHDA did not have an adequate process to ensure that its ERA Program subrecipients were not suspended or debarred prior to its plans to enter into grant agreements with 7 of the 9 subrecipients we reviewed. We noted:

- a. For 6 subrecipients, MSHDA used the suspension and debarment verifications completed during its award process for another federal program, which was on average completed 5 months prior to the December 2021 establishment of the federal ERA Program.
- b. For 1 subrecipient, MSHDA did not verify the suspension or debarment status until after the ERA Program grant agreement was executed.

Criteria

Federal regulation 2 *CFR* 180.300 requires when MSHDA enters into a covered transaction with a subrecipient with whom it plans to do business, it must verify that the subrecipient is not suspended or debarred. This can be accomplished by checking the federal Web site, collecting a certification, or adding a clause or condition to the covered transaction agreement.

Cause

MSHDA informed us it used another federal program's application process to verify that the ERA Program subrecipients were not suspended or debarred.

Effect

An increased risk exists that MSHDA could provide grant funds to subrecipients that were suspended or debarred. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None. We reviewed the federal Web site and noted that these 7 subrecipients were not suspended or debarred; therefore, we did not question the costs.

Recommendation

We recommend that MSHDA establish an adequate process to ensure that it verifies ERA Program subrecipients are not suspended or debarred prior to its plans to enter into grant agreements.

Management Views

MSHDA agrees with the finding.

FINDING 2021-037

Drinking Water State Revolving Fund Cluster, ALN 66.468, Matching, Level of Effort, and Earmarking - Principal Forgiveness

| | | |
|--|--|-------------------------|
| Federal Agency | U.S. Environmental Protection Agency | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Capitalization Grants for Drinking Water State Revolving Funds: ALN 66.468 | |
| Federal Award Identification Number (FAIN) and Year | 00E02091 | 01/01/2017 - 12/31/2022 |
| | 97548719 | 10/01/2019 - 12/31/2022 |
| | 97548720 | 10/01/2020 - 12/31/2023 |
| Total Expenditures of Federal Awards | \$70,583,588 | |
| Total COVID-19 Expenditures | \$0 | |
| Compliance Requirement(s) | Matching, Level of Effort, and Earmarking | |
| Type of Finding | Significant Deficiency | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | Not Applicable | |
| State Agency | Department of Environment, Great Lakes, and Energy | |

Condition

The Department of Environment, Great Lakes, and Energy (EGLE) did not develop and report to the U.S. Environmental Protection Agency (EPA) its plans to allocate the remaining 2017 capitalization grant's principal forgiveness. EGLE reported in EPA's system principal forgiveness of \$115,744 toward the \$5,130,400 required principal forgiveness for the 2017 capitalization grant that ended on December 31, 2020. However, EGLE did not report in its subsequent intended use plans (IUPs) and annual reports that it did not meet the required subsidy and it did not identify in these plans future projects that would use the remaining principal forgiveness.

Criteria

The United States Consolidated Appropriations Act, 2017 (Public Law 115-31) states that 20% of the grant award shall be used by EGLE to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants. Michigan states in its IUP for the 2017 capitalization grant that it planned to use the principal forgiveness as its additional subsidy. EPA guidance provides that if subsidy funds are not in executed agreements by the end of the second year, the Annual Report for that year must contain a complete explanation of the reasons for the delay and provide a plan that identifies projects that will use the remaining subsidy funds, along with milestones for each project showing the path to an executed assistance agreement. In addition, the IUP for the following year should indicate the amount of additional subsidy from the previous year(s) that still must be provided to projects.

Cause

Several municipalities that initially committed to participate in the 2017 capitalization grant withdrew their applications and EGLE did not identify future projects that will use the remaining principal forgiveness. In addition, for the municipalities that did participate, principal forgiveness was dedicated to other fiscal year capitalization grants.

Effect

EGLE delayed providing municipalities additional cost savings in the form of a reduction in Drinking Water State Revolving Fund loans. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that EGLE develop and report its plans to allocate any remaining principal forgiveness to the EPA.

Management Views

EGLE agrees with the finding.

FINDING 2021-038

Education Stabilization Fund, ALN 84.425, Subrecipient Monitoring - Subaward Information

| | |
|--|---|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Education Stabilization Fund: ALN 84.425 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | S425C210014 01/08/2021 - 09/30/2022 S425C210014 - 21A 01/08/2021 - 09/30/2022 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$453,043,273 |
| Total COVID-19 Expenditures | \$453,043,273 |
| Compliance Requirement(s) | Subrecipient Monitoring |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Education |

Condition

MDE did not report all subaward information and did not report accurate information as required by the Uniform Guidance to its subrecipients. For 26 (43%) of 60 Education Stabilization Fund (ESF) subawards reviewed, MDE did not report one or more of the following: FAIN, federal award date, the federal award description, ALN, Assistance Listing Title, federal award dollar amount, federal awarding agency, the legislative authority, and any additional regulations.

Criteria

Federal regulation 2 *CFR* 200.332(a) effective November 12, 2020, previously codified in federal regulation 2 *CFR* 200.331(a) effective through November 11, 2020, requires that all pass-through entities ensure that every subaward includes certain information, including the

ALN, Assistance Listing Title, FAIN, federal award date, federal award description, federal award dollar amount, legislative authority, any additional regulations, and the name of the federal awarding agency.

Cause

MDE informed us that human error led to not providing its subrecipients with all the required 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. We consider this to be a material weakness and material noncompliance because of the high error rate.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE agrees with the finding.

FINDING 2021-039

Education Stabilization Fund, ALN 84.425, Subrecipient Monitoring - During-the-Award Monitoring Procedures

| | |
|--|---|
| Federal Agency | U.S. Department of Education |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Education Stabilization Fund: ALN 84.425 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | S425C210014 01/08/2021 - 09/30/2022 S425C210014 - 21A 01/08/2021 - 09/30/2022 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$453,043,273 |
| Total COVID-19 Expenditures | \$453,043,273 |
| Compliance Requirement(s) | Subrecipient Monitoring |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Education |

Condition

MDE did not adequately and timely monitor its subrecipients that received ESF subawards. We noted:

- a. MDE relied on its risk assessment completed for the Title I program to determine the monitoring to be completed for ESF subrecipients; however, MDE did not implement the Title I monitoring strategies, such as annual Final Expenditure Report (FER) reviews and

site visits or desk reviews, for its ESF subrecipients. In addition, MDE provided its Title I subrecipients a 1-year grant, whereas for ESF, MDE provided its subrecipients a 2-year grant. Regardless of when the funds were expended, MDE did not require ESF subrecipients to submit an annual FER or any FER until August 2022, with the exception of the Elementary and Secondary School Emergency Relief (ESSER) equity grants (see part b.).

- b. Of the 47 ESSER equity recipients we reviewed, 12 (26%) did not submit a FER within 60 days of the expenditure of all funds as instructed in MDE's ESSER equity grant award notification (GAN). In addition, because these 12 grants were fully expended before September 30, 2021, the FERs would have been due by November 29, 2021 or 60 days after final expenditures, whichever came first. We noted that as of November 29, 2021, the FERs were between 21 to 233 days late.

Criteria

Federal regulation 2 *CFR* 200.332(b) states the pass-through entity must 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 described in paragraph d, which may include consideration of such factors as the subrecipient's prior experience with the same or similar subawards.

Also, federal regulation 2 *CFR* 200.332(d) states that the pass-through entity must monitor subrecipients as necessary through activities such as reviewing financial and performance reports required by the pass-through entity to ensure the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and performance goals are achieved. MDE's ESSER equity GANs identify that each subrecipient is required to submit a FER within 60 days of fully expending the grant award or within 60 days of the grant ending date, whichever comes first.

Cause

MDE indicated the distribution of the increased federal funding was a priority in fiscal year 2021. In addition, limited resources contributed to its inability to monitor the ESF awards.

Effect

MDE may not identify in a timely manner subrecipients that use funds for unauthorized purposes. We consider this to be a material weakness and material noncompliance because of the high error rate and the length of time between distribution of grant funds and subrecipient monitoring. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDE monitor its subrecipients that receive ESF grants.

Management Views

MDE agrees with the finding.

FINDING 2021-040

CCDF Cluster, ALN 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 | Public Policy Associates |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD 10/01/2018 - 09/30/2021 2001MICCC3 12/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCDF 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 |
| Total COVID-19 Expenditures | \$23,720,505 |
| 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 | G2101MICCDF - \$1,956 |
| Repeat Finding | 2020-034 |
| 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 12 (20%) of the 60 cases we reviewed. Our review disclosed:

- a. MDHHS case record documentation was inconsistent with client eligibility information entered in Bridges for 9 (15%) of 60 cases reviewed. We noted for 7 cases, the authorized hours of care in Bridges exceeded the client's documented need for hours of child care services. For 1 case, the documentation did not support the family contribution rate used to calculate the payment for child care services. For 2 cases, MDHHS did not maintain signed agreements between the parent or substitute parent and provider to verify the assigned child care provider.
- b. 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.
- c. Payments were not properly calculated for 2 (3%) of 60 cases reviewed. For 1 case, the license exempt provider was paid more hours than what was authorized for the client. For the other case, the provider was paid at the incorrect hourly unit rate because the Star Rating was incorrect.

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 Foster Care. 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.

- \$1,956 - federal share.
- \$827 - 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

MDHHS and MDE agree with the finding.

FINDING 2021-041

CCDF Cluster, ALN 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 | Public Policy Associates | |
| Assistance Listing Title and Number | CCDF Cluster: ALN 93.575, 93.575 (COVID-19), 93.596, and 93.596 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | G1901MICCDD | 10/01/2018 - 09/30/2021 |
| | 2001MICCC3 | 12/27/2020 - 09/30/2023 |
| | 2001MICCDF | 10/01/2019 - 09/30/2022 |

| | |
|---|---|
| FAIN and Year (Continued) | 2101MICCDF 10/01/2020 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$257,404,557 |
| Total COVID-19 Expenditures | \$23,720,505 |
| 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 | 2020-035 |
| State Agencies | Michigan Department of Education and Department of Licensing and Regulatory Affairs |

Background

In accordance with the interagency agreement between MDE and Department of Licensing and Regulatory Affairs (LARA) for fiscal year 2021, 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 37 licensed providers, we noted:

- a. LARA could not verify that 22 (59%) license renewal and/or interim inspections prior to our sampled payments included a review of the minimum required health and safety training topics in federal regulation 45 *CFR* 98.41.
- b. 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 2021.
- c. LARA did not send out the renewal packet at least 90 days prior to license/registration expiration for 2 sampled items.

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 for renewal inspections until December 18, 2019. In addition, MDE and LARA did not finalize the changes needed to their monitoring of provider health and safety requirements for interim inspections until February 10, 2021. Also, LARA informed us that human error led to the renewal packets not being sent 90 days prior to license expiration.

Effect

We consider this to be a material weakness and material noncompliance because of the high error rate 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 that 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 2021-042

Medicaid Cluster, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| 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 | 2105MI5MAP - \$7,644 | |

| | |
|-----------------------|--|
| Repeat Finding | 2020-038 |
| 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 \$9,575 for 15 (50%) of 30 payments sampled from a \$2,384,524 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 in CHAMPS, resulting in beneficiaries appearing eligible in CHAMPS in error 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 exceed \$25,000.

- \$7,644 - federal share of payments made to providers on behalf of ineligible beneficiaries.
- \$1,931 - 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 2021-043

Medicaid Cluster, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |

| | |
|---------------------------------------|---|
| Compliance Requirement(s) | Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Eligibility; and Matching, Level of Effort, and Earmarking |
| Type of Finding | Significant Deficiency and Noncompliance |
| Known Questioned Costs by FAIN | 2105MI5MAP - \$438 |
| Repeat Finding | 2020-040 |
| State Agency | Michigan Department of Health and Human Services |

Condition

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

- a. MDHHS overpaid for 12 (48%) of 25 sampled clients who were hospitalized. The overpayments for the 12 hospitalized clients totaled \$586.
- b. MDHHS overpaid for 4 (67%) of 6 sampled clients who were in a nursing facility. The overpayments for the 4 clients totaled \$37.

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 they remain in that facility. ASM Section 135 allows payment for HHP services on the day a client is discharged from the hospital and, beginning September 1, 2021, it also allows payment for HHP services on the day a client is discharged from the nursing home.

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. Adult services staff are not consistently applying the policy for day-in and day-out payments when in a nursing home or hospital. It appears that the monthly hospitalization and nursing home reports are not capturing all facility stays for home help clients.

Effect

MDHHS paid a total of \$623 for ineligible services from October 1, 2020 through September 30, 2021 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.

- \$438 - federal share of amounts paid for HHP services for clients from October 1, 2020 through September 30, 2021 who were either hospitalized or in a nursing facility during that same time period.
- \$185 - 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 2021-044

Medicaid Cluster, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| 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 | 2105MI5MAP - \$259 | |
| Repeat Finding | 2020-042 | |
| 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:

- a. 4 of 10 sampled payments to individual providers, totaling \$102, for services not supported by the monthly invoice.
- b. 1 of 5 sampled payments to individual providers, totaling \$267, 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 Sections 135 and 136 require individual providers to submit monthly invoices 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 \$369 for services from October 1, 2020 through September 30, 2021 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.

- \$259 - federal share.
- \$110 - 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 2021-045

Medicaid Cluster, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 | |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 | |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 | |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 | |
| Total Expenditures of Federal Awards | \$15,731,828,348 | | |
| Total COVID-19 Expenditures | \$944,010,117 | | |
| 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 | 2105MI5MAP - \$150,806 |
| Repeat Finding | 2020-043 |
| 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 2021 single audit* and identified one reportable condition that continued to impact single audit conclusions related to FFS claims paid for beneficiaries simultaneously 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. MDHHS informed us that the primary remaining sources for overlaps between FFS and capitation payments are due to retroactive removal of Medicaid eligibility.

Effect

Based on follow-up procedures conducted during the fiscal year 2021 single audit, we determined that MDHHS made improper FFS practitioner payments of \$199,367 from October 1, 2020 through September 30, 2021. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$150,806 - federal share of improper payments made to providers from October 1, 2020 through September 30, 2021.
- \$48,561 - 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.

* See glossary at end of report for definition.

FINDING 2021-046

Medicaid Cluster, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 10/01/2020 - 09/30/2021 2105MI5ADM 10/01/2020 - 09/30/2021 2105MIINCT 10/01/2020 - 09/30/2021 2105MIIMPL 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 |
| Total COVID-19 Expenditures | \$944,010,117 |
| 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 | 2020-044 |
| 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. MDHHS staff use MARIS to track and investigate complaints alleging Medicaid fraud, waste, or abuse. The MARIS database management system contained potentially vulnerable database configurations.

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

While MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to MARIS and that there is increased risk that MDHHS and DTMB cannot ensure the security of MARIS and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and State of Michigan standard security safeguards.

Auditor's Comments to Management Views

MDHHS and DTMB acknowledge they did not fully establish and implement effective security configurations for the database. IT security controls are designed to reduce risk to an acceptable level, not eliminate it entirely. So even if all expected security configurations had been in place, some level of risk still exists. In acknowledging the identified weaknesses, the agencies also imply an increased risk above the planned acceptable amount.

The method of security MDHHS and DTMB describe is referred to as "defense in depth." It is most effective against outside threats when all levels of security are employed and working to reduce the risk of a security breach. However, past audits of other security layers, such as network and cybersecurity, operating system, disaster recovery, and physical security, have identified weaknesses in these other layers. In addition, threats can come from within State government where attackers can evade some levels of these controls.

Given these facts, the finding stands as written.

FINDING 2021-047

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Special Tests and Provisions - MARIS Security Management and Access Controls

| | | |
|--|--|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP | 10/01/2020 - 09/30/2021 |
| | 2105MI5ADM | 10/01/2020 - 09/30/2021 |
| | 2105MIINCT | 10/01/2020 - 09/30/2021 |
| | 2105MIIMPL | 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| 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 Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not establish effective security management and access controls over MARIS users. We noted MDHHS did not disable 12 (15%) of 82 active MARIS user accounts that had not accessed the application in over 60 days as of September 30, 2021.

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. The Standard also requires that the information system automatically disable inactive user accounts after 60 days.

Cause

MDHHS informed us that MARIS does not have the functionality to automatically disable accounts after 60 days of inactivity.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to MARIS. As a result, an increased risk exists that MDHHS cannot ensure the security of the MARIS application.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2021-048

Medicaid Cluster, ALN 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 Title and Number | Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 2105MI5MAP 2105MI5ADM 2105MIINCT 2105MIIMPL | 10/01/2020 - 09/30/2021 10/01/2020 - 09/30/2021 10/01/2020 - 09/30/2021 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$15,731,828,348 | |
| Total COVID-19 Expenditures | \$944,010,117 | |
| 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 | |
| Known Questioned Costs by FAIN | \$0 | |
| Repeat Finding | 2020-046 | |
| State Agency | Michigan Department of Health and Human Services | |

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 4 (24%) of 17 overpayments that were not reported timely.

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.

Cause

MDHHS informed us that limited resources and issues with obtaining all required information delayed processing the overpayment until the correct information could be obtained.

Effect

MDHHS did not timely return fraud, waste, and abuse overpayments. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

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 2021-049

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

| | |
|----------------------------|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |

| | |
|--|---|
| Assistance Listing Title and Number | Immunization Cooperative Agreements: ALN 93.268 and 93.268 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | NH23IP922635 07/01/2019 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$140,207,066 |
| Total COVID-19 Expenditures | \$31,470,348 |
| Compliance Requirement(s) | Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agencies | Michigan Department of Health and Human Services and Department of Technology, Management, and Budget |

Condition

MDHHS and DTMB did not fully establish and implement effective security configurations for the Michigan Care Improvement Registry (MCIR) database. MCIR serves as the central registry for immunization records in the State, as well as the vaccine inventory management system for providers enrolled in the Vaccines for Children (VFC) program. The MCIR database management systems contained potentially vulnerable database configurations.

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 MCIR. As a result, an increased risk exists that MDHHS and DTMB cannot ensure the security of MCIR and its data.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS and DTMB fully establish and implement effective security configurations for the MCIR database.

Management Views

While MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to MCIR and that there is increased risk that MDHHS and DTMB cannot ensure the security of MCIR and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and State of Michigan standard security safeguards.

Auditor's Comments to Management Views

MDHHS and DTMB acknowledge they did not fully establish and implement effective security configurations for the database. IT security controls are designed to reduce risk to an acceptable level, not eliminate it entirely. So even if all expected security configurations had been in place, some level of risk still exists. In acknowledging the identified weaknesses, the agencies also imply an increased risk above the planned acceptable amount.

The method of security MDHHS and DTMB describe is referred to as "defense in depth." It is most effective against outside threats when all levels of security are employed and working to reduce the risk of a security breach. However, past audits of other security layers, such as network and cybersecurity, operating system, disaster recovery, and physical security, have identified weaknesses in these other layers. In addition, threats can come from within State government where attackers can evade some levels of these controls.

Given these facts, the finding stands as written.

FINDING 2021-050

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

| | |
|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Immunization Cooperative Agreements: ALN 93.268 and 93.268 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | NH23IP922635 07/01/2019 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$140,207,066 |
| Total COVID-19 Expenditures | \$31,470,348 |
| Compliance Requirement(s) | Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not establish effective user access controls over MCIR. We noted that MDHHS did not maintain documentation for 2 (9%) of the 22 sampled MCIR application security agreements. Of the 20 forms received, we noted that MDHHS did not properly approve 5 (25%) forms prior to granting access to MCIR.

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 internal control was not always sufficient to ensure retention and the proper approval of security agreements to support access granted to MCIR.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2021-051

Immunization Cooperative Agreements, ALN 93.268, Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Immunization Cooperative Agreements: ALN 93.268 and 93.268 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | NH23IP922635 07/01/2019 - 06/30/2024 |
| Total Expenditures of Federal Awards | \$140,207,066 |
| Total COVID-19 Expenditures | \$31,470,348 |
| Compliance Requirement(s) | Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not ensure that required compliance site visits for providers enrolled in the VFC program were conducted. Our review disclosed that MDHHS did not conduct a compliance site visit at least once every 24 months for 19 (48%) of 40 sampled providers. For the 19 providers, the compliance visits were not complete as of September 30, 2021 and should have been conducted between December 2020 and June 2021.

Criteria

Federal law 42 USC 1396s requires vaccines to be adequately safeguarded and used solely for authorized purposes. The Centers for Disease Control and Prevention's (CDC's) Vaccines for Children July 2020 and July 2021 Operations Guides state that awardees must conduct and record VFC compliance site visits, covering areas of provider details, eligibility, documentation, storage and handling, and inventory management with each VFC provider every 24 months. Because of the COVID-19 pandemic, the CDC provided separate guidance noting that hybrid (virtual plus in person) compliance site visits could be conducted to reduce the amount of time reviewers needed to spend physically on site at the provider and in August 2020 permitted, for a limited time, virtual only site visits as an alternative to in-person or hybrid site visits.

The CDC also issued frequently asked questions providing clarification for the virtual and hybrid options. These frequently asked questions encouraged awardees to resume traditional in-person site visits as soon as local pandemic conditions and travel restrictions allow.

Cause

MDHHS informed us it did not conduct provider compliance site visits for all providers because the CDC allowed jurisdictions to temporarily suspend site visits during the COVID-19 pandemic; however, the CDC did not update its Operations Guide to allow for a temporary suspension of the required site visits and COVID-19 guidance indicates awardees should still attempt to schedule virtual site visits with VFC providers.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS could not ensure VFC providers adequately safeguarded and used vaccines solely for authorized purposes and because of the high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MDHHS ensure that required compliance site visits for providers enrolled in the VFC program are conducted.

Management Views

MDHHS disagrees with the finding. Site visits were not conducted for all Vaccines for Children (VFC) providers during the review period because the CDC allowed jurisdictions to temporarily suspend these visits during the COVID-19 pandemic and clarified that awardees will not be penalized for not meeting the site visit requirement. MDHHS reached out to the CDC for clarification on conducting site visits and was informed that site visit activities may be suspended based on COVID-19 activity in MDHHS' jurisdiction and capacity within MDHHS' organization. Information supporting this decision was provided to the audit team.

Auditor's Comments to Management Views

While the CDC communicated that a temporary suspension was permissible, the CDC compliance site visit requirement did not change. Also, the special test and provision compliance requirements for Control, Accountability, and Safeguarding of Vaccine and Record of Immunization were subject to audit per the U.S. Office of Management and Budget 2021 *Compliance Supplement*. As the federal grantor agency, the CDC has discretion as to whether penalties will be assessed for noncompliance. However, neither this nor MDHHS's capacity to complete these required site visits alleviates our responsibility to report noncompliance under the Uniform Guidance.

Therefore, the finding stands as written.

FINDING 2021-052

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), ALN 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 Title and Number | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): ALN 93.323 and 93.323 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | NU50CK000510 08/01/2019 - 07/31/2024 |
| Total Expenditures of Federal Awards | \$121,810,356 |
| Total COVID-19 Expenditures | \$114,973,637 |
| 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 | 2020-047 |
| 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 \$12.8 million, were reasonable and appropriate.

Criteria

Federal regulation 45 *CFR* 75.303 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 45 *CFR* 75 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 yet implemented a testing protocol to sample and review detailed supporting documentation for the LTC facility reimbursements.

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 2021-053

Temporary Assistance for Needy Families, ALN 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 Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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: \$949 20 01 MI TANF - \$445 21 01 MI TANF - \$504 |
| Repeat Finding | 2020-049 |
| 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 13 (59%) of 22 sampled TANF assistance case records.

MDHHS did not obtain or maintain documentation such as complete application forms, support for completion of the Family Automated Screening Tool and Family Self-Sufficiency Plan, verifications to support the age and relationship of the child to the adult on the case record, records to support children older than 6 were attending school full time, and inquiry regarding relevant felony prosecution history in order to demonstrate that the 13 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 45 *CFR* 75 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 its controls were not sufficient to ensure that all of the required verification documentation was appropriately maintained in the client's case record.

Effect

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

- \$949 - federal share.
- \$229 - 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 2021-054

Temporary Assistance for Needy Families, ALN 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 Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | 21 01 MI TANF - \$276 |
| Repeat Finding | 2020-050 |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility. Consolidated Inquiry (CI) and/or State Online Query (SOLQ) reviews and results were not documented in accordance with policy for 3 (14%) of 22 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 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 45 *CFR* 75 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 its controls were not sufficient to ensure required verification documentation was appropriately maintained in the client's case record.

Effect

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

- \$276 - federal share of payments made to recipients.
- \$118 - 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 2021-055

Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Family Support Subsidy Program

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | 21 01 MI TANF - \$229 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not maintain documentation to support client eligibility for the TANF-funded family support subsidy program. The school education report was not documented for 1 (11%) of 9 sampled family support subsidy case records.

Criteria

MDHHS requires the child's local public school, intermediate school district, or regional educational services agency to provide verification of the child's educational eligibility category to ensure eligibility with the family support subsidy program.

Also, federal regulation 45 *CFR* 75 requires that costs charged to federal programs be adequately documented, be necessary and reasonable for the performance of the federal award, and be consistent with policies and procedures that apply uniformly to both the federally financed and other activities of the non-federal entity.

Cause

MDHHS informed us that it relies on the Community Mental Health Service Programs (CMHSPs) to maintain appropriate documentation to support eligibility determinations.

Effect

MDHHS may have inappropriately made family support subsidy payments to a family that did not qualify for TANF-funded family support 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.

- \$229 - federally funded.

Recommendation

We recommend that MDHHS maintain eligibility documentation to support client eligibility for the TANF-funded family support subsidy program.

Management Views

MDHHS agrees with the finding.

FINDING 2021-056

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

| | |
|--|--|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Temporary Assistance for Needy Families: ALN 93.558 |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI TANF 10/01/2019 - Until Expended 21 01 MI TANF 10/01/2020 - Until Expended |
| Total Expenditures of Federal Awards | \$663,794,664 |
| 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 | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS inappropriately claimed the same costs under two federal programs. MDHHS claimed TANF-funded Foster Care payments for a child and period already claimed under the Adoption Assistance Program for 1 (13%) of 8 sampled TANF-funded foster care case records.

Criteria

Federal regulation 45 *CFR* 75.403 requires that costs charged to federal programs not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.

Cause

MDHHS informed us controls were not sufficient to ensure children claimed under the Adoption Assistance Program were not also claimed under the TANF-funded Foster Care Program.

Effect

MDHHS inappropriately used TANF-funded Foster Care funds for a child who was already claimed under the Adoption Assistance Program. 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 to ensure the same costs are not claimed under more than one federal program.

Management Views

MDHHS agrees with the finding.

FINDING 2021-057

Low-Income Home Energy Assistance, ALN 93.568, Eligibility - Eligibility Determinations

| | | |
|--|---|-------------------------|
| Federal Agency | U.S. Department of Health and Human Services | |
| Pass-Through Entity | Not Applicable | |
| Assistance Listing Title and Number | Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19) | |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI E5C3 | 10/01/2019 - 09/30/2021 |
| | 20 01 MI LIEA | 10/01/2019 - 09/30/2021 |
| | 21 01 MI LIE4 | 10/01/2020 - 09/30/2021 |
| | 21 01 MI E5C6 | 03/11/2021 - 09/30/2022 |
| | 21 01 MI LIEA | 10/01/2020 - 09/30/2022 |
| | 21 01 MI LWC5 | 05/28/2021 - 09/30/2023 |
| Total Expenditures of Federal Awards | \$183,049,715 | |
| Total COVID-19 Expenditures | \$7,184,488 | |
| Compliance Requirement(s) | Eligibility | |
| Type of Finding | Material Weakness and Material Noncompliance | |
| Known Questioned Costs by FAIN | 21 01 MI LIEA - \$5,705 | |
| Repeat Finding | 2020-057 | |
| State Agency | Michigan Department of Health and Human Services | |

Condition

MDHHS did not maintain sufficient documentation of its efforts to evaluate client eligibility; examples of documentation include support for the verification of the client's income, assets, household size, and proof of energy crisis for 14 (48%) of 29 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, policy states that the payment amount must match the amount on the past due or shut-off notice. In addition, the policy indicates that the income limitation to be eligible is based on family size or SER group size.

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.

- \$5,705 - 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 2021-058

Adoption Assistance, ALN 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 Title and Number | Adoption Assistance: ALN 93.659 and 93.659 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 20 01 MI ADPT 10/01/2019 - 09/30/2020 21 01 MI ADPT 10/01/2020 - 09/30/2021 |
| Total Expenditures of Federal Awards | \$116,034,153 |
| Total COVID-19 Expenditures | \$8,718,817 |
| Compliance Requirement(s) | Matching, Level of Effort, and Earmarking and Reporting |
| Type of Finding | Significant Deficiency |
| Known Questioned Costs by FAIN | \$0 |
| Repeat Finding | 2020-059 |
| 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 in our review of MDHHS's query results that 4 (13%) of the 30 cases determined by MDHHS to be applicable only status were not accurately accounted for in this status. The statuses were actually non-applicable, and MDHHS inappropriately reported savings associated with these cases.

Criteria

Federal law 42 *USC* 673 (a)(8)(A) requires MDHHS to calculate savings realized as a result of applying revised eligibility requirements during the fiscal year.

Federal law 42 USC 673(a)(8)(D)(i) requires MDHHS to spend an amount equal to the calculated savings on any service provided to children of families under Part B or E of Title IV of the federal Social Security Act.

Federal laws 42 USC 673(a)(8)(B)(ii) and 42 USC (a)(8)(B)(iii) require MDHHS to report annually to HHS the savings realized and how the savings were spent on the Annual Adoption Savings Calculation and Accounting Report.

Cause

MDHHS informed us an inaccurate query criterion was not detected and worker error contributed to the errors.

Effect

MDHHS may have improperly calculated savings and inaccurately reported the information to HHS. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2021-059

Children's Health Insurance Program, ALN 93.767, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking - Insurance Provider Assessment Reimbursements

| | |
|--|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 2005MI5021 10/01/2019 - 09/30/2021 2105MI5021 10/01/2020 - 09/30/2022 |
| Total Expenditures of Federal Awards | \$232,145,973 |
| Total COVID-19 Expenditures | \$12,596,818 |
| 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 | 2105MI5021 - \$350,968 |
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of Health and Human Services |

Condition

MDHHS did not appropriately calculate the federal and State shares for the Insurance Provider Assessment (IPA) tax reimbursed to managed care health plans. As a result, MDHHS overstated the federal share for CHIP by \$350,968.

The IPA is a health-care related tax levied on insurance providers in Michigan. The entirety of the IPA tax is determined and paid to the Michigan Department of Treasury by managed care health plans. Quarterly, MDHHS reimburses the managed care health plans and allocates these costs using the applicable capitation claim data and corresponding federal matching percentages.

Criteria

Subpart E of federal regulation 45 *CFR* 75 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 a keying error caused the claim count to be incorrect when calculating the IPA tax reimbursement, and therefore, the federal and State share allocations were incorrect.

Effect

MDHHS inappropriately received federal reimbursement for expenditures that should have been reimbursed by the State. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$350,968 - federal share.
- \$92,173 - State share.

Recommendation

We recommend that MDHHS appropriately calculate the federal and State shares for IPA tax reimbursements.

Management Views

MDHHS agrees with the finding.

FINDING 2021-060

Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036, Reporting - FFATA Reporting

| | |
|--|---|
| Federal Agency | U.S. Department of Homeland Security |
| Pass-Through Entity | Not Applicable |
| Assistance Listing Title and Number | Disaster Grants - Public Assistance (Presidentially Declared Disasters): ALN 97.036 and 97.036 (COVID-19) |
| Federal Award Identification Number (FAIN) and Year | 4381DRMIP00000001 08/02/2018 4494DRMIP00000001 03/27/2020 4547DRMIP00000001 07/09/2020 |
| Total Expenditures of Federal Awards | \$559,346,122 |
| Total COVID-19 Expenditures | \$553,803,430 |
| Compliance Requirement(s) | Reporting |
| Type of Finding | Material Weakness and Material Noncompliance |
| Known Questioned Costs by FAIN | \$0 |

| | |
|-----------------------|-------------------------------------|
| Repeat Finding | Not Applicable |
| State Agency | Michigan Department of State Police |

Condition

The Michigan Department of State Police (MSP) did not ensure that it reported or accurately and timely reported Disaster Grants - Public Assistance subaward information as required by FFATA. Our results are summarized in the following table:

| Number of | | Number of Reports Submitted | | |
|------------------|-----------------------|-----------------------------|---------------------------|---|
| Subawards Tested | Subaward Not Reported | Report Not Timely | Subaward Amount Incorrect | Subaward Key Elements Missing or Inaccurate |
| 12 | 10 | 1 | 1 | 2 |

| Dollar Amount of | | Dollar Amount of Reports Submitted | | |
|------------------|-----------------------|------------------------------------|---------------------------|---|
| Subawards Tested | Subaward Not Reported | Report Not Timely | Subaward Amount Incorrect | Subaward Key Elements Missing or Inaccurate |
| \$30,180,839 | \$20,106,202 | \$10,010,119 | \$64,518 | \$10,074,637 |

We noted:

- a. MSP did not report any subaward information for 10 (83%) subawards.
- b. Of the 2 subawards submitted:
 - (1) MSP did not timely submit subaward information for 1 (50%) subaward.
 - (2) MSP did not submit the correct amount for 1 (50%) subaward.
 - (3) MSP did not report all key data elements for the 2 (100%) subawards.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires MSP report, on the federal Web site, each action that obligates \$30,000 or more in federal funds by the end of the month following the month in which the subaward was made.

Cause

MSP informed us competing priorities impacted its ability to complete FFATA reporting.

Effect

MSP grant information was not accurate or available for public access through the federal Web site established to improve transparency of governmental spending as required. We consider this to be a material weakness and material noncompliance because of the high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend that MSP ensure that it reports or accurately and timely reports the Disaster Grants - Public Assistance subaward information as required by FFATA.

Management Views

MSP agrees with the finding.

Findings Identified by Other Auditors

FINDING 2021-061

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Finding 2021-001.

FINDING 2021-062

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Finding 2021-002.

FINDING 2021-063

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Finding 2021-003.

FINDING 2021-064

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Administration Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Finding 2021-001.

AUDITEE SECTION



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

CHRISTOPHER M. HARKINS
DIRECTOR

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2021

Prior Audit Findings Related to Financial Statements

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2020
Finding Title: Improvements needed for calculating fund balance and net position.

Finding: The Office of Financial Management (OFM) and the Michigan Department of Health and Human Services (MDHHS) should update their year-end closing procedures to ensure that they are current and reflective of generally accepted accounting principles and State policy.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2018
Finding Title: Improvements needed for financial accounting practices related to capital assets.

Finding: Various State agencies and OFM did not have sufficient internal control in place to ensure the existence and accuracy of the State's capital assets recorded in the State of Michigan Annual Comprehensive Financial Report (Annual Report).

Current Status: State agencies and OFM did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: For part a., asset reports currently used to validate asset statuses and disposals require additional manual querying, which makes asset validation and disposal processes less timely and can increase the likelihood of errors. These asset reports were not identified as a cause of the internal control weakness in the prior audit and were not addressed in the prior year corrective action plan.

For parts b.1. and b.3., the specific internal control weaknesses identified were different in nature than the prior audit and prior year corrective action did not address the issues noted this year.

For part b.2., the use of Agile software development may result in vendors billing for both new system development and existing system maintenance on the same invoice. Capitalization procedures had not been updated to reflect Agile software development practices.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 4, parts a., b.3., and b.4.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 3
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.1., new staffing changes resulted in information being attached to documents in SIGMA.

For parts a.2. and b., the internal control weaknesses identified were different in nature than the prior audit.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 4
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) should continue to enhance internal control to prevent, or detect and correct, misstatements and help ensure the accuracy of tax accruals.

Current Status: Treasury partially corrected the deficiencies noted in the finding. Part c. is no longer applicable. Additional review of part c. is necessary to determine if the issues still exist. Treasury corrected parts a., f., and h. of the finding.

Reason(s) For Recurrence: For part b., there are general ledger limitations in the legacy system. The legacy system replacement is in process, but not yet complete.

For part d., the employee responsible for the reevaluation procedure transferred to a different State department during the reevaluation timelines.

For part e., there were resource constraints.

For part g., there are system limitations that are still being evaluated.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 5, parts b. and e. through g.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 5
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 Annual Report.

Current Status: State agencies partially corrected the deficiencies noted in the finding. The Michigan Department of State Police (MSP) corrected parts a. and b. of the finding.

Reason(s) For Recurrence: For part c., the departments implemented additional compensating controls in fiscal year 2021 for some of the MiCARS processes. However, this implementation can be further evaluated and expanded to ensure all types of transactions have the appropriate controls in place.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 6, part b.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 6
Initial Year Written: Fiscal Year 2017
Finding Title: Improvements needed to various departments' financial accounting practices.

Finding: Various State agencies did not have sufficient internal control to help ensure the accuracy of the accounting information recorded in the Annual Report.

Current Status: State agencies partially corrected the deficiencies noted in the finding. State agencies corrected parts a., b., and c.1.

Reason(s) For Recurrence: For part c.2., vendors participating in the Michigan Master Computing Program do not invoice the Department of Technology, Management, and Budget (DTMB) until all items on an order have been shipped. While DTMB has improved processes for the recording of accounts payables for items invoiced but unpaid, these processes did not address items received by September 30 but not invoiced by vendor. As a result, DTMB received items before September 30 but did not record accounts payables accordingly.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 9, part e.2.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: Finding 7
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 did not correct the deficiencies noted in the finding.

Reason(s) For Recurrence: For part a., MDHHS continues to improve the System and Organization Controls (SOC) report review process.

For parts b. and c., MDHHS continues to improve the SOC report review process. Related to the Michigan Department of State and Treasury, the issues noted were different in nature from the prior audit finding.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 10, parts b., c., d.2., and d.3.

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: The audit finding does not warrant further action.

Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.

The U.S. Department of Agriculture is not currently following up with MDE on the audit finding and a management decision was not issued.

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: The audit finding does not warrant further action.

Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.

The U.S. Department of Agriculture is not currently following up with MDE on the audit finding and a management decision was not issued.

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: The Department of Military and Veterans Affairs (DMVA) did not fully design its cash draw process to prepare reimbursement requests in accordance with the Cash Management Improvement Act (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. Assistance Listing Number 12.401 was not included in the CMIA agreement for fiscal years 2020 and 2021.

Reason(s) for Recurrence: While DMVA has changed the practice of sending airbase billings for a particular month all at one time, DMVA was waiting on a determination of whether DMVA should wait for actual in-kind assistance amounts before sending billings to the federal government.

Corrective Action: DMVA has changed their practice to send the reimbursement request as soon as sufficient funding is available. The United States Property and Fiscal Office (USPFO) provided guidance on March 21, 2022, on billing for in-kind assistance. As of April 2022,

DMVA will use the projections provided by the air base(s) and then adjust the in-kind assistance totals on the Requests for Advance or Reimbursement (SF 270s) with actual numbers.

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 corrected the deficiencies noted in the finding as of January 14, 2022.

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 limitation amount.

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

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 corrected the deficiencies noted in the finding as of June 29, 2021.

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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2018 through September 30, 2019
Finding Number: 2019-048
Initial Year Written: Fiscal Year 2017
Finding Title: CCDF Cluster, CFDA 93.575 and 93.596, 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 Child Care and Development Fund (CCDF) Cluster. In addition, MDE did not report complete and accurate information to Treasury for noncompliant cash draws.

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

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. MDHHS corrected part a. as of August 2021 and DTMB corrected part c. as of December 2019.

Reason(s) for Recurrence: For part b., DTMB had not fully implemented all database specific configuration standards.

Corrective Action: See corrective action for Finding 2021-049.

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 corrected the deficiencies noted in the finding in January 2021.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-001
Initial Year Written: Fiscal Year 2018
Finding Title: Access Limitation for Confidential Information in SIGMA

Finding: MDHHS, the Department of Labor and Economic Opportunity (LEO), and MDE did not sufficiently limit access to confidential information to appropriate users of the information in SIGMA.

Current Status: MDHHS and LEO did not correct the deficiencies noted in the finding. MDE corrected the deficiencies noted in the finding.

Reason(s) for Recurrence: For MDHHS, the inclusion of transaction support with client and employee information was due to oversight.

LEO revised its processes to discontinue the placement of confidential information in the check description field and removed such data from SIGMA. However, it failed to retroactively remove similar confidential data from General Accounting Expense documents (which resided outside of both SIGMA and the Accessible Web-Based Activity and Reporting Environment system that interfaces with SIGMA). As a result of this oversight, payment reissuances (for which the original payment preceded the discontinued practice) reintroduced personally identifiable information into SIGMA.

Corrective Action: See corrective action for Finding 2021-001.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-002
Initial Year Written: Fiscal Year 2020
Finding Title: SIGMA High-Risk Activity Monitoring

Finding: 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.

Current Status: LEO and MDOC did not correct the deficiencies noted in the finding.

Reason(s) for Recurrence: For part a., LEO staffing shortages and insufficient supervisory oversight led to the recurrence in fiscal year 2021.

For part b., MDOC began running monitoring reports MI-SW-0013 Summary of Overrides and MI-SW-0016 Bypass Approvals every two weeks beginning August 1, 2021, and then retroactively completed backlogged reviews for the period October 1, 2020, through July 31, 2021.

Corrective Action: See corrective action for Finding 2021-002.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-003
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Interface Controls

Finding: MDHHS and DTMB did not ensure that effective interface 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, CCDF Cluster, Medicaid Cluster, Temporary Assistance for Needy Families (TANF), Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP).

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. The departments corrected part b. of the finding.

Reason(s) for Recurrence: For part a., there was a skipped record count that was not captured because of a coding issue. In addition, competing priorities for both DTMB and MDHHS have delayed corrective action.

For part c., MDHHS did not have sufficient controls in place to ensure that data sharing agreements were established with all State agencies that exchanged information with Bridges. In addition, competing priorities for both DTMB and MDHHS have delayed corrective action.

Corrective Action: See corrective action for Finding 2021-003.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-004
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Security Management and Access Controls

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

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

Reason(s) for Recurrence: For part a., MDHHS's 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's 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 had not fully implemented all database specific configuration standards because DTMB is developing an organization-wide security framework for database security configuration management.

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

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

For part g., 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 2021-004.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-005
Initial Year Written: Fiscal Year 2020
Finding Title: Bridges Change Management Process

Finding: MDHHS and DTMB did not fully implement an effective change management process over Bridges.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-006
Initial Year Written: Fiscal Year 2011
Finding Title: Income Eligibility and Verification System

Finding: MDHHS and DTMB did not request and obtain Income Eligibility and Verification System (IEVS) information for all recipients. In addition, MDHHS did not ensure that county/district office caseworkers considered and used IEVS information when making eligibility and benefit level determinations for these programs.

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. MDHHS corrected part g. of the finding as of August 2021.

Reason(s) for Recurrence: For parts a. through d., MDHHS and DTMB devoted valuable information technology (IT) resources to the Bridges Modernization Project rather than correcting deficiencies in the current version of Bridges. The Bridges Modernization project has been paused.

For part e., MDHHS 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., COVID-19 priorities have resulted in staffing and time constraints.

For part h., MDHHS disagreed and did not take corrective action.

For part i., there were new archival procedures, and the archived files could be accessed only by the DTMB Enterprise Backup and Recovery team. The eligibility archival process had several migrations that took place during the fiscal year and, as a result, the Enterprise team was not able to provide all the requested files

Corrective Action: See corrective action for Finding 2021-005.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-007
Initial Year Written: Fiscal Year 2008
Finding Title: ADP Security Program

Finding: MDHHS and DTMB did not ensure that a comprehensive automated data processing (ADP) security program was established for information systems used to administer their federal programs.

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

Reason(s) for Recurrence: MDHHS and DTMB have focused resources on federal and State mandates while also maintaining operational needs and addressing IT security risks highlighted in prior audits. Limited resources at MDHHS and DTMB have caused delays in the completion of a comprehensive ADP security program.

Corrective Action: See corrective action for Finding 2021-006.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-008
Initial Year Written: Fiscal Year 2014
Finding Title: MiSACWIS Security Management and Access Controls

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

Current Status: MDHHS and DTMB partially corrected the deficiencies noted in the finding. MDHHS corrected part e. as of July 31, 2021.

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

For part c., DTMB had not 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 d., MDHHS was establishing a process to identify and monitor high-risk transactions; however, this process was not fully in place during fiscal year 2021.

Corrective Action: See corrective action for Finding 2021-007.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-009
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. MDHHS corrected parts b. and c. of the finding.

Reason(s) for Recurrence: DTMB was still in the process of developing an organization-wide security framework for database security during fiscal year 2021.

Corrective Action: See corrective action for Finding 2021-008.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-010
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 did not correct the deficiencies noted in the finding.

Reason(s) for Recurrence: For part a., not all EGrAMS users were included in the annual reconciliation process that is used to certify user access.

For part b., the approval of the form was not documented because the electronic security access form could not be altered. Also, not all users were included in the annual reconciliation process that is used to update user access to the current grant year.

Corrective Action: See corrective action for Finding 2021-009.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-011
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, Security Management and Access Controls

Finding: MDE did not fully establish effective security management and access controls over the Michigan Electronic Grants System Plus (MEGS+), Cash Management System, Grant Electronic Monitoring System/Michigan Administrative Review System, and Michigan Nutrition Data system.

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

Reason(s) for Recurrence: For part a., MDE experienced delays in updating processes, policies, and procedures due to the transition from the Cash Management System and MEGS + to the Next Generation Grant, Application and Cash Management System (NexSys).

For part b., unprecedented challenges related to the COVID-19 pandemic delayed review of all MDE privileged user accounts.

For part c., MDE continues to seek additional guidance on how to remediate controls on non-privileged accounts.

Corrective Action: See corrective action for Finding 2021-013.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-012
Initial Year Written: Fiscal Year 2020
Finding Title: Treasury, Cash Management Improvement Act - Recertification of Clearance Patterns

Finding: 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.

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

Reason(s) for Recurrence: Procedures were updated, however unforeseen staffing changes proved these procedures to be insufficient for the review process, which lead to staff misunderstandings and errors.

Corrective Action: See corrective action for Finding 2021-016.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-013
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 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 Child Support Enforcement, WIC Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), TANF, and Adoption Assistance programs. MDHHS did not correct the deficiencies noted for the programs included in Finding 2021-017.

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.

For part b., MDHHS's 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.

Corrective Action: See corrective action for Finding 2021-017.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-014
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 the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program. MDHHS did not correct the deficiencies for the WIC program.

Reason(s) for Recurrence: The EGrAMS system enhancement was delayed due to competing priorities and funding constraints.

Corrective Action: See corrective action for Finding 2021-020.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-015
Initial Year Written: Fiscal Year 2020
Finding Title: MDHHS, Subrecipient Monitoring - Risk Assessments

Finding: MDHHS did not evaluate the subrecipients' risk of noncompliance with program requirements to determine the type of monitoring appropriate for 9 (100%) of 9 ELC program and 22 (52%) of 42 Opioid STR program subrecipients reviewed.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-016
Initial Year Written: Fiscal Year 2008
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Beneficiary Eligibility

Finding: 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.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of 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 documentation was retained.

Corrective Action: See corrective action for Finding 2021-022.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-017
Initial Year Written: Fiscal Year 2018
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - 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 2021-023.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-018

Initial Year Written: Fiscal Year 2015

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

Finding: MDHHS did not ensure that renewals were processed on a timely basis for beneficiaries receiving transitional medical assistance (TMA).

Current Status: MDHHS did not correct the deficiencies noted in the finding because there was a waiver. Section 6008 of the Families First Coronavirus Response Act provides states with a temporary 6.2 percentage increase to the Federal Medical Assistance Percentage rate if states met certain conditions, including a continuous enrollment requirement for most Medicaid beneficiaries who were enrolled in the program as of or after March 18, 2020.

Reason(s) for Recurrence: There was a breakdown of internal processes that caused the delay in timely termination of some beneficiaries within the TMA Medicaid and CHIP eligibility groups. The Public Health Emergency (PHE) delayed implementation of corrective action.

Corrective Action: MDHHS is developing a process that will be used to determine appropriate actions following the end of the PHE in addition to developing a corresponding system enhancement. The enhancement will generate redetermination requests two months in advance, addressing the issue of beneficiaries receiving TMA for more than 12 months without violating existing rules or statutory requirements. If necessary, further system enhancements will be initiated to resolve underlying issues as identified following the end of the PHE.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-019

Initial Year Written: Fiscal Year 2017

Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - 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 2 (13%) 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 2021-024.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-020
Initial Year Written: Fiscal Year 2020
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Medical Records

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

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

Reason(s) for Recurrence: MDHHS places heavy reliance on the provider maintaining appropriate documentation for services provided because post payment review processes do not validate all provider documentation requirements.

Corrective Action: See corrective action for Finding 2021-025.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-021
Initial Year Written: Fiscal Year 2008
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - 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 entities, MI Choice Waiver Program (MI Choice) entities, Medicaid Health Plan entities, Dental Health Plan entities, 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 staff 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 2021-026.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-022
Initial Year Written: Fiscal Year 2020
Finding Title: Medicaid Cluster, CFDA 93.775, 93.777, and 93.778 and Children's Health Insurance Program, CFDA 93.767 - Provider Screening

Finding: MDHHS had not fully established and implemented effective provider screening controls. In addition, MDHHS had not developed a process to identify interface failures that excluded providers from the required monthly screening process.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-023
Initial Year Written: Fiscal Year 2020
Finding Title: 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

Finding: 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).

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

Reason(s) for Recurrence: 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.

Corrective Action: See corrective action for Finding 2021-027.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-024
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 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 service provider.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-025
Initial Year Written: Fiscal Year 2020
Finding Title: Food Distribution Cluster, CFDA 10.565, 10.568, and 10.569, Special Tests and Provisions - Accountability for USDA Foods

Finding: MDE did not perform adequate oversight to ensure eligible recipient agencies submitted the required information to accurately document the Emergency Food Assistance Program (Food Commodities), CFDA 10.569 donated food shipments.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-026
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 and implement effective security management and access controls for the Michigan Women, Infants, and Children Information System (MI-WIC) database.

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

Reason(s) for Recurrence: DTMB had not fully implemented all database specific configuration standards at the time of review.

Corrective Action: See corrective action for Finding 2021-030.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-027
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: For part a., a system defect prevented approval history for user accounts created more than five years ago from being recorded in the MI-WIC database.

For part b., semiannual user reviews were in development and were not fully implemented in fiscal year 2021.

Corrective Action: See corrective action for Finding 2021-031.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-028
Initial Year Written: Fiscal Year 2020
Finding Title: Section 8 Project-Based Cluster, CFDA 14.182 and 14.856, Special Tests and Provisions - Vacant Units - Quality Control Reviews

Finding: 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.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-029
Initial Year Written: Fiscal Year 2020
Finding Title: Coronavirus Relief Fund, CFDA 21.019, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Inappropriate Payroll Expenditures

Finding: MDOC and MSP inappropriately used the Coronavirus Relief Fund (CRF) for unallowable payroll expenditures, totaling \$843,790.

Current Status: MDOC and MSP corrected the deficiencies noted in the finding as of October 2021.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-030
Initial Year Written: Fiscal Year 2020
Finding Title: Coronavirus Relief Fund, CFDA 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Emergency Purchases Documentation

Finding: 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.

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

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| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-031 |
| Initial Year Written: | Fiscal Year 2020 |
| Finding Title: | Special Education Cluster (IDEA), CFDA 84.027 and 84.173, Subrecipient Monitoring - Interim Financial Expenditure Reports |
| Finding: | MDE did not monitor the activities of the subrecipients by reviewing interim financial expenditure reports (FERs) in a timely manner for 4 of 18 subrecipients reviewed. |
| Current Status: | The finding is no longer valid. MDE moved to the new NexSys grant and cash management system as of July 1, 2021 and interim FERs are no longer required. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-032 |
| Initial Year Written: | Fiscal Year 2018 |
| Finding Title: | Rehabilitation Services - Vocational Rehabilitation Grants to States, CFDA 84.126, Cash Management and Program Income - Cash Management and Program Income Processes |
| Finding: | 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 Treasury for these noncompliant draws. |
| Current Status: | LEO corrected the deficiencies noted in the finding. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-033 |
| 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: | The Department of Licensing and Regulatory Affairs (LARA) did not establish effective access controls over the Michigan Workforce Background Check (MWBC) Child Care System users. |
| Current Status: | LARA corrected the deficiencies noted in the finding. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-034 |
| 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 8 (14%) of 60 cases.

Current Status: MDE and MDHHS partially corrected the deficiencies noted in the finding. MDHHS 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 2021-040.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-035

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. MDE and LARA corrected parts b. and c. of the finding.

Reason(s) for Recurrence: For part a., the COVID-19 pandemic delayed the development of the revised inspection policy and checklist of health and safety items requiring review during inspections. The revisions were made after the audit period in December 2020 and January 2021. They were implemented in February 2021.

For part d., lack of documentation was due to an oversight.

Corrective Action: See corrective action for Finding 2021-041.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-036

Initial Year Written: Fiscal Year 2020

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

Finding: MDE and MDHHS did not ensure Bridges calculated authorized hours for licensed exempt child care providers in accordance with MDE's policy.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-037
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 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.

Current Status: The finding is no longer valid. For fraud convictions, the collection of any court ordered restitution is completed by the local jurisdiction and subsequently remitted to MDHHS.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-038
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/ended, resulting in beneficiaries being eligible in CHAMPS in error and payments being processed based on that eligibility.

Corrective Action: See corrective action for Finding 2021-042.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-039
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 for HHP Management Activities

Finding: MDHHS did not establish effective access controls over Michigan Adult Integrated Management System (MiAIMS) users.

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

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-040

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 prevent or timely recover payments for Home Help Program (HHP) services in which the client no longer met eligibility requirements.

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 2021-043.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-041

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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-042

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 and accurately calculated.

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

Reason(s) for Recurrence: For part a., system changes were not implemented until April 2022 due to the length of time needed to fund and develop the changes.

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 2021-044.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-043

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 FFS 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 FFS 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 2021-045.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-044

Initial Year Written: Fiscal Year 2020

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

Finding: MDHHS and DTMB did not fully establish and implement effective security management over the Medicaid Audit Recovery and Investigation System (MARIS) database.

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

Reason(s) for Recurrence: DTMB was still in the process of developing an organization-wide security framework for database security during fiscal year 2021.

Corrective Action: See corrective action for Finding 2021-046.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-045
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 MARIS users.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-046
Initial Year Written: Fiscal Year 2020
Finding Title: 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

Finding: 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.

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

Reason(s) for Recurrence: Limited resources and issues with obtaining all required information delayed processing overpayments timely.

Corrective Action: See corrective action for Finding 2021-048.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-047
Initial Year Written: Fiscal Year 2020
Finding Title: 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

Finding: 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.

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

Reason(s) for Recurrence: Limited resources delayed the implementation of a testing protocol to sample and review detailed supporting documentation for LTC facility reimbursements.

Corrective Action: See corrective action for Finding 2021-052.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-048
Initial Year Written: Fiscal Year 2020
Finding Title: 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

Finding: LEO did not fully establish effective access controls over the Management of Awards to Recipients System (MARS).

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

Reason(s) for Recurrence: During fiscal year 2021, LEO experienced staffing shortages caused by employee departures along with additional (COVID-related) responsibilities placed on remaining staff responsible for performing the MARS access reviews.

Corrective Action: See corrective action for Finding 2021-010.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-049
Initial Year Written: Fiscal Year 2011
Finding Title: 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

Finding: 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.

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

Reason(s) for Recurrence: Controls were not sufficient to ensure that required verification documentation was maintained in the client's case record.

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 2021-053.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-050
Initial Year Written: Fiscal Year 2014

Finding Title: 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

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 2021-054.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-051

Initial Year Written: Fiscal Year 2017

Finding Title: 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

Finding: 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.

Current Status: MDHHS corrected the deficiencies noted in the finding as of December 2020.

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-052

Initial Year Written: Fiscal Year 2019

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

Finding: 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.

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

Audit Period: October 1, 2019 through September 30, 2020

Finding Number: 2020-053

Initial Year Written: Fiscal Year 2018

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| Finding Title: | Temporary Assistance for Needy Families, CFDA 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Ineligible Emergency Foster Care Assistance |
| Finding: | 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. |
| Current Status: | MDHHS corrected the deficiencies noted in the finding. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-054 |
| Initial Year Written: | Fiscal Year 2020 |
| Finding Title: | 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 |
| Finding: | MDHHS inappropriately claimed federal reimbursement from the TANF program for LEO's Food Assistance Employment and Training payroll expenditures of \$76,262 which should have been claimed under SNAP. |
| Current Status: | MDHHS and LEO corrected the deficiencies noted in the finding. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-055 |
| Initial Year Written: | Fiscal Year 2016 |
| Finding Title: | Temporary Assistance for Needy Families, CFDA 93.558, Special Tests and Provisions - Penalty for Refusal to Work |
| Finding: | 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. |
| Current Status: | MDHHS corrected the deficiencies noted in the finding. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-056 |
| Initial Year Written: | Fiscal Year 2019 |
| Finding Title: | 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 |
| Finding: | 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. |
| Current Status: | MDHHS corrected the deficiencies noted in the finding. |

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-057
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; 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 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 2021-057.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-058
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 Administration for Children and Families.

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

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-059
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 the U.S. Department of Health and Human Services on the cumulative Annual Adoption Savings Calculation and Accounting Report.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part b. of the finding.

Reason(s) for Recurrence: Inaccurate query criteria and worker error contributed to the recurrence of errors.

Corrective Action: See corrective action for Finding 2021-058.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-060
Initial Year Written: Fiscal Year 2020
Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036, Reporting - Accuracy of Financial Reports

Finding: MSP did not submit accurate financial reports to the U.S. Department of Homeland Security.

Current Status: MSP corrected the deficiencies noted in the finding as of September 2021.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-061
Initial Year Written: Fiscal Year 2020
Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036, Subrecipient Monitoring - Subrecipient Audits

Finding: MSP did not appropriately monitor its subrecipients to ensure that they complied with the Uniform Guidance.

Current Status: MSP corrected the deficiencies noted in the finding as of September 2021.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-062
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, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-002.

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, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Summary Schedule of Prior Audit Findings, Finding 2020-002.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-063
Initial Year Written: Fiscal Year 2020
Finding Title: Unemployment Insurance, CFDA 17.225

Finding: 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.

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, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Summary Schedule of Prior Audit Findings, Finding 2020-003.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-064
Initial Year Written: Fiscal Year 2020
Finding Title: Unemployment Insurance, CFDA 17.225

Finding: 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.

Current Status: UIA corrected the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Summary Schedule of Prior Audit Findings, Finding 2020-004.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-065
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, Single Audit Reporting Package, Year Ended September 30, 2020, Finding 2020-005.

Current Status: UIA corrected the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Summary Schedule of Prior Audit Findings, Finding 2020-005.

Audit Period: October 1, 2019 through September 30, 2020
Finding Number: 2020-066
Initial Year Written: Fiscal Year 2019
Finding Title: Unemployment Insurance, CFDA 17.225

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| Finding: | 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. |
| Current Status: | UIA corrected the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Summary Schedule of Prior Audit Findings, Finding 2020-006. |
| Audit Period: | October 1, 2019 through September 30, 2020 |
| Finding Number: | 2020-067 |
| Initial Year Written: | Fiscal Year 2020 |
| Finding Title: | Unemployment Insurance, CFDA 17.225 |
| Finding: | 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. |
| Current Status: | UIA corrected the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Summary Schedule of Prior Audit Findings, Finding 2020-007. |



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

CHRISTOPHER M. HARKINS
DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 1

Vendor file fraud controls

Management Views

The Statewide Integrated Governmental Management Applications (SIGMA) Operations and Support (SOS) and the Office of Financial Management (OFM) agree and will continue to review and enhance controls related to the State's vendor file.

Planned Corrective Action

SOS has put in place multiple preventive controls related to select vendor activity. Additional monitoring has been put in place based on known patterns of fraud. SOS will continue to review fraud risks and modify controls and monitoring efforts as required.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Allison Mikulec, SIGMA

Finding 2

Access limitations for confidential information in SIGMA

Management Views

State agencies and OFM agree and will implement procedures to limit access to confidential information in SIGMA to appropriate users of the information.

Planned Corrective Action

For part a.1., the Michigan Department of Corrections (MDOC) removed attachments from SIGMA documents containing confidential information on February 1, 2022.

MDOC updated internal processes for the applicable payments on February 1, 2022, to ensure confidential information would be removed from the invoice prior to submitting for payment. This new internal process was added to the training procedure and desk manuals for program and accounts payable staff to ensure future new hires receive proper training in the new process.

On April 20, 2022, MDOC again reminded staff entering and approving SIGMA documents that all confidential information must be removed or redacted from attachments in SIGMA.

For part a.2., the Michigan Department of Treasury (Treasury) updated its procedures to ensure confidential information is not included in SIGMA. On March 31, 2022, Treasury worked with SIGMA to remove the confidential information that was identified.

For part b., Treasury, in consultation with SIGMA Security, will further review the access for the 396 central control agency users who have access to the information. In that review, Treasury and SIGMA Security will determine if a new user role should be created to further limit the access to the information.

Anticipated Completion Date

- a.1. Completed
- a.2. Completed
- b. August 31, 2022

Responsible Individual(s)

- a.1. Tori Ellison, Krista Ward, and Bidhan Redey, MDOC
- a.2. Colin Ohl, Treasury
- b. Suzie Nichols, Treasury

Finding 3

Treasury system user access controls

Management Views

Treasury and OFM agree that user access controls over the two information systems should be improved.

Planned Corrective Action

For the first system, Treasury completed a user access review in January 2022. Treasury will perform annual reviews of user access controls and semiannual reviews of privileged user access controls in the system in fiscal year 2022 and going forward.

For the second system, Treasury is reviewing user access controls and updating the user access framework in the system. Treasury will perform annual reviews of user access controls and semiannual reviews of privileged user access controls in the system in fiscal year 2022 and going forward.

Anticipated Completion Date

August 30, 2022

Responsible Individual(s)

Danielle Cook, Treasury
Jennifer Ruttman, Treasury

Finding 4

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., the Department of Technology, Management, and Budget (DTMB) will improve reports and processes used to pull asset status and disposal data from repositories. DTMB uses online repositories to track the status of networked assets such as servers and switches. These improvements will help DTMB ensure equipment is removed from SIGMA timely.

For part b.1., DTMB will conduct more thorough reviews to ensure assets are properly recorded. DTMB will update processes to closely evaluate projects that are deemed substantially complete.

OFM will evaluate Financial Management Guide Part II, Chapter 21, Section 250 (Construction in Progress) and the year-end capital asset reporting requirements to determine where clarification is warranted and update as applicable.

For part b.2., the Michigan Department of Transportation (MDOT) will include a checklist item to ensure that there are no filters on the spreadsheets used to calculate the year-end capital asset entries.

For part b.3., DTMB will update its software capitalization procedures to address Agile software development and situations in which a vendor bills for multiple types of services on the same invoice (new development, training, and maintenance on already deployed phases). This will result in a more thorough review of the nature of costs billed on vendor invoices and ensure that only development costs are properly capitalized.

For part b.4., DTMB will update capitalization procedures to address combined purchases that include purchased services that need to be recorded as prepaid expenses.

The Department of Natural Resources (DNR) implemented a new process for construction in progress that ensures program codes used to track costs related to construction in progress are established in SIGMA prior to the project being started. DNR conducted training on this new process with employees involved in the recording of capital assets in September of 2021.

For the Michigan Department of Health and Human Services (MDHHS), the asset and its technology were developed in response to the pandemic. Due to a sharp learning curve with the pandemic, the technology used by this asset was obsolete within several months after initial use. However, the asset was valued at its initial estimated value rather than the value on September 30, 2021. Although MDHHS believes this circumstance is a once in a lifetime occurrence, MDHHS will add notes to the capital asset procedures indicating that new assets must have a reasonable use on September 30 of a fiscal year in order to have an estimated value.

Anticipated Completion Date

- a. September 30, 2022
- b.1. September 30, 2022
- b.2. September 30, 2022
- b.3. September 30, 2022
- b.4. DTMB: September 30, 2022
DNR: Completed
MDHHS: September 30, 2022

Responsible Individual(s)

- a. Jennifer Gibson and Rachel Hodge, DTMB

- b.1. Latissa Dozier, DTMB
Tony Thelen, OFM
- b.2. Adam Feldpausch, MDOT
- b.3. Jennifer Gibson and Rachel Hodge, DTMB
- b.4. Jennifer Gibson, DTMB
Amy Henderson, DNR
Steve Bendele, MDHHS

Finding 5

Establishment and monitoring of tax receivables and payables

Management Views

Treasury and OFM agree that internal control related to tax accruals should continue to be improved.

Planned Corrective Action

For part a., Treasury provided additional training to the staff on the issues identified. In addition:

For part a.1., Treasury made corrections to the Governmental Accounting Standards Board (GASB) 34 workbook and report used to calculate the estimated receivables to eliminate the Sales, Use and Withholding (SUW) and Corporate Income Tax (CIT) refunds, penalty, and interest so that it is not included in the estimated receivable in future years.

For part a.2., Treasury corrected the reports utilized in the calculation to ensure they do not include out of period revenue activity.

For part a.3., Treasury made corrections to the GASB 34 report needed as a result of the adjustments to November's estimated 60-day accruals. Treasury updated its procedures to include adjusting the GASB 34 report in the future whenever adjustments are made to the 60-day accruals/estimates, as they impact the GASB 34 calculation.

For 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 Office of the Auditor General (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.

For part c., Treasury cross-trained two existing staff to work on this reconciliation as time resources allow while Treasury completes the process to fill the staffing vacancy responsible for this function. This will ensure monthly reconciliations of the business tax system and SIGMA are performed timely.

For part d., Treasury established an approved methodology for State Education Tax (SET) estimated accruals for the 2021 closing. Treasury will update the methodology to compare estimates to actuals if actuals are known prior to the State of Michigan Annual Comprehensive Financial Report's (Annual Report) opinion date. The estimate was adjusted to actual for fiscal year 2021, and Treasury will continue to adjust to actual where required in future fiscal years.

For part e., Treasury updated its procedures to reevaluate CIT, Michigan Business Tax, and SUW liabilities if the refund amount changes prior to the Annual Report's audit opinion date including refundable credits issued prior to the audit opinion.

For part f., Treasury will continue to work with the Michigan Department of State (MDOS) and the Office of Revenue and Tax Analysis on sales tax data limitations to determine the actual availability and accuracy of the information required to determine if a sales tax accrual should be booked to the Comprehensive Transportation Fund.

For part g., a tax accrual specialist was hired in January 2022 to assist with these duties. The tax accrual specialist will be trained and work on this process during fiscal year 2022.

For part h., the logic in the legacy State Treasury Accounts Receivable (STAR) system reports cannot be remediated without programmatic changes. The STAR legacy system is currently being replaced and no changes are being made to STAR logic. The issue will be remediated in the new collections system.

For part i., Treasury adjusted the monthly procedures for SET monitoring to include individual county monitoring, which previously had been an annual evaluation.

Anticipated Completion Date

- a. Completed
- b. January 2025
- c. September 30, 2022
- d. Completed
- e. Completed
- f. November 30, 2022
- g. September 30, 2022
- h. May 31, 2023
- i. Completed

Responsible Individual(s)

Tim Johnson, Treasury
Larry Steckelberg, Treasury

Finding 6
MiCARS internal control improvements

Management Views

State agencies and OFM agree the Michigan Cashiering and Receivable System (MiCARS) internal control should be improved.

Planned Corrective Action

For part a.1., MDOT worked with the vendor to create a report that will be reviewed quarterly by the division administrator to ensure employee activity within MiCARS is appropriate. The review will be documented through quarterly sign-off by the division administrator.

For part a.2., MDOT will remove the administrator access rights from the employee who performs the daily reconciliations. The job duties that require the administrator access rights for the employee will be reassigned.

For part b., MDOT, the Michigan Department of Agriculture and Rural Development (MDARD), the Department of Environment, Great Lakes, and Energy (EGLE), and DNR will further document and review the internal control framework for each of the transaction flows used in MiCARS. The Michigan Department of State Police (MSP) will further review the internal control framework for the deposits. The departments will use this framework to evaluate whether additional controls and procedures are needed for each transaction flow to sufficiently mitigate the risk of error or misclassification. The departments will seek out cost effective remedies that are commensurate with the level of risk and materiality where needed using controls such as sampling, management approval, and reconciliation.

Anticipated Completion Date

- a. September 30, 2022
- b. September 30, 2022

Responsible Individual(s)

- a. Andrea Mowry, MDOT
- b. Andrea Mowry, MDOT (for MDOT, MDARD, EGLE, and DNR)
Julie Eisinger, MSP

Finding 7
Interface control improvements

Management Views

The Department of Labor and Economic Opportunity (LEO) and OFM agree that interface controls over SIGMA should be improved.

Planned Corrective Action

For part a., LEO is in the process of implementing a more effective process for reconciling the daily data interfaced from the Michigan Administrative Review System (MARS) to SIGMA to include both record counts and dollar amounts.

For part b., LEO implemented a more effective process for reconciling the daily data interfaced from the Accessible Web-Based Activity and Reporting Environment (AWARE) to SIGMA to include both record counts and dollar amounts.

Anticipated Completion Date

- a. September 30, 2022
- b. Completed

Responsible Individual(s)

- a. Robert Mason, Michael LaCharite, and Lora MacKay, LEO
- b. Amie Weber, Steve Dalton, and Javier Sanchez, LEO

Finding 8
Accuracy of Medicaid receivables and payables

Management Views

MDHHS and OFM agree internal control to ensure the accuracy of Medicaid accruals and transactions should continue to be improved.

Planned Corrective Action

For part a.1., MDHHS has updated its procedures to add additional checks and balances and included a formula cell lock on pay code percentages in the file that calculates the accrual amount.

For part a.2., the database used to calculate this accrual contained a calculation error and the calculation had to be done manually in fiscal year 2021. The database will be updated to fix the calculation error and automate the process for fiscal year 2022.

For part a.3., an additional check has been added to the review manual for completing this process to ensure all amounts copied and pasted as values from the previous year summary did paste correctly.

For part b., rate changes typically occur on a prospective basis. In the event of a retroactive rate change, MDHHS's Reference section will notify MDHHS's Policy Implementation section via email. The Policy Implementation section will use the information provided to identify and adjust the impacted claims.

Anticipated Completion Date

a.1. Completed

a.2. September 30, 2022

a.3. Completed

b. Completed

Responsible Individual(s)

a. Carol O'Callaghan and Janelle Kohtz, MDHHS

b. Janice Hursey-Anderson, Carmen Starkweather, and Meghan Vanderstelt, MDHHS

Finding 9

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.

Planned Corrective Action

For part a.1., MDHHS will add notes to both the year-end calendar and year-end procedures requiring OFM approval of changes to methodologies that estimate payables and receivables.

For part a.2., MDHHS ensured appropriate staff are aware of the requirement to record an estimated receivable when the receivable is significant and measurable.

For part b., future estimated accounts payable amounts will be reviewed more closely with the program area in charge of the federal program to determine if there are unusual issues with payment processing that would affect the estimates. The methodology will be adjusted as needed, in consultation with OFM, to ensure that accurate amounts are recorded. In addition, the Michigan Department of Education (MDE) will ensure procedures are documented to ensure that actual payments occurring in December for this accrual are compared to the estimate by January 15 annually and appropriate adjustments are made prior to the Annual Report's issuance.

For part c., MDOC completed an analysis of vendor refunds to determine which refunds should be considered a reduction of expenditures and a summary level correction was completed on December 4, 2021, for fiscal year 2021. MDOC updated internal processes to ensure vendor refunds were correctly recorded going forward.

For part d., MDOT will improve, implement, and document a process for adjusting consultant estimated accounts payable (EAP) based on actual payments made in the new fiscal year up until the cut-off deadline. After the stated deadline, MDOT will assess the materiality of any variations between the EAP amounts and the new fiscal year payments and will work with OFM to assess whether further adjustments are necessary.

For part e.1., DTMB will conduct more thorough reviews to ensure account receivables are valid.

For part e.2., DTMB will compile and review receiver documents for items received but not yet invoiced by vendors at year-end. DTMB will record accounts payables for any equipment received prior to September 30. DTMB has set up department object coding to be used when services provided may overlap fiscal years; this will assist in the identification of services provided prior to September 30.

For part f., EGLE recorded the value of the investments as determined by GASB Statement No. 84 for fiscal year 2021 and will update any changes to the account balances in the general ledger going forward.

For part g., OFM will add clarification to the letter used to request liability estimates for court cases from the Department of Attorney General. In addition, OFM will strengthen internal review procedures to ensure adequate follow up occurs with the Department of Attorney General for any cases where the estimate appears to only represent the minimum threshold.

Anticipated Completion Date

- a.1. September 30, 2022
- a.2. Completed
- b. January 15, 2023
- c. Completed
- d. August 31, 2022
- e.1. Completed
- e.2. October 31, 2022
- f. Completed
- g. December 30, 2022

Responsible Individual(s)

- a.1. Steve Bendele, MDHHS
- a.2. Steve Bendele, MDHHS
- b. Rose Zuker, MDE
- c. Tori Ellison and Krista Ward, MDOC
- d. Carol Rademacher and Andrea Mowry, MDOT
- e.1. Latissa Dozier, DTMB
- e.2. Heather Hammond, DTMB
- f. Paul McDonald, EGLE
Andrea Mowry, MDOT
- g. Derek Childs, OFM

Finding 10

Third party service organization monitoring

Management Views

State departments and OFM agree that oversight of third party service organizations should continue to be enhanced.

Planned Corrective Action

For part a., MDOS revised the System and Organization Controls (SOC) report review procedures to include best practices of receiving SOC reports within 60 days of report issuance.

Treasury will work with its contractors to determine the reason for the delay in providing the SOC reports and will establish timelines with the contractors for receipt of the reports in the future.

For part b., MDHHS will evaluate the need to obtain and review the identified subservice provider's SOC report.

MDOS revised the SOC report review template guidance to better document the rationale for not receiving a SOC report for a vendor's sub-subservice provider when it is concluded that it is not necessary to obtain it.

Treasury will develop a risk matrix to determine and document which subservice reports are required. Treasury will ensure the appropriate actions are taken for the subservice provider reports based on the results of the matrix.

For part c., MDHHS will evaluate the Complementary User Entity Controls (CUECs) from the identified SOC reports on an annual basis and document the results on the required Office of Internal Audit Services' (OIAS) template in the proper format.

Treasury will attend training on SOC report review and SOC review template completion. Treasury will use that training to ensure the review of CUECs is appropriately completed and documented in the future.

For part d.1., MDHHS will annually obtain and review the SOC report for the identified provider. MDHHS has received, reviewed, and submitted the completed review for the service provider identified.

For part d.2., MDHHS will review the SOC reports for the identified providers.

For part d.3., MDHHS will ensure that SOC report reviews are completed timely after receipt of the SOC report.

For part d.4., MDHHS will improve the review of the control weaknesses in SOC reports with qualified opinions. In fiscal year 2021, MDHHS evaluated exceptions identified in the SOC reports that resulted in the qualified opinions and documented the evaluation of those exceptions in the required OIAS review template. However, in fiscal year 2022, MDHHS will improve the documentation and consideration of the qualified opinions through additional procedures such as evaluating and documenting MDHHS's compensating controls in place during the audit period and validating corrective action submitted by the provider.

For part d.5., MDHHS will ensure the documentation of CUECs are readily available and provided for the identified vendor's SOC report. The documentation of CUECs for fiscal year 2021 existed but was not provided until after audit fieldwork was complete.

Anticipated Completion Date

- a. MDOS: Completed
Treasury: September 30, 2022
- b. MDHHS: Completed
MDOS: Completed
Treasury: August 31, 2022
- c. MDHHS: September 30, 2022
Treasury: September 30, 2022
- d.1. Completed
- d.2. September 30, 2022
- d.3. Completed
- d.4. September 30, 2022
- d.5. Completed

Responsible Individual(s)

- a. Andrea McGhee, MDOS
Jennifer Ruttman, Treasury
- b. Trish Bouck, MDHHS
Andrea McGhee, MDOS
Bruce Hanes, Treasury
- c. Andrew Piper, MDHHS
Bruce Hanes, Treasury
- d.1. Pratin Trivedi, MDHHS
- d.2. Andrew Piper, MDHHS
- d.3. Andrew Piper, MDHHS
- d.4. Trish Bouck, MDHHS
- d.5. Andrew Piper, MDHHS

Findings Related to Federal Awards

Finding 2021-001

Access Limitation for Confidential Information in SIGMA

Management Views

MDHHS and LEO agree with the finding.

Planned Corrective Action

MDHHS held a meeting with applicable staff on July 14, 2022, to reiterate the requirement of restricting data by either excluding or redacting confidential information. MDHHS is currently analyzing options for retaining the documentation outside of SIGMA, however, volume and efficiency need to be taken into consideration. MDHHS will also submit a data fix request to remove the sensitive information attached to SIGMA documents.

LEO identified a total of 62 General Accounting Expense documents (AWARE system authorizations that were reissued) containing personally identifiable information (PII) in their original check description. All 62 documents in question date back prior to April 22, 2021. LEO

is working with DTMB to have the PII removed from these and related downstream documents in SIGMA Financial and Business Intelligence. LEO no longer includes PII information in the check description field.

Anticipated Completion Date

MDHHS will complete the analysis of available options by August 31, 2022. A date related to implementing the option chosen has not yet been determined. LEO and DTMB will have PII removed from all impacted documents by August 31, 2022.

Responsible Individual(s)

Sara Gross, MDHHS
Kidada Smith, MDHHS
Dawn Lake, LEO
Amie Weber, LEO
Lora MacKay, LEO

Finding 2021-002

SIGMA High-Risk Activity Monitoring

Management Views

LEO and MDOC agree with the finding.

Planned Corrective Action

For part a., LEO has implemented and maintained a weekly review process since October 25, 2021, that ensures timely monitoring and follow-up (where appropriate) of SIGMA high-risk activities.

For part b., MDOC communicated with SIGMA Security, and it was determined that monitoring reports MI-SW-0013 Summary of Overrides and MI-SW-0016 Bypass Approvals cannot be modified to include comment fields which would be utilized by MDOC staff when performing bypass or override to provide more efficient monitoring of MDOC's large number of bypass approvals and overrides. While the feasibility of adding these fields to the reports was being assessed during fiscal year 2021, MDOC began running the MI-SW-0013 and MI-SW-0016 every two weeks beginning August 1, 2021, to review and build a trend of anomalies for overrides and bypass approvals so that the core issues with these high-risk activities can be addressed and resolved. Also, MDOC retroactively ran both reports for the period October 1, 2020, through July 31, 2021.

Effective February 1, 2022, MDOC is using the results of its reviews to proactively work towards acceptable trends and thresholds. MDOC reviews core issues for why, when, and how often override and bypass actions are applied, and discusses other options to minimize them with department management. Also, the percentage of overrides and bypass approvals and thresholds are provided to MDOC management in monthly reports.

Anticipated Completion Date

a. Completed

b. MDOC began running monitoring reports biweekly as of August 1, 2021 and implemented steps to reduce override and bypass actions as of February 1, 2022. Monitoring and reducing the number of overrides and bypass approvals is an ongoing process.

Responsible Individual(s)

- a. Elizabeth Berger and Lora MacKay, LEO
- b. Bidhan Redey, Tori Ellison, and Lia Gulick, MDOC

Finding 2021-003

Bridges Interface Controls

Management Views

For part a., DTMB agrees a coding issue caused the skipped record count to not be captured in the file control and batch summary table.

For part b., MDHHS agrees with the finding.

Planned Corrective Action:

For part a., DTMB has initiated remediation related to the coding issue, so the skipped record counts are captured in the file control and batch summary table.

For part b., MDHHS will evaluate the current process in place to process, review, and store data agreements and determine what changes need to be made to help ensure all necessary agreements are in place. The agreements that need to be in place may come in the form of a data share agreement, data use agreement, or an interconnection security agreement.

Anticipated Completion Date

- a. September 30, 2022
- b. MDHHS expects to evaluate the current process and have all necessary data sharing agreements in place by December 31, 2022.

Responsible Individual(s)

- a. Cindy Peruchietti and Nathan Buckwalter, DTMB
- b. Jim Bowen, MDHHS

Finding 2021-004

Bridges Security Management and Access Controls

Management Views

MDHHS agrees with parts a., b., and d. through g. of the finding. MDHHS and DTMB disagree with part c. of the finding.

For part c., while MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to the Bridges Integrated Automated Eligibility Determination System (Bridges) and that there is increased risk that MDHHS and DTMB cannot ensure the security of Bridges and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and State of Michigan (SOM) standard security safeguards.

Planned Corrective Action

For part a., MDHHS will implement the Database Security Application (DSA) Bridges form which establishes a method to document user access request approval electronically. The DSA will prevent Bridges local office security coordinators (LOSCs) from granting incompatible roles without a proper authorization code. The authorization code will only be generated after proper approvals occur within the DSA.

For part b., MDHHS will document security monitoring reports within Bridges alerts that will be generated as a reminder to the LOSC and their manager to reconcile the report. Before the alert can be closed, the LOSC will be required to enter comments for actions taken and approve the report.

For part c., DTMB is developing an organization-wide security framework for database security configuration management.

For parts d. and e., MDHHS will implement the DSA Bridges form which establishes a method to document user access request approval electronically. The DSA will include a semi-annual review of privileged users and annual review of all users that is required to prevent automatic removal of access. Until the DSA form can be fully implemented with automation, MDHHS will implement a temporary secondary approval in Bridges for application security agreements submitted to LOSCs with prior approval exceptions.

For part f., MDHHS will issue an Economic Stability Administration (ESA) memo that outlines expectations regarding the reconciliation of the Bridges transaction monitoring report and will require that it be monitored by the MDHHS Business Service Center (BSC).

For part g., MDHHS Central Office is sampling high-risk transactions from each of the high-risk categories on the corrected transaction reports to monitor and review. Electronic signatures were implemented during May 2022 for all reports and these signatures are monitored by MDHHS Central Office staff.

Anticipated Completion Date

a., d., and e. MDHHS has secured funding to complete the DSA Bridges form. MDHHS anticipates that the first phase of the DSA Bridges form will be implemented by January 2023 as a pilot and then rollout statewide with full automation by August 2023.

b. MDHHS anticipates implementing the Bridges security monitoring report alerts by August 2024.

c. DTMB has not yet determined an anticipated completion date.

f. The ESA memo will be issued by September 30, 2022. Monitoring is ongoing.

g. Completed. Monitoring is ongoing.

Responsible Individual(s)

a., b., d., and e. Deon Nelson, MDHHS

c. Cindy Peruchietti and Nathan Buckwalter, DTMB

f. and g. Candy Calvert, MDHHS

Finding 2021-005
Income Eligibility and Verification System

Management Views

MDHHS and DTMB agree with parts a. through f. and part h. of the finding. MDHHS disagrees with part g. of the finding.

For part g., MDHHS disagrees that Income Eligibility and Verification System (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 established effective processing controls over Bridges interfaces during August 2021 to ensure that the data exchanged between Bridges and IEVS data sources are processed accurately, completely, and timely.

For parts b., c., and d., related to Temporary Assistance for Needy Families (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 prioritizing a technical solution that will ensure the IEVS information is being addressed timely and used correctly in eligibility determinations.

For part e., MDHHS is collaborating with other work areas to facilitate the match process for the IEVS interfaces for recipients funded by TANF adoption subsidies.

For part f., MDHHS implemented changes within Bridges to start utilizing the Death Master File in the December 2021 release.

For part g., MDHHS disagrees and does not intend to take further action.

For part h., DTMB has completed the migrations and the eligibility archival process was returned to a stable state during January 2021.

Anticipated Completion Date

a. Completed

b., c., and d. Training and policy support is ongoing. MDHHS anticipates that the technical solution will be completed by December 31, 2022.

e. September 30, 2023

f. Completed

g. Not applicable

h. Completed

Responsible Individual(s)

a. and h. Cindy Peruchietti and Nathan Buckwalter, DTMB

b., c., and d. Dawn Sweeney, MDHHS

e. Patty Neitman, MDHHS

f. Brant Cole, MDHHS

g. Logan Dreasky, MDHHS

Finding 2021-006
ADP Security Program

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For part a., MDHHS will review and test the business continuity plans (BCPs) identified with missing elements.

For part b., MDHHS will assess, identify, and prioritize the completion of the disaster recovery plan (DRP) for the system cited in the audit finding in accordance with SOM Technical Standard 1340.00.070.02 (Information Technology Disaster Recovery Planning Standard). DTMB will support the completion and testing of the DRP based on guidance in the identified standard.

Anticipated Completion Date

Budget constraints could impact the completion and testing of the BCPs and DRP; as such, the corrective action implementation date has not yet been determined.

Responsible Individual(s)

Jim Bowen, MDHHS
Jack Harris, DTMB
Cindy Peruchietti, DTMB
Nathan Buckwalter, DTMB
Dave Roach, DTMB

Finding 2021-007
MiSACWIS Security Management and Access Controls

Management Views

MDHHS agrees with parts a., b., and d. of the finding. MDHHS and DTMB disagree with part c. of the finding.

For part c., while MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to the Michigan Statewide Automated Child Welfare Information System (MiSACWIS) and that there is increased risk that MDHHS and DTMB cannot ensure the security of MiSACWIS and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

For part a., MDHHS will fully automate loading of approved DSA request contents into MiSACWIS to ensure that documentation and appropriate approvals are maintained. MDHHS will also provide additional training for LOSCs to emphasize the proper procedures for granting access and address questions as they arise.

For part b., MDHHS will restructure the DSA to eliminate manual routing of incompatible role requests to ensure that documentation and appropriate approvals are maintained. MDHHS will also update process documents and provide additional training to ensure reviewers are correctly identifying and routing incompatible role requests.

For part c., DTMB is developing an organization-wide security framework for database security configuration management.

For part d., MDHHS and DTMB have identified the high-risk transactions for MiSACWIS and have a monitoring plan in place as of February 25, 2022. The plan also includes a process for review to ensure the high-risk transaction list is assessed and maintained by project staff.

Anticipated Completion Date

- a. and b. Training will be implemented by March 2023 and DSA changes will be implemented by August 2023.
- c. DTMB has not yet determined an anticipated completion date.
- d. Completed

Responsible Individual(s)

- a. and b. Ketrina Parks and Deon Nelson, MDHHS
- c. Cindy Peruchietti and Nathan Buckwalter, DTMB
- d. Jennifer Tate and Ketrina Parks, MDHHS

Finding 2021-008

CHAMPS Security Management and Access Controls

Management Views

MDHHS and DTMB disagree with part a. of the finding. MDHHS agrees with part b. of the finding.

For part a., while MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to the Community Health Automated Medicaid Processing System (CHAMPS) and that there is increased risk that MDHHS and DTMB cannot ensure the security of CHAMPS and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

For part a., DTMB is developing an organization-wide security framework for database security configuration management.

For part b., MDHHS will modify the DSA request process to require approval comments to document the reason for level of access for privileged and high impact profiles, which will help ensure that user access is appropriate. MDHHS will update the DSA Approver Guide to require that CHAMPS system administrators deny requests that do not have sufficient approval comments. MDHHS will also provide ad-hoc training to help ensure approvers understand the process requirements.

Anticipated Completion Date

- a. DTMB has not yet determined an anticipated completion date.
- b. MDHHS expects to implement DSA changes and training in 2023 but recognizes that completion is dependent on MDHHS information technology (IT) approval.

Responsible Individual(s)

- a. Cindy Peruchietti and Nathan Buckwalter, DTMB
- b. Deon Nelson and Timothy Kwast, MDHHS

Finding 2021-009

EGrAMS Security Management and Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS modified the Electronic Grants Administration and Management System (EGrAMS) access query criteria to ensure all SOM users are identified for the User Access Annual Reconciliation Survey.

MDHHS communicated the importance of security access approval requirements to Bureau of Grants and Purchasing (BGP) staff and will continue to monitor BGP employee workloads to determine if additional support is needed.

BGP received approval for an exception allowing them to disable inactive accounts after 120 days instead of 60 days, which was implemented on October 1, 2021.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jeanette Hensler, MDHHS

Finding 2021-010

MARS User Access

Management Views

LEO agrees with the finding.

Planned Corrective Action

LEO Administrative Services will work with LEO Workforce Development to correct the exceptions where applicable; and then will establish and implement a policy and procedure that addresses the following:

- a. Ensuring that SOM policies and procedures are followed with respect to the assignment and maintenance of appropriate access rights for each user and maintaining sufficient documentation to support access right requests and approvals.
- b. Ensuring that MARS user access is reviewed semiannually for privileged accounts and annually for all other accounts.

c. Ensuring timely disabling of inactive user accounts.

Anticipated Completion Date

December 31, 2022

Responsible Individual(s)

Lora MacKay, LEO

Heather McBrien, LEO

Finding 2021-011

MATT 2.0 Security Management and Access Controls

Management Views

The Michigan State Housing Development Authority (MSHDA) agrees with the finding. Related to part c., the eight other State employees referenced in the finding are State employees, but these are actually set as external users in the system. Historically, MSHDA has always made a distinction between internal users and external users, as external users do not have the ability to access the main MSHDA Activity Tracking Tool (MATT) 2.0 system. When MSHDA partners with a company, the system creates an external company portal that gives the company various tools that they can choose to utilize. This portal does not give nor allow access to the main MATT 2.0 system. These external company portal users are not considered system accounts and the system design does not allow unauthorized access, use, disclosure, or denial of SOM information. However, MSHDA's goal is to ensure the utmost security in its IT systems and agrees that regardless of internal or external, these accounts need to be disabled in a timely manner as the State's policy does not differentiate between the two. Therefore, as recommended, MSHDA will start treating the external portal users the same as full system users.

Planned Corrective Action

The MSHDA Technical Support Services (TSS) department is completing a full user audit of the system as well as setting up the process of doing a semi-annual review of MATT 2.0 user accounts to ensure timely disabling of both internal and external accounts.

Anticipated Completion Date

October 31, 2022

Responsible Individual(s)

Mark Whitaker, MSHDA

SaVille Hill, MSHDA

Finding 2021-012

MATT 2.0 Change Management Process

Management Views

MSHDA agrees with the finding. During the middle of calendar year 2020, the TSS department was improving the existing change management process for MATT 2.0 and was aware of all system changes being requested during this time. These requests were all reviewed and recorded within a tracking system where there is documentation of which changes were allowed into production.

Corrective Action

As of November 2021, MSHDA has implemented a stricter change management process requiring approval from the TSS department before production changes can be made.

Anticipated Completion Date

Completed

Responsible Individual(s)

Mark Whitaker, MSHDA
SaVille Hill, MSHDA

Finding 2021-013

MDE - Security Management and Access Controls

Management Views

MDE agrees with the finding.

Planned Corrective Action

For part a., MDE will review established processes for granting and approving access with all security administrators and update program office procedures, if deemed appropriate.

For part b., MDE will review established processes for review of privileged accounts with all security administrators and update program office procedures, if deemed appropriate.

For part c., MDE is working with DTMB to find a technical solution to address the technical standards based on the National Institute of Standards and Technology control framework to ensure the controls for each information system are appropriate for the information types it processes.

For part d., district users often have valid business reasons to only interact with applications in intervals well beyond 60 days. MDE does not have the resources to manually disable the large volume of district users falling into this category. In addition, MDE believes this would negatively impact districts because there will be a delay or denial of services to Michigan learners by requiring an account reactivation or creating a new account. MDE, in collaboration with DTMB Agency Services supporting MDE, will seek an Executive Technical Review Board exception request.

Anticipated Completion Date

December 31, 2022

Responsible Individual(s)

Mark Diebolt, MDE
Monica Butler, MDE
Brandon Reed, MDE
Joshua Long, MDE
Spencer Simmons, MDE
Michael Flaminio, MDE
David Judd, MDE
Christina Jeter, MDE

Finding 2021-014
MDE - IT Change Management Process

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE and DTMB are reviewing processes and procedures regarding the testing and documentation of change management items within the DevOps tracking system. The review of processes and procedures and any updates that may need to occur should be complete by December 31, 2022.

Anticipated Completion Date

December 31, 2022

Responsible Individual(s)

Monica Butler, MDE

Brandon Reed, MDE

Spencer Simmons, MDE

Finding 2021-015
MDHHS - Inappropriate PACAP Allocation

Management Views

MDHHS agrees with the finding. However, the individual statistical records with incorrect data for the eight cost pools identified only accounted for 5 of 8,150 or 0.06 percent of all records, and individual statistical records with incomplete data for the six cost pools identified only accounted for 47 of 8,150 or 0.58 percent of all records. We estimate the gross dollar impact of these errors to be roughly \$313,600 out of \$1,565,674,405 allocated in fiscal year 2021 (or approximately 0.02 percent of all allocated funds).

Due to the linear nature of the MDHHS cost allocation process, the large administrative overhead cost pools that are included in the auditor's samples, such as Rent and Building Occupancy and Departmentwide Administration, are allocated across the entire department. The auditor's review included all related statistic records within each statistic group for the sampled cost pools. This includes almost all statistics used in the cost allocation process for the entire fiscal year because the costs that originate in these cost pools are referenced in all other cost pools. Therefore, the review encompassed the entirety of approximately all 8,150 related statistical records.

Planned Corrective Action

MDHHS began using data analysis tools during July 2022 to compare the statistical data received each quarter with the statistical references in every base in the cost allocation configuration to ensure that every valid statistic has the appropriate bases.

Anticipated Completion Date

Completed

Responsible Individual(s)

Suzanne Kyes, MDHHS

Matt McCool, MDHHS

Finding 2021-016

Treasury - Recertification of Clearance Patterns

Management Views

Treasury agrees with the finding. Unforeseen staffing changes in late 2021 disrupted continuity in the Cash Management Improvement Act (CMIA) program. Prior to the staffing changes, procedures were insufficient. Treasury previously collected clearance pattern SIGMA coding from state agencies, however, the coding collected was not at the level of detail required. Procedures have since been updated and completed as of May 2022.

Planned Corrective Action

For part a.1., Treasury has updated procedures to include gathering clearance pattern SIGMA coding on a program component level for programs that use a funding technique that requires a clearance pattern in the upcoming Treasury-State Agreement.

For part a.2., the procedure updates also include that programs that have multiple patterns need to be reviewed by pattern and not by program for better accuracy.

For part b., clearance pattern recertification is due every five years. Treasury will internally review clearance patterns on an annual basis going forward to ensure this requirement is met. State agencies will provide the coding and date range required for clearance pattern development.

Anticipated Completion Date

Completed

Responsible Individual(s)

Janelle Sabin, Treasury

Finding 2021-017

MDHHS - Cash Management Process

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is continuing to enhance a grant draw tracking database that currently tracks the funding technique timing and any deviations. MDHHS plans to perform an update that will include obtaining interest report data by October 1, 2022. MDHHS will also provide ongoing training to all staff and has incorporated CMIA compliance in annual staff performance reviews.

Anticipated Completion Date

October 1, 2022

Responsible Individual(s)

Rebecca Jones, MDHHS
Carol O'Callaghan, MDHHS

Finding 2021-018
MDE - FFATA Reporting

Management Views

MDE partially agrees with the finding. During the audit period, MDE attempted to submit the report each month for certain Federal Award Identification Numbers (FAIN) within the allowable timeframe but was unsuccessful due to those FAINs being assigned to an agency other than MDE. Because MDE was not listed as the primary awardee, MDE was prohibited from submitting the associated reporting in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) and agrees the subaward information was not reported during the audit period. In addition, MDE did not report on certain FAINs due to a system error in the Next Generation Grant, Application and Cash Management application; a system which is new to the department. The error caused an incorrect FAIN to be populated, which was automatically filtered out during the review process since there was not a match between a reportable FAIN and the system.

MDE disagrees the program description elements were incorrect at the time of submission. FSRS lacks the ability to show items from a historical perspective, and in the absence of that information, MDE provided screenshots and timestamped documentation to show the elements were accurate at time of submission.

Planned Corrective Action

MDE corrected all system errors and now has the ability to submit the FFATA reporting as the primary awardee. The outstanding information cited in the finding was submitted in June 2022. The FFATA reporting submission will be on time for all awards going forward.

MDE will continue to take screen shots of data submissions at the current time of submission to document what all key elements were in FSRS at that time.

Anticipated Completion Date

Completed

Responsible Individual(s)

Joshua Long, MDE

Spencer Simmons, MDE

Finding 2021-019
MDHHS - FFATA Reporting

Management Views

MDHHS agrees with the finding. MDHHS believes they have processes in place for timely submission in future periods, however, due to conflicting priorities reports were not always submitted timely during the audit period. The federal FSRS system was not functioning correctly for the majority of the audit period, exacerbating timely submissions. In the interim, MDHHS did prepare reports until the system became available, but did not submit all outstanding reports during the audit period due to conflicting priorities.

Planned Corrective Action

MDHHS anticipates submission of all outstanding FFATA reports in accordance with FFATA reporting requirements, which includes required subaward information, by December 31, 2022, but recognizes that completion is dependent on the operability of the FSRS system.

Anticipated Completion Date
December 31, 2022

Responsible Individual(s)
Jeanette Hensler, MDHHS

Finding 2021-020
MDHHS - Subaward Information

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
For subawards that are maintained in EGrAMS, MDHHS BGP implemented an EGrAMS system enhancement that provides on demand financial assistance reporting functionality.

For subawards that are maintained outside of EGrAMS, MDHHS and the Department of Licensing and Regulatory Affairs (LARA) will review and update their current processes to ensure that the appropriate subaward information requirements are reported. MDHHS will provide LARA with a copy of the applicable Low-Income Home Energy Assistance Program Federal Award letter and LARA will provide all appropriate information required to all subrecipients.

Anticipated Completion Date
The EGrAMS system enhancement was completed February 2022. For subawards maintained outside of EGrAMS, MDHHS anticipates completion of corrective action by September 30, 2022.

Responsible Individual(s)
Jeanette Hensler, MDHHS
Kenton Schulze, MDHHS
Tammy Bair, MDHHS
Wanda Jones, LARA
Jamie Curtis, LARA

Finding 2021-021
MSHDA - Subaward Information

Management Views
MSHDA agrees with the finding.

Planned Corrective Action
MSHDA has updated the MATT 2.0 template to ensure that the unique entity identifier is included in future grant agreements. MSHDA amended current grant agreements by May 31, 2022, to include the unique entity identifier.

Anticipated Completion Date
Completed

Responsible Individual(s)

Juli Chant, MSHDA

Peggy Pertner, MSHDA

Finding 2021-022

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is currently pursuing other data sources for income verification and other system enhancements so support for compliance with eligibility policies and procedures, including income documentation can be reviewed by all reviewers. MDHHS has implemented several system changes that address other issues identified within this audit.

MDHHS is in the process of determining where additional training or enhancements to training are needed to ensure eligibility is accurately determined and documentation is properly maintained and loaded to the electronic case file. Once this is complete, MDHHS will develop mandatory training protocols for eligibility workers.

MDHHS has been working since 2018 to ensure correct eligibility classifications in Bridges for the Children's Health Insurance Program (CHIP) cases at the time of payment and a system change was implemented in April 2021 to correct the issue. All new cases are correctly routed. MDHHS expects that all existing cases will be updated during a 14-month period following the end of the public health emergency (PHE), as MDHHS completes renewals for existing cases. MDHHS cannot terminate Medicaid benefits during the PHE, and annual renewals have not been completed since the start of the PHE, resulting in most Medicaid cases not being touched until the 14-month unwind period allotted by the Centers for Medicare and Medicaid Services at the end of the PHE.

Anticipated Completion Date

MDHHS will have determined whether other data sources for income verification are available by December 31, 2022 and will develop additional trainings identified as necessary for eligibility staff, based on trend results from ongoing Medicaid Eligibility Quality Control program case reviews. MDHHS will ensure all eligibility determinations are updated for existing cases 14 months after the end of the PHE.

Responsible Individual(s)

Brant Cole, MDHHS

Chris George, MDHHS

Logan Dreasky, MDHHS

Finding 2021-023

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has been working since 2018 to ensure correct eligibility classifications in Bridges at the time of payment and a system change was implemented in April 2021 to correct the issue. All new cases are correctly routed. MDHHS expects that all existing cases will be updated during a 14-month period following the end of the PHE, as MDHHS completes renewals for existing cases. MDHHS cannot terminate Medicaid benefits during the PHE, and annual renewals have not been completed since the start of the PHE, resulting in most Medicaid cases not being touched until the 14-month unwind period allotted by the Centers for Medicare and Medicaid Services at the end of the PHE.

MDHHS identified and updated its manual process of transferring expenditures from the Medicaid Cluster to CHIP in June 2021; and will continue this manual process, on a quarterly basis, by completing a summary-level adjustment determined by analyzing CHAMPS payment data and Bridges eligibility data until all existing cases have been updated.

Anticipated Completion Date

14 months after the end of the PHE.

Responsible Individual(s)

Brant Cole, MDHHS
Erin Emerson, MDHHS
Logan Dreasky, MDHHS

Finding 2021-024

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS's Behavioral and Physical Health and Aging Services Administration (BPHASA) enhanced the existing Bridges report utilized by local offices to ensure that all duplicate errors are identified. 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. CHAMPS is currently designed to reject potential duplicate records to prevent duplicate payments for the same individuals that already exist in CHAMPS.

BPHASA implemented an enhancement in March 2022 to export the daily interface errors to the Data Warehouse which allows staff to monitor these errors more efficiently using queries and on-demand reports. BPHASA is monitoring these errors on an ongoing basis and correcting them manually in Bridges and/or CHAMPS. Those which cannot be manually corrected receive a Bridges work request to have them fixed.

Anticipated Completion Date

Completed

Responsible Individual(s)

Brant Cole, MDHHS

Finding 2021-025**Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Medical Records****Management Views**

MDHHS agrees with the finding.

Planned Corrective Action

As part of their annual communication plan, MDHHS provided communication via Medicaid provider alerts on May 5, 2022, and the provider listserv on May 12, 2022, that communicate to providers the importance of maintaining appropriate documentation for services provided. For the two cases not received, the providers were unresponsive. Therefore, MDHHS voided the claims on May 10, 2022, recouped the funds for those Transaction Control Numbers, and notified the providers.

Anticipated Completion Date

MDHHS will send quarterly communications to providers regarding maintaining appropriate documentation. MDHHS recoupment actions for the cited claims are complete.

Responsible Individual(s)

Mike Bayless, MDHHS

Finding 2021-026**Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Provider Eligibility****Management Views**

MDHHS agrees with the finding.

Planned Corrective Action

Beginning with the 2023 contract cycle, MDHHS will require managed care entities to return the signed Provider Screening Information Collection Tool (PSICT) forms at the same time contract renewal documents are due, to simplify the signature process and collect all required signatures from managed care entities simultaneously. As of January 2022, MDHHS also sends out biannual attestation forms to ensure information is up to date.

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, BPHASA 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 PHE, but MDHHS is completing monitoring off-site.

Anticipated Completion Date

Managed care entities will be required to return the signed PSICT form beginning with the 2023 contract cycle. MDHHS has not yet determined an anticipated completion date for enrolling atypical providers into CHAMPS. MDHHS expects to complete the off-site monitoring cycle by September 2022, and biennially going forward.

Responsible Individual(s)
Elizabeth Gallagher, MDHHS
Latina McCausey, MDHHS

Finding 2021-027

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

Management Views
MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is in the process of finalizing 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 finalize the necessary procedures to ensure both the timely reporting of overpayments on the quarterly statement of expenditures report (CMS-64 report) along with the proper, associated accounting entries in SIGMA.

Anticipated Completion Date

MDHHS will finalize communication protocols by August 31, 2022. All other actions will be completed by December 31, 2022.

Responsible Individual(s)
Steve Bendele, MDHHS

Finding 2021-028

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Medical Loss Ratio

Management Views
MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will instruct the contracted actuary to include a comparison of the amounts reported in the medical loss ratio calculation with audited financial reports.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)
Keith White, MDHHS

Finding 2021-029

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Managed Care Periodic Audits

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is currently exploring adding an additional external quality review (EQR) protocol to the existing EQR agreement, which will ensure an independent audit is conducted on the accuracy, truthfulness, and completeness of encounter and financial data submitted by the Managed Care Organizations, Prepaid Inpatient Health Plans, and Prepaid Ambulatory Health Plan and will require the results to be published on their website.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Kim Hamilton, MDHHS

Jackie Sproat, MDHHS

Elizabeth Gallagher, MDHHS

Finding 2021-030

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

Management Views

While MDHHS and DTMB acknowledge they had not fully implemented database specific access controls and an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to the Michigan Women Infants and Children Information System (MI-WIC) and that there is increased risk that MDHHS and DTMB cannot ensure the security of MI-WIC and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

DTMB is developing access controls and 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 2021-031

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, ALN 10.557 - MI-WIC User Access

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS will review the impacted user accounts to determine if the records can be corrected. MDHHS will also review role and access records to determine the feasibility of correcting the system defect that is affecting the role history within the system.

For part b., MDHHS will review and correct the queries used to support the semiannual review process to ensure that the data is complete and accurate, which will eliminate gaps in the review of privileged roles.

Anticipated Completion Date

March 1, 2023

Responsible Individual(s)

Bagyalakshmi Kodur, MDHHS
Anthony Spagnuolo, MDHHS

Finding 2021-032

WIC Special Supplemental Nutrition Program for Women, Infants, and Children, ALN 10.557 - MI-WIC Change Management Process

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will review the current change management process to identify areas of improvement. MDHHS will develop a more comprehensive change management process and require all system changes to follow this process. MDHHS will also request and retain copies of supporting change management documents as necessary for MI-WIC system changes.

Anticipated Completion Date

October 1, 2022

Responsible Individual(s)

Bagyalakshmi Kodur, MDHHS
Anthony Spagnuolo, MDHHS

Finding 2021-033

Housing Voucher Cluster, ALN 14.871 and 14.879 - Accounting for HAP Expenditures

Management Views

MSHDA agrees with the finding. Housing Assistance Payments of \$4.9 million were eligible expenses for both the Coronavirus Aid, Relief, and Economic Security Act (CARES) funding and Housing Choice Voucher Program. In December 2020, the CARES funding was used to pay for

those Housing Assistance Payments. A journal entry was made to expense the cost to the CARES grant. However, after this entry, another entry was made also charging the expense to the Housing Choice Voucher Program. This accounting error was discovered and corrected in fiscal year 2022. The same expense was temporarily listed twice: no improper funds were requested of nor received from either federal funding source.

The expenditure of \$4,908,275 in program funds was applied toward allowable costs, despite the corrected accounting error, as evidenced by support documentation for those expenditures.

Planned Corrective Action

Finance management will perform a more thorough review and reconciliation of federal expenditures prior to closing the financials for the year.

Anticipated Completion Date

August 31, 2022

Responsible Individual(s)

Jason Fedewa, MSHDA

Finding 2021-034

WIOA Cluster, ALN 17.258, 17.259, and 17.278 - FFATA Reporting

Management Views

LEO agrees with the finding.

Planned Corrective Action

LEO has subsequently reported the previously missing Worker Innovation and Opportunity Act (WIOA) Cluster subaward information and now routinely reconciles what is reported in FSRS to USA Spending to ensure accuracy. LEO Finance will update existing procedures to ensure ongoing compliance with FFATA reporting requirements. In addition, LEO Finance will conduct supervisory oversight of the process to ensure accuracy, completeness, and timely submission.

Anticipated Completion Date

December 31, 2022

Responsible Individual(s)

Lora MacKay, LEO

Michael LaCharite, LEO

Finding 2021-035

Coronavirus Relief Fund, ALN 21.019 - Payments in Excess of Grant Award Amount

Management Views

MSHDA agrees with the finding.

Planned Corrective Action

MSHDA notified the vendor of this system error on December 23, 2020. The issue was corrected by the vendor and the fix was moved into production on January 28, 2021. Reports were then worked on and generated to help identify any possible overpayments. During this time, it was discovered that there were still issues with the 'Cash on Hand' and the final fix went

into production on August 27, 2021. Screenshots of the code changes fixing this issue were provided to the OAG during the audit.

In addition, MSHDA began seeking repayment of the overpayment upon identification of the error. The overpayment was communicated to the sub-recipient and a demand for repayment was issued. MSHDA notified the sub-recipient that a reconciliation will be performed in accordance with 2 CFR 200.1 once the funds are returned. MSHDA is also coordinating with federal grantor agencies to recapture overpaid funds.

Anticipated Completion Date

The system error was corrected on August 27, 2021. The overpayment is expected to be recouped by October 1, 2022, pending coordination with federal grantor agencies.

Responsible Individual(s)

Mark Whitaker, MSHDA
Jonathan Hilliker, MSHDA

Finding 2021-036

Emergency Rental Assistance Program, ALN 21.023 - Suspension and Debarment Process

Management Views

MSHDA agrees with the finding. MSHDA did not previously have an established process, specific to the COVID-19 Emergency Rental Assistance (CERA) Program, to check for suspensions or debarments; however, MSHDA relied on a parallel process in fiscal year 2021 for the Emergency Solutions Grant Program, which includes CERA fiduciaries and a check for suspension or debarment.

Planned Corrective Action

MSHDA performed a separate check for CERA sub-grantees on January 4, 2022 and separately documented the result and time the check was performed. In addition, by January 4, 2022, MSHDA incorporated this suspension or debarment check in the existing sub-grantee profile review process (initially and annually) where this check will be performed for all federal sub-grantees administered by MSHDA.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jack Ho, MSHDA

Finding 2021-037

Drinking Water State Revolving Fund Cluster, ALN 66.468 - Principal Forgiveness

Management Views

EGLE agrees with the finding. EGLE's plan to address prior year shortfalls in principal forgiveness was previously approved by the U.S. Environmental Protection Agency.

Planned Corrective Action

EGLE will continue the practice initiated in September 2021 within its fiscal year 2022 intended use plan, and annually thereafter, of disclosing the reallocation of remaining principal forgiveness as a result of communities choosing to withdraw from the program.

Anticipated Completion Date

Completed

Responsible Individual(s)

Paul McDonald, EGLE

Kelly Green, EGLE

Finding 2021-038

Education Stabilization Fund, ALN 84.425 - Subaward Information

Management Views

MDE agrees with the finding. MDE did not save the Assistance Listing Number (ALN) on the Michigan Electronic Grants System Plus (MEGS+) Program Administration/Funding Source detail screen used to set up the applications and make the application live, which would have allowed MDE to select the program year from the selections for that ALN and automatically populate Grant Award Notification (GAN) information in the system to make sure all details populate.

Planned Corrective Action

Program offices will confirm grant details and MEGS+ system connections are made prior to the applications being made available for applicants. Required grant details are outlined in the internal Preparing for Implementation procedure steps to be completed by MDE staff before grants are issued. MDE corrected the issue on May 12, 2022, in MEGS+ by connecting the ALN to the FAIN logged into the system so that all of the required elements automatically populate on the GAN through MEGS+.

Anticipated Completion Date

Completed

Responsible Individual(s)

Monica Butler, MDE

Spencer Simmons, MDE

Finding 2021-039

Education Stabilization Fund, ALN 84.425 - During-the-Award Monitoring Procedures

Management Views

MDE agrees with the finding.

Planned Corrective Action

MDE's performance period on subrecipient Education Stabilization Fund (ESF) grants during the audit period ended June 30, 2022, and final expenditure reports (FERs) are due in August 2022. MDE will collect FERs in August 2022 and start monitoring its subrecipients that receive ESF grants by September 30, 2023. In the future, MDE will ensure GANs properly state MDE's expectations for completion and review of the FERs.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Spencer Simmons, MDE

Finding 2021-040

CCDF Cluster, ALN 93.575 and 93.596 - Client Eligibility

Management Views

MDHHS and MDE agree with the finding.

Planned Corrective Action

MDHHS Public Assistance Operations (PAO), within the ESA, will continue assisting the local office staff and BSC staff by providing guidance on MDE policies and processes. Policy changes or noted trends may be addressed during PAO's Bridges Bits and Bytes communication sessions.

ESA will issue a memo informing the local office and BSC staff of the identified issues and include guidance to address each issue.

MDE and MDHHS will work together to prioritize work requests associated with Family Contribution related system errors and determine if additional work requests are needed to address error in hours paid and Star Ratings interfaced into Bridges.

Anticipated Completion Date

MDHHS assistance and guidance is ongoing and MDHHS anticipates that the memo will be issued by September 30, 2022. MDE and MDHHS will begin prioritizing work requests by December 31, 2022.

Responsible Individual(s)

Terrence Beurer, MDHHS

Chris George, MDHHS

Gayle Vail, MDHHS

Lisa Brewer-Walraven, MDE

Finding 2021-041

CCDF Cluster, ALN 93.575 and 93.596 - Provider Health and Safety Requirements

Management Views

MDE and LARA agree with the finding.

Planned Corrective Action

Shortly after gaining approval of the new administrative rule set needed to implement and monitor health and safety requirements, 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) 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 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 aforementioned 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. The waiver was approved on August 6, 2021. LARA worked with the Michigan Legislature to amend Public Act 116 of 1973 to require inspections in accordance with the federal CCDBG approved state plan. These changes were signed into law on June 23, 2022.

As of June 4, 2021, CCLB completed the majority of inspections due during the COVID-19 pandemic. CCLB has subsequently completed the annually required renewal and/or interim inspections. The applicable health and safety requirements were reviewed during the inspections conducted.

Currently, all health and safety topics are reviewed at renewal and interim inspections. CCLB will continue to communicate with providers about the required health and safety training and consultants will provide consultation regarding these topics.

CCLB has reviewed and trained staff on the renewal packet mailing process to help ensure the packets are mailed to providers in a timely manner. CCLB will save all extension letters mailed to providers in PDF format and make them available upon request.

Anticipated Completion Date
Completed

Responsible Individual(s)
Emily Laidlaw, LARA
Lisa Brewer-Walraven, MDE

Finding 2021-042
Medicaid Cluster, ALN 93.775, 93.777 and 93.778 - Payments on Behalf of Ineligible Beneficiaries

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
MDHHS developed a manual process to identify and fix out of sync records between CHAMPS and Bridges in October 2021, however, due to limited resources, full implementation has been delayed. MDHHS has submitted a system solution request which is being reviewed for development and implementation.

Anticipated Completion Date

The system solution will be implemented by December 31, 2022.

Responsible Individual(s)

Jamy Hengesbach, MDHHS

Finding 2021-043

Medicaid Cluster, ALN 93.775, 93.777 and 93.778 - Ineligible HHP Payments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has updated Adult Services Manual (ASM) Section 135, to allow payment for Home Help services on the day a client is discharged from the nursing home. In addition, notes have been added to the monthly hospital and nursing home reports distributed to adult services workers to reiterate that day-out of facility services are covered, but not day-in.

The Home Help payment process was changed to an automated process during August 2022, tying payments to services on the Electronic Services Verification (ESV) prior to payment being made. In addition, MDHHS modified policy to begin recoupment by task instead of by daily rate for services provided on overlapping days. A recoupment calculator has been provided to staff to ensure the correct amount is recouped.

Anticipated Completion Date

Completed

Responsible Individual(s)

Michelle Martin, MDHHS

Finding 2021-044

Medicaid Cluster, ALN 93.775, 93.777 and 93.778 - Home Help Payment Oversight

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., beginning in April 2022, MDHHS has automated the payment methodology for ESV to ensure that payments to individual providers are based on tasks authorized and completed.

For part b., the Home Help program will complete a targeted read on shared living arrangements once the PHE ends. If cases are identified where services have not been reduced by 50 percent and are not adequately documented to support full reimbursement, the case will be reduced as necessary as outlined in ASM 120 (Adult Services Comprehensive Assessment). In addition, MDHHS will reiterate to staff the importance of providing adequate documentation in case files to support a full instrumental activities of daily living payment where necessary.

Anticipated Completion Date

a. Completed

b. December 31, 2022

Responsible Individual(s)

Michelle Martin, MDHHS

Marie Shipp, MDHHS

Finding 2021-045

Medicaid Cluster, ALN 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 Medical Services Administration 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.

Anticipated Completion Date

The automatic procedure was implemented during May 2021 and evaluation of whether additional process and system changes are needed to further mitigate overlapping payments is ongoing.

Responsible Individual(s)

Samantha Rutledge-Wolf, MDHHS

Alexis Bond, MDHHS

Finding 2021-046

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - MARIS IT General Controls

Management Views

While MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to the Medicaid Audit Recoupment and Investigation System (MARIS) and that there is increased risk that MDHHS and DTMB cannot ensure the security of MARIS and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

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 2021-047

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - MARIS Security Management and Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has disabled the accounts for any users who have been inactive for 60 days. The 12 identified users who had not accessed MARIS in over 60 days had read-only access appropriate to their role. MDHHS has also implemented an automated email report identifying users inactive for 60 days which will be sent to MARIS administrators who will disable the accounts.

Anticipated Completion Date

August 31, 2022

Responsible Individual(s)

Casey Barton, MDHHS

Peter Tommasulo, MDHHS

Finding 2021-048

Medicaid Cluster, ALN 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 and the Department of Attorney General are currently finalizing the process that will be utilized to help ensure timely establishment and reporting of overpayments.

Anticipated Completion Date

September 30, 2022

Responsible Individual(s)

Steve Bendele, MDHHS

Jeff Moeggenborg, MDHHS

David Tanay, Department of Attorney General

Finding 2021-049**Immunization Cooperative Agreements, ALN 93.268 - MCIR General Controls****Management Views**

While MDHHS and DTMB acknowledge they had not fully implemented an organization-wide security framework for database security configuration management, individual information systems have applied secure configurations to reduce risk. DTMB disagrees that there is elevated risk that individuals may make inappropriate changes to the Michigan Care Improvement Registry (MCIR) and that there is increased risk that MDHHS and DTMB cannot ensure the security of MCIR and its data. DTMB reduces the risk by ensuring the databases reside in restricted trusted internal security zones, protected by firewalls and specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

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 2021-050**Immunization Cooperative Agreements, ALN 93.268 - MCIR User Access Controls****Management Views**

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will develop a standard operating procedure and tracking tool to help ensure proper approval and retention of security agreements to support access granted to the MCIR.

Anticipated Completion Date

December 31, 2022

Responsible Individual(s)

Beatrice Salada, DHHS
Tracy Spitzley, DHHS
Ryan de la Rambelje, DHHS

Finding 2021-051**Immunization Cooperative Agreements, ALN 93.268 - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization****Management Views**

MDHHS disagrees with the finding. Site visits were not conducted for all Vaccines for Children providers during the review period because the Centers for Disease Control and Prevention

(CDC) allowed jurisdictions to temporarily suspend these visits during the COVID-19 pandemic and clarified that awardees will not be penalized for not meeting the site visit requirement. MDHHS reached out to the CDC for clarification on conducting site visits and was informed that site visit activities may be suspended based on COVID-19 activity in MDHHS's jurisdiction and capacity within MDHHS's organization. Information supporting this decision was provided to the audit team.

Planned Corrective Action

Although the CDC has not yet rescinded the temporary suspension, MDHHS plans to resume conducting regular site visits for all providers beginning with the current site visit cycle from July 1, 2022, through June 30, 2023.

Anticipated Completion Date

June 30, 2023

Responsible Individual(s)

Heidi Loynes, MDHHS

Terri Adams, MDHHS

Finding 2021-052

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), ALN 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 limited resources, COVID-19 responsibilities, and various statutory deadlines. MDHHS is currently in the process of developing a communication strategy for collection of documentation to support all lab expenditures reimbursed. In addition, MDHHS is establishing a position to assist with post payment reviews for various COVID-19 expenditures and expects to have a new process developed by December 31, 2022. MDHHS continues to conduct a reasonableness check on all requests prior to payment.

Anticipated Completion Date

December 31, 2022

Responsible Individual(s)

Pam Myers, MDHHS

Finding 2021-053

Temporary Assistance for Needy Families, ALN 93.558 - Non-Financial Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS's ESA will continue to emphasize the importance of maintaining eligibility documentation through ongoing staff training and a memorandum sent out to the field offices. ESA leadership will also reach out to the managers of the individual specialists regarding the missing application material, missing verification of age of the minor children, the relationship of the minor children to the caregivers, and the school attendance/enrollment verifications.

The Family Automated Screening Tool (FAST) and Family Self-Sufficiency Plan (FSSP) documentation was obtained from the client, but completion of the FAST and FSSP was not timely, and the good cause given was not properly documented. MDHHS requested technology changes to require case workers to provide appropriate good cause for the delay in obtaining FAST and FSSP documentation. System automation will terminate benefits if appropriate good cause is not provided.

Anticipated Completion Date

Training will be ongoing. ESA will issue the memorandum and address the specific issues with local office management and specialists by September 30, 2022. MDHHS has not yet determined a completion for the technology changes due to prioritization of technology changes and budget constraints.

Responsible Individual(s)

Terrence Beurer, MDHHS
Joshua Rivera, MDHHS
Kenton Schultz, MDHHS
Dawn Sweeney, MDHHS
Brian Sanborn, MDHHS
Heidi Norfleet, MDHHS

Finding 2021-054

Temporary Assistance for Needy Families, ALN 93.558 - Income Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS's ESA will continue emphasizing the importance of ensuring that both the State Online Query and the Consolidated Inquiry are properly documented and maintained, through ongoing staff training and a memorandum sent out to the field offices. Also, ESA leadership will address these specific issues with the local office management and specialists for case actions that were required.

Anticipated Completion Date

Training will be ongoing. ESA will issue the memorandum and address the specific issues with local office management and specialists by September 30, 2022.

Responsible Individual(s)

Terrence Beurer, MDHHS
Joshua Rivera, MDHHS
Kenton Schultz, MDHHS
Brian Sanborn, MDHHS

Finding 2021-055

Temporary Assistance for Needy Families, ALN 93.558 - Family Support Subsidy Program

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will communicate the importance of maintaining appropriate documentation verifying eligibility for the Family Support Subsidy Program to the Community Mental Health Service Programs (CMHSPs). MDHHS has also requested reimbursement from the CMHSP that did not maintain the appropriate documentation.

Anticipated Completion Date

August 31, 2022

Responsible Individual(s)

Wendy Walser, MDHHS

Kim Batsche-McKenzie, MDHHS

Mary Ludtke, MDHHS

Finding 2021-056

Temporary Assistance for Needy Families, ALN 93.558 - TANF Funded Foster Care Payments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has modified the TANF data query to look for the existence of any Foster Care Title IV-E claims where the service dates overlap with a state or county payment and will exclude those payments from TANF claiming.

Anticipated Completion Date

Completed

Responsible Individual(s)

Nancy Berger, MDHHS

Dave Oesburg, MDHHS

Finding 2021-057

Low-Income Home Energy Assistance, ALN 93.568 - Eligibility Determinations

Management Views

MDHHS agrees with the finding

Planned Corrective Action

MDHHS State Emergency Relief (SER) program policy staff will send out an ESA memo communication, to local office staff, sharing the errors noted in the audit and providing guidance

to help remediate these errors going forward. Also, SER staff and ESA will provide guidance to staff regarding eligibility and documentation requirements by continually monitoring the SER policy mailbox and communicating through Bridges Bits and Bytes communication sessions and BSCs when trends are noted.

ESA is undertaking a comprehensive review of the current audit findings, previous remediation activities and resulting impact of those activities. This review will then be used to develop a comprehensive remediation strategy that will include, among other items, periodic monitoring to address program weaknesses in an ongoing manner.

Anticipated Completion Date

MDHHS anticipates the ESA memo will be sent, the comprehensive review will be complete and resulting remediation strategy will be in place by September 30, 2022. Periodic monitoring will be ongoing.

Responsible Individual(s)

Kent Schulze, MDHHS

Tammy Bair, MDHHS

Finding 2021-058

Adoption Assistance, ALN 93.659 - Annual Adoption Savings Calculation and Accounting Report

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to work on additional revisions to the adoption savings query and validate data. As of July 2018, a manual review is completed for all new eligibility determinations for each child, to determine if the child meets applicable and nonapplicable criteria for cost savings purposes.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Erin Setla, MDHHS

Kathonya Rice, MDHHS

Finding 2021-059

Children's Health Insurance Program ALN 93.767 - Insurance Provider Assessment Reimbursements

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS expanded the managed care gross adjustment Insurance Provider Assessment (IPA) tax assessment calculation review process to include reconciliation of data used in the

calculation to the data in CHAMPS to ensure all applicable capitation claim data is properly included.

In addition, MDHHS corrected the federal and State share coding for the incorrect IPA tax assessments in May 2022 and returned the overstated funds.

Anticipated Completion Date
Completed

Responsible Individual(s)
Allison Jahr, MDHHS
Glenda England, MDHHS

Finding 2021-060
Disaster Grants – Public Assistance (Presidentially Declared Disasters), ALN 97.036 - FFATA Reporting

Management Views

MSP agrees with the finding. MSP was responding to the unprecedented challenges of the COVID-19 pandemic and several other Michigan disasters with limited resources that impacted the department's ability to complete FFATA reporting timely during fiscal year 2021.

Planned Corrective Action

The FFATA reporting cited in the finding was updated during fiscal year 2022. Additionally, the Federal Emergency Management Agency performed a monitoring visit during March 2022, and the results letter provided in May 2022 determined compliance with reporting. MSP will review the procedure for FFATA reporting for additional efficiencies to ensure timeliness. MSP is in the process of hiring a department technician whose responsibilities will include the task of FFATA reporting.

Anticipated Completion Date
September 30, 2022

Responsible Individual(s)
Penny Burger, MSP

Findings Identified by Other Auditors

Finding 2021-061
Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Corrective Action Plan, Finding 2021-001.

Finding 2021-062
Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Corrective Action Plan, Finding 2021-002.

Finding 2021-063

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Corrective Action Plan, Finding 2021-003.

Finding 2021-064

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency, Unemployment Administration Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Corrective Action Plan, Finding 2021-001.

GLOSSARY

LIST OF ABBREVIATIONS

| | | | |
|-----------------|--|------------------|---|
| ADP | automated data processing. | ELC | Epidemiology and Laboratory Capacity for Infectious Diseases. |
| AIS | Aging Information System. | EPA | U.S. Environmental Protection Agency. |
| ALN | Assistance Listing Number. | ERA | Emergency Rental Assistance. |
| ARRA | American Recovery and Reinvestment Act of 2009. | ESA | Economic Stability Administration. |
| ASM | Adult Services Manual. | ESF | Education Stabilization Fund. |
| BCP | business continuity plan. | ESSER | Elementary and Secondary School Emergency Relief. |
| Bridges | Bridges Integrated Automated Eligibility Determination System. | ESV | Electronic Service Verifications. |
| CARES | Coronavirus Aid, Relief, and Economic Security. | FAA | Federal Aviation Administration. |
| CCDF | Child Care and Development Fund. | FAIN | Federal Award Identification Number. |
| CCLB | Child Care Licensing Bureau. | FER | Final Expenditure Report. |
| CDC | Centers for Disease Control and Prevention. | FFATA | Federal Funding Accountability and Transparency Act. |
| CFDA | <i>Catalog of Federal Domestic Assistance.</i> | FFEL | Federal Family Education Loans. |
| CFR | <i>Code of Federal Regulations.</i> | FFS | fee-for-service. |
| CHAMPS | Community Health Automated Medicaid Processing System. | FIRST | Financial Information Reporting System Tool. |
| CHIP | Children's Health Insurance Program. | FISCAM | Federal Information System Controls Audit Manual. |
| CI | Consolidated Inquiry. | FSRS | Federal Subaward Reporting System. |
| CMHSP | Community Mental Health Service Program. | GAN | grant award notification. |
| CMIA | Cash Management Improvement Act. | GAO | U.S. Government Accountability Office. |
| CMS | Cash Management System. | GEMS/MARS | Grant Electronic Monitoring System/Michigan Administrative Review System. |
| COVID-19 | coronavirus disease of 2019. | HAP | housing assistance payment. |
| CRF | Coronavirus Relief Fund. | HHP | Home Help Program. |
| DMVA | Department of Military and Veterans Affairs. | HHS | U.S. Department of Health and Human Services. |
| DRP | disaster recovery plan. | IADL | instrumental activities of daily living. |
| DSA | Database Security Application. | IDEA | Individuals with Disabilities Education Act. |
| DTMB | Department of Technology, Management, and Budget. | IEVS | Income Eligibility and Verification System. |
| EBT | electronic benefits transfer. | IPA | Insurance Provider Assessment. |
| EGLE | Department of Environment, Great Lakes, and Energy. | IT | information technology. |
| EGrAMS | Electronic Grants Administration and Management System. | | |

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| IUP | intended use plan. |
| LARA | Department of Licensing and Regulatory Affairs. |
| LEO | Department of Labor and Economic Opportunity. |
| LIHEAP | Low-Income Home Energy Assistance Program. |
| LTC | long-term care. |
| MAGI | modified adjusted gross income. |
| MARIS | Medicaid Audit Recovery and Investigation System. |
| MARS | Management of Awards to Recipients System. |
| MATT 2.0 | MSHDA Activity Tracking Tool. |
| MCIR | Michigan Care Improvement Registry. |
| MCO | Managed Care Organization. |
| 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. |
| 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. |
| MLR | medical loss ratio. |
| MOE | maintenance of effort. |
| MRS | Michigan Rehabilitation Services. |
| MSHDA | Michigan State Housing Development Authority. |
| MSP | Michigan Department of State Police. |

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| MWBC | Michigan Workforce Background Check. |
| NexSys | Next Generation Grant, Application and Cash Management System. |
| O&M | Operations and Maintenance. |
| PACAP | Public Assistance Cost Allocation Plan. |
| PAHP | Prepaid Ambulatory Health Plan. |
| PAO | Public Assistance Operations. |
| PBM | Pharmacy Benefits Manager. |
| P-EBT | Pandemic Electronic Benefits Transfer. |
| PHE | Public Health Emergency. |
| PIHP | Prepaid Inpatient Health Plan. |
| 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. |
| TANF | Temporary Assistance for Needy Families. |
| Treasury | Michigan Department of Treasury. |
| TSA | Treasury State Agreement. |
| UCL | Universal Case Load. |
| UIA | Unemployment Insurance Agency. |
| USC | <i>United States Code.</i> |
| USDOE | U.S. Department of Education. |
| USPFO | United States Property and Fiscal Office. |
| VFC | Vaccines for Children. |
| WIC | Women, Infants, and Children. |
| WIOA | Worker Innovation and Opportunity Act. |

GLOSSARY OF TERMS

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| access controls | Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts. |
| adverse opinion | A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program. |
| American Recovery and Reinvestment Act of 2009 (ARRA) | An economic stimulus package enacted by the 111th United States Congress in February 2009. |
| application controls | Controls that are directly related to individual computer applications. These controls help ensure that transactions are valid, properly authorized, and completely and accurately processed and reported. |
| Assistance Listings | Descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards. |
| Assistance Listing Number (ALN) | A five-digit code, formerly known as a <i>Catalog of Federal Domestic Assistance (CFDA)</i> number, assigned to a federal assistance program. |
| 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. |

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| 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. |
| COVID-19 | The disease caused by a new coronavirus called SARS-CoV-2. It is a potentially severe illness often characterized by fever, coughing, and shortness of breath. The World Health Organization learned of the virus in December 2019. |
| 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. |

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| 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. |
| housing assistance payment (HAP) grant | <p>The monthly assistance payment by the State, which includes:</p> <ol style="list-style-type: none"> 1. A payment to the owner for rent to the owner under the family's lease; and 2. An additional payment to the family if the total assistance payment exceeds the rent to owner. |
| 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. |

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| 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; 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 | <p>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.</p> <p>Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C.</p> |
| security | Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity. |

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| 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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