

Office of the Auditor General

**State of Michigan
Single Audit Report**

Fiscal Year Ended September 30, 2022

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.

Single Audit Report

Report Number:
000-0100-23

State of Michigan

**Released:
June 2023**

Fiscal Year Ended September 30, 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	8 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
\$37.5 billion	21 programs	10 programs	No programs	\$529,608	15	51
Number of findings repeated from the prior audit					13	27
*5 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	\$267,385 known plus an undeterminable amount	<u>2022-003</u> <u>2022-004 (M)</u> <u>2022-005</u> <u>2022-006 (M)</u> <u>2022-007</u> <u>2022-015</u> <u>2022-027</u> <u>2022-028 (M)</u> <u>2022-029</u>
10.565, 10.568, and 10.569	Food Distribution Cluster, including COVID-19	Qualified	\$0	<u>2022-013</u> <u>2022-014</u> <u>2022-030 (M)</u>
10.542	Pandemic EBT Food Benefits, including COVID-19	Unmodified	\$782	<u>2022-003</u> <u>2022-004 (M)</u> <u>2022-005</u> <u>2022-031</u> <u>2022-032</u>
10.558	Child and Adult Care Food Program, including COVID-19	Unmodified	\$0	<u>2022-013</u> <u>2022-014</u>
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified	\$0	<u>2022-001</u> <u>2022-002</u> <u>2022-033</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, including COVID-19	Unmodified	\$0	<u>2022-034</u> <u>2022-035</u>
16.575	Crime Victim Assistance	Unmodified	\$0	<u>2022-015</u> <u>2022-017</u> <u>2022-036</u> <u>2022-037</u>
17.258, 17.259, and 17.278	WIOA Cluster	Unmodified	\$0	<u>2022-010</u> <u>2022-038</u>
20.509	Formula Grants for Rural Areas and Tribal Transit Program, including COVID-19	Unmodified	\$0	<u>2022-039</u> <u>2022-040</u>
21.019	Coronavirus Relief Fund, including COVID-19	Unmodified	\$0	<u>2022-001</u> <u>2022-002</u>
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified	\$0	<u>2022-011</u> <u>2022-012</u>
21.026	Homeowner Assistance Fund, including COVID-19	Unmodified	\$9,129	<u>2022-011</u> <u>2022-012</u> <u>2022-041</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds, including COVID-19	Unmodified	\$0	<u>2022-013</u> <u>2022-018</u>
81.042	Weatherization Assistance for Low-Income Persons	Unmodified	\$0	<u>2022-015</u> <u>2022-017</u>
84.027 and 84.173	Special Education Cluster (IDEA), including COVID-19	Unmodified	\$0	<u>2022-013</u> <u>2022-014</u>
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Unmodified	\$0	<u>2022-013</u> <u>2022-014</u> <u>2022-016</u> <u>2022-018</u>
84.425	Education Stabilization Fund, including COVID-19	Qualified	\$0	<u>2022-013</u> <u>2022-014</u> <u>2022-016</u> <u>2022-018 (M)</u> <u>2022-042 (M)</u>
93.044, 93.045, and 93.053	Aging Cluster, including COVID-19	Unmodified	\$0	<u>2022-015</u> <u>2022-017</u> <u>2022-043</u>

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.575 and 93.596	CCDF Cluster, including COVID-19	Qualified	\$1,933	<u>2022-003</u> <u>2022-004 (M)</u> <u>2022-005</u> <u>2022-013</u> <u>2022-014</u> <u>2022-015</u> <u>2022-016</u> <u>2022-044 (M)</u> <u>2022-045</u> <u>2022-046</u>
93.775, 93.777, and 93.778	Medicaid Cluster, including COVID-19	Qualified	\$186,496 known plus an undeterminable amount	<u>2022-003</u> <u>2022-004 (M)</u> <u>2022-005</u> <u>2022-006 (M)</u> <u>2022-007</u> <u>2022-009</u> <u>2022-015</u> <u>2022-017 (M)</u> <u>2022-019 (M)</u> <u>2022-020</u> <u>2022-021</u> <u>2022-022</u> <u>2022-023</u> <u>2022-024</u> <u>2022-025 (M)</u> <u>2022-047</u> <u>2022-048</u> <u>2022-049</u> <u>2022-050</u> <u>2022-051</u>
93.268	Immunization Cooperative Agreements, including COVID-19	Qualified	\$0	<u>2022-017</u> <u>2022-052</u> <u>2022-053 (M)</u>
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	Unmodified	\$0	<u>2022-017</u> <u>2022-026</u>
93.558	Temporary Assistance for Needy Families, including COVID-19	Qualified	\$8,368 known plus an undeterminable amount	<u>2022-003</u> <u>2022-004 (M)</u> <u>2022-005</u> <u>2022-006 (M)</u> <u>2022-008</u> <u>2022-010</u> <u>2022-015</u> <u>2022-017</u> <u>2022-054 (M)</u> <u>2022-055</u>
93.568	Low-Income Home Energy Assistance, including COVID-19	Qualified	\$54,639	<u>2022-003</u> <u>2022-004 (M)</u> <u>2022-005</u> <u>2022-015</u> <u>2022-017</u> <u>2022-056</u> <u>2022-057 (M)</u> <u>2022-058</u>
93.658	Foster Care - Title IV-E, including COVID-19	Unmodified	\$0	<u>2022-007</u> <u>2022-008</u> <u>2022-015</u> <u>2022-017</u>
93.659	Adoption Assistance, including COVID-19	Unmodified	\$0	<u>2022-008</u> <u>2022-015</u> <u>2022-017</u>
93.667	Social Services Block Grant	Unmodified	\$0	<u>2022-008</u> <u>2022-015</u> <u>2022-017</u> <u>2022-059</u>

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.767	Children's Health Insurance Program, including COVID-19	Qualified	\$876 known plus an undeterminable amount	2022-003 2022-004 (M) 2022-005 2022-006 (M) 2022-009 2022-015 2022-017 (M) 2022-019 (M) 2022-020 (M) 2022-021 2022-022 2022-023 2022-024 2022-025 (M)
93.959	Block Grants for Prevention and Treatment of Substance Abuse, including COVID-19	Unmodified	\$0	2022-015 2022-017
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19	Unmodified	\$0	2022-002 2022-026 2022-060 2022-061

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	2022-062 (M) 2022-063 (M) 2022-064 (M) 2022-065

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Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

June 30, 2023

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, 2022.

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

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

Sincerely,

Doug Ringler
Auditor General

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SUPPLEMENTAL FINANCIAL SCHEDULE

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

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			\$ 3,920,103,155	\$	\$	\$ 3,920,103,155
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			170,393,284	22,001,001		192,394,285
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			14,710,415			14,710,415
Total SNAP Cluster				<u>\$ 4,105,206,854</u>	<u>\$ 22,001,001</u>	<u>\$ 0</u>	<u>\$ 4,127,207,855</u>
Child Nutrition Cluster:							
School Breakfast Program	10.553			\$ 91,181	\$ 184,886,936	\$	\$ 184,978,117
National School Lunch Program	10.555			212,915	596,717,859		596,930,774
National School Lunch Program (Note 6)	10.555			4,393	55,191,584		55,195,977
COVID-19 - National School Lunch Program	10.555			1,884,983			1,884,983
COVID-19 - National School Lunch Program (Note 6)	10.555				4,237,326		4,237,326
Special Milk Program for Children	10.556				109,896		109,896
Summer Food Service Program for Children	10.559			1,228,255	12,830,648		14,058,903
Summer Food Service Program for Children (Note 6)	10.559				1,800,261		1,800,261
Fresh Fruit and Vegetable Program	10.582			169,541	4,000,566		4,170,107
Total Child Nutrition Cluster				<u>\$ 3,591,268</u>	<u>\$ 859,775,076</u>	<u>\$ 0</u>	<u>\$ 863,366,344</u>
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565			\$ 129,163	\$ 6,210,549	\$	\$ 6,339,712
Commodity Supplemental Food Program (Note 6)	10.565				21,015,557		21,015,557
Emergency Food Assistance Program (Administrative Costs)	10.568			59,973	4,811,732		4,871,705
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568				3,389,227		3,389,227
Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569				29,515,186		29,515,186
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569				20,294,563		20,294,563
Total Food Distribution Cluster				<u>\$ 189,136</u>	<u>\$ 85,236,814</u>	<u>\$ 0</u>	<u>\$ 85,425,950</u>
Forest Service Schools and Roads Cluster:							
Schools and Roads - Grants to States	10.665			\$	\$ 3,171,754	\$	\$ 3,171,754
Total Forest Service Schools and Roads Cluster				<u>\$ 0</u>	<u>\$ 3,171,754</u>	<u>\$ 0</u>	<u>\$ 3,171,754</u>
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 583,030	\$ 139,402	\$	\$ 722,432
Wildlife Services	10.028				40,940		40,940
Voluntary Public Access and Habitat Incentive Program	10.093			262,388			262,388
Market Protection and Promotion	10.163			1,582,183			1,582,183
Specialty Crop Block Grant Program - Farm Bill	10.170			213,537	1,898,836		2,112,373
COVID-19 - Specialty Crop Block Grant Program - Farm Bill	10.170			25,734	305,417		331,151
Total 10.170				<u>\$ 239,271</u>	<u>\$ 2,204,253</u>	<u>\$ 0</u>	<u>\$ 2,443,524</u>

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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			\$	\$ 90,637	\$	\$ 90,637
Food Safety Cooperative Agreements	10.479			272,315	105,212		377,527
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525			15,971	281,637		297,608
Child Nutrition-Technology Innovation Grant	10.541			867,818			867,818
COVID-19 - Pandemic EBT Food Benefits	10.542			708,412,299			708,412,299
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			113,969,986	47,991,038		161,961,024
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	The Council of State Governments	FNS-WSP-20-KY-01	1,125,716			1,125,716
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Tufts University	103097-00001	63,641			63,641
Total 10.557				\$ 115,159,343	\$ 47,991,038	\$ 0	\$ 163,150,381
Child and Adult Care Food Program	10.558			\$ 1,137,710	\$ 58,734,600	\$	\$ 59,872,310
COVID-19 - Child and Adult Care Food Program	10.558			2,423,184			2,423,184
Total 10.558				\$ 3,560,894	\$ 58,734,600	\$ 0	\$ 62,295,494
State Administrative Expenses for Child Nutrition	10.560			\$ 9,133,430	\$	\$	\$ 9,133,430
WIC Farmers' Market Nutrition Program (FMNP)	10.572			251,952			251,952
Team Nutrition Grants	10.574			625,997	204,523		830,520
Farm to School Grant Program	10.575			24,840			24,840
Senior Farmers Market Nutrition Program	10.576			341,366			341,366
Child Nutrition Discretionary Grants Limited Availability	10.579			14,259	718,336		732,595
COVID-19 - Child Nutrition Discretionary Grants Limited Availability	10.579			27,298			27,298
Total 10.579				\$ 41,557	\$ 718,336	\$ 0	\$ 759,893
COVID-19 - Pandemic EBT Administrative Costs	10.649			\$ 9,273,085	\$ 1,204,910	\$	\$ 10,477,995
Cooperative Forestry Assistance	10.664			268,602	256,301		524,903
Cooperative Forestry Assistance	10.664	American Forest Foundation	18-DG-11420004-142		13,673		13,673
Total 10.664				\$ 268,602	\$ 269,974	\$ 0	\$ 538,576
Wood Utilization Assistance	10.674			\$ 158,285	\$	\$	\$ 158,285
Urban and Community Forestry Program	10.675			212,733	198,365		411,098
Forest Legacy Program	10.676			43,285			43,285
Forest Stewardship Program	10.678			241,573	51,207		292,780
Forest Health Protection	10.680			289,752			289,752
Forest Health Protection	10.680	The Gypsy Moth Slow the Spread Foundation Inc.	19-DG-11083150-004 -04	8,227			8,227
Total 10.680				\$ 297,979	\$ 0	\$ 0	\$ 297,979

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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
Good Neighbor Authority	10.691			\$ 3,361,989	\$	\$	\$ 3,361,989
State & Private Forestry Cooperative Fire Assistance	10.698			1,004,881	364,455		1,369,336
Soil and Water Conservation	10.902				644,622		644,622
Environmental Quality Incentives Program	10.912				247,798		247,798
Agricultural Conservation Easement Program	10.931				10,854		10,854
Regional Conservation Partnership Program	10.932			10,811			10,811
Wetland Mitigation Banking Program	10.933			86,669			86,669
Total U.S. Department of Agriculture				\$ 4,965,321,804	\$ 1,083,687,408	\$ 0	\$ 6,049,009,212
U.S. Department of Commerce							
Economic Development Cluster:							
Economic Adjustment Assistance	11.307			\$ 1,586,589	\$	\$	\$ 1,586,589
Total Economic Development Cluster				\$ 1,586,589	\$ 0	\$ 0	\$ 1,586,589
Interjurisdictional Fisheries Act of 1986 (Note 15)	11.407			\$ 16,022	\$	\$	\$ 16,022
Coastal Zone Management Administration Awards	11.419			1,756,376	980,981		2,737,357
Unallied Management Projects	11.454			46,688			46,688
COVID-19 - Unallied Management Projects	11.454	Great Lakes Fisheries Commission	NA21NMF4540559	77,216			77,216
Total 11.454				\$ 123,904	\$ 0	\$ 0	\$ 123,904
Total U.S. Department of Commerce				\$ 3,482,891	\$ 980,981	\$ 0	\$ 4,463,872
U.S. Department of Defense							
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			\$ 779,891	\$	\$	\$ 779,891
Military Construction, National Guard	12.400			278,996			278,996
National Guard Military Operations and Maintenance (O&M) Projects (Note 13)	12.401			70,152,077		4,081,814	74,233,891
National Guard ChalleNGe Program	12.404			5,730,215	1,582,863		7,313,078
Economic Adjustment Assistance for State Governments	12.617			155,303			155,303
Total U.S. Department of Defense				\$ 77,096,482	\$ 1,582,863	\$ 4,081,814	\$ 82,761,159
U.S. Department of Housing and Urban Development							
Section 8 Project-Based Cluster:							
Section 8 - Contract Administration	14.182			\$ 395,724,268	\$	\$	\$ 395,724,268
Section 8 - New Construction/Substantial Rehabilitation	14.182			9,061,772			9,061,772
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856			1,011,205			1,011,205
Total Section 8 Project-Based Cluster				\$ 405,797,245	\$ 0	\$ 0	\$ 405,797,245

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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			\$ 214,920,601	\$	\$	\$ 214,920,601
COVID-19 - Section 8 Housing Choice Vouchers	14.871			3,995,558			3,995,558
Mainstream Vouchers	14.879			804,255			804,255
Total Housing Voucher Cluster				\$ 219,720,414	\$ 0	\$ 0	\$ 219,720,414
Housing Counseling Assistance Program	14.169			\$	\$ 510,519	\$	\$ 510,519
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii							
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			983,560	21,307,369		22,290,929
Total 14.228				3,874,006	1,094,949		4,968,955
				\$ 4,857,566	\$ 22,402,318	\$ 0	\$ 27,259,884
Emergency Solutions Grants Program	14.231			\$	\$ 3,111,366	\$	\$ 3,111,366
COVID-19 - Emergency Solutions Grant Program	14.231			669,696	17,596,871		18,266,567
Total 14.231				\$ 669,696	\$ 20,708,237	\$ 0	\$ 21,377,933
Home Investment Partnerships Program	14.239			\$ 11,679,909	\$ 1,339	\$	\$ 11,681,248
Housing Opportunities for Persons with AIDS	14.241			13,757	2,047,937		2,061,694
COVID-19 - Housing Opportunities for Persons with AIDS	14.241				(3,472)		(3,472)
Total 14.241				\$ 13,757	\$ 2,044,465	\$ 0	\$ 2,058,222
Tax Credit Assistance Program	14.258			\$ 1,855,000	\$	\$	\$ 1,855,000
Continuum of Care Program	14.267			2	9,429,237		9,429,239
Housing Trust Fund	14.275			8,151,306			8,151,306
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326				824,616		824,616
Fair Housing Assistance Program State and Local	14.401			716,135			716,135
Family Self-Sufficiency Program	14.896			1,123,384			1,123,384
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900			1,476,739			1,476,739
Total U.S. Department of Housing and Urban Development				\$ 656,061,153	\$ 55,920,731	\$ 0	\$ 711,981,884
U.S. Department of the Interior							
Fish and Wildlife Cluster:							
Sport Fish Restoration	15.605			\$ 11,668,290	\$	\$	\$ 11,668,290
Wildlife Restoration and Basic Hunter Education (Note 15)	15.611			20,495,965	111,021		20,606,986
Enhanced Hunter Education and Safety	15.626			228,339			228,339
Total Fish and Wildlife Cluster				\$ 32,392,594	\$ 111,021	\$ 0	\$ 32,503,615
Fish and Wildlife Management Assistance (Note 15)	15.608			\$ 217,967	\$ 37,636	\$	\$ 255,603
Coastal Wetlands Planning, Protection and Restoration	15.614				98,939		98,939
Cooperative Endangered Species Conservation Fund	15.615			569,445			569,445
Clean Vessel Act	15.616			1,195	163,330		164,525

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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
Sportfishing and Boating Safety Act	15.622			\$ 506,912	\$	\$	\$ 506,912
Multistate Conservation Grant	15.628				26,009		26,009
Multistate Conservation Grant	15.628	Wildlife Management Institute, Incorporated	F22AP00722	20,421			20,421
Total 15.628				\$ 20,421	\$ 26,009	\$ 0	\$ 46,430
Coastal	15.630			\$ 36,573	\$	\$	\$ 36,573
State Wildlife Grants (Note 15)	15.634			1,614,069	15,270		1,629,339
Endangered Species Recovery Implementation	15.657			3,916			3,916
Natural Resource Damage Assessment and Restoration	15.658			24,878			24,878
Great Lakes Restoration	15.662			1,158,390	432,824		1,591,214
Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	15.666			2,596			2,596
Adaptive Science	15.670			91,255			91,255
White-nose Syndrome National Response Implementation	15.684			5,570			5,570
Historic Preservation Fund Grants-In-Aid	15.904			1,393,589	82,325		1,475,914
Outdoor Recreation Acquisition, Development and Planning	15.916			884,763	2,205,386		3,090,149
Native American Graves Protection and Repatriation Act	15.922			31,423			31,423
Natural Resource Stewardship	15.944			32,572			32,572
Total U.S. Department of the Interior				\$ 38,988,128	\$ 3,172,740	\$ 0	\$ 42,160,868
U.S. Department of Justice							
Sexual Assault Services Formula Program	16.017			\$	\$ 252,939	\$	\$ 252,939
Justice Systems Response to Families	16.021			2,600	111,665		114,265
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034			387,984	3,267,874		3,655,858
Juvenile Justice and Delinquency Prevention	16.540			1,214,369	219,263		1,433,632
Missing Children's Assistance	16.543			1,132,764			1,132,764
National Criminal History Improvement Program (NCHIP)	16.554			1,322,081	18,911		1,340,992
Crime Victim Assistance	16.575			2,637,708	58,647,510		61,285,218
Crime Victim Compensation	16.576			1,461,551			1,461,551
Crime Victim Assistance/Discretionary Grants	16.582			625,300	198,428		823,728
Drug Court Discretionary Grant Program	16.585				139,056		139,056
Violence Against Women Formula Grants	16.588			651,366	3,765,467		4,416,833
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590			26,936			26,936
Residential Substance Abuse Treatment for State Prisoners	16.593			3,381	406,497		409,878
Bulletproof Vest Partnership Program	16.607			7,672			7,672
Project Safe Neighborhoods	16.609	Black Family Development	2020-GP-BX-0014	10,154			10,154
Public Safety Partnership and Community Policing Grants	16.710			859,718			859,718
Edward Byrne Memorial Justice Assistance Grant Program	16.738			2,495,387	3,853,043		6,348,430
DNA Backlog Reduction Program	16.741			2,056,630			2,056,630
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			492,280	69,082		561,362
Capital Case Litigation Initiative	16.746			193,353			193,353
Support for Adam Walsh Act Implementation Grant Program	16.750			175,071			175,071

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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
Harold Rogers Prescription Drug Monitoring Program	16.754			\$ 73,479	\$ 47,494	\$	\$ 120,973
Second Chance Act Reentry Initiative	16.812	The Council of State Governments	20-SA-161-2815	10,567			10,567
Emergency Law Enforcement Assistance Grant	16.824			10,389	347,473		357,862
National Sexual Assault Kit Initiative	16.833			58,149	406,201		464,350
Body Worn Camera Policy and Implementation	16.835			1,507,703			1,507,703
Indigent Defense	16.836			50,843			50,843
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838			9,729	78,005		87,734
STOP School Violence	16.839			116,530	152,410		268,940
Opioid Affected Youth Initiative	16.842			111,424	125,411		236,835
Equitable Sharing Program	16.922			31,459			31,459
Equitable Sharing of Federally Forfeited Property	16.*			97,611			97,611
ATF	16.*			92,516			92,516
Safe Trails Task Force	16.*			116,478			116,478
Violent Crimes Task Force	16.*			67,665			67,665
Detroit Major Crimes Task Force (DMCTF)	16.*			21,822			21,822
Oakland County Violent Gang Task Force	16.*			19,072			19,072
DEA - Tactical Diversion Task Force	16.*			37,339			37,339
Child Exploitation Task Force	16.*			16,547			16,547
Trafficking and Exploitation Crimes Task Force	16.*			10,266			10,266
Safe Streets Task Force	16.*			42,314			42,314
Detroit Cyber Task Force	16.*			16,240			16,240
Detroit Area Corruption Task Force	16.*			8,561			8,561
FBI Detroit Division MOA	16.*			18,731			18,731
OCDETF	16.20-DET-078-AFF*			111,003			111,003
OCDETF	16.GI-MIW-0177*			273			273
OCDETF	16.GL-MIW-0181*			4,601			4,601
OCDETF	16.GL-MIW-0183*			271			271
OCDETF	16.SI-GL-007-09*			29,838			29,838
USMS Eastern District Fugitive Apprehensive Task Force	16.2022-D39-AFF-JLEOTF*			201,503			201,503
USMS Western District Fugitive Apprehensive Task Force	16.JLEO-APR18305715*			83,815			83,815
Joint Terrorism Task Force	16.MIOC-JTTF*			70,040			70,040
Total U.S. Department of Justice				\$ 18,803,083	\$ 72,106,729	\$ 0	\$ 90,909,812
U.S. Department of Labor							
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207			\$ 6,911,681	\$ 19,147,268	\$	\$ 26,058,949
Jobs for Veterans State Grants	17.801			5,284,367	222,295		5,506,662
Total Employment Service Cluster				\$ 12,196,048	\$ 19,369,563	\$ 0	\$ 31,565,611
WIOA Cluster:							
WIOA Adult Program	17.258			\$ 1,628,293	\$ 41,021,935	\$	\$ 42,650,228
WIOA Youth Activities	17.259			1,738,309	35,593,657		37,331,966
WIOA Dislocated Worker Formula Grants	17.278			3,374,823	21,876,090		25,250,913
Total WIOA Cluster				\$ 6,741,425	\$ 98,491,682	\$ 0	\$ 105,233,107

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Schedule of Expenditures of Federal Awards
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(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
Labor Force Statistics	17.002			\$ 2,037,629	\$	\$	\$ 2,037,629
Compensation and Working Conditions	17.005			266,000			266,000
Unemployment Insurance	17.225			817,402,970	3,274,572		820,677,542
COVID-19 - Unemployment Insurance	17.225			304,367,906			304,367,906
ARRA - Unemployment Insurance	17.225			(188,402)			(188,402)
Total 17.225				\$ 1,121,582,474	\$ 3,274,572	\$ 0	\$ 1,124,857,046
Senior Community Service Employment Program	17.235			\$ 101,669	\$ 1,795,838	\$	\$ 1,897,507
Trade Adjustment Assistance	17.245			737,396	4,630,113		5,367,509
WIOA Pilots, Demonstrations, and Research Projects	17.261			292,137			292,137
H-1B Job Training Grants	17.268			151,380	335,256		486,636
Reentry Employment Opportunities	17.270			61,900			61,900
Work Opportunity Tax Credit Program (WOTC)	17.271			686,467			686,467
Temporary Labor Certification for Foreign Workers	17.273			695,248			695,248
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			(8,902)	2,404,224		2,395,322
Apprenticeship USA Grants	17.285			419,337	2,337,849		2,757,186
Occupational Safety and Health State Program	17.503			11,001,428			11,001,428
Consultation Agreements	17.504			1,717,800			1,717,800
Women's Bureau	17.700			64,667	115,000		179,667
Homeless Veterans' Reintegration Program	17.805			22,827			22,827
Total U.S. Department of Labor				\$ 1,158,766,930	\$ 132,754,097	\$ 0	\$ 1,291,521,027
U.S. Department of Transportation							
Highway Planning and Construction Cluster:							
Highway Planning and Construction (Note 15)	20.205			\$ 1,328,237,487	\$ 27,219,584	\$	\$ 1,355,457,071
COVID-19 - Highway Planning and Construction	20.205			16,062,392	3,209,248		19,271,640
Recreational Trails Program	20.219			2,810,173			2,810,173
Federal Lands Access Program	20.224			895,970			895,970
Total Highway Planning and Construction Cluster				\$ 1,348,006,022	\$ 30,428,832	\$ 0	\$ 1,378,434,854
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218			\$ 13,022,283	\$ 6,551	\$	\$ 13,028,834
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237			55,216			55,216
Total FMCSA Cluster				\$ 13,077,499	\$ 6,551	\$ 0	\$ 13,084,050
Transit Services Programs Cluster:							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			\$	\$ 5,199,318	\$	\$ 5,199,318
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				607,191		607,191
New Freedom Program	20.521				21,372		21,372
Total Transit Services Programs Cluster				\$ 0	\$ 5,827,881	\$ 0	\$ 5,827,881

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Schedule of Expenditures of Federal Awards
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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 Transit Cluster:							
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526			\$	\$ 2,939,290	\$	\$ 2,939,290
Total Federal Transit Cluster				\$ 0	\$ 2,939,290	\$ 0	\$ 2,939,290
Highway Safety Cluster:							
State and Community Highway Safety	20.600			\$ 5,662,665	\$ 2,580,677	\$	\$ 8,243,342
National Priority Safety Programs	20.616			7,321,784	1,742,253		9,064,037
Total Highway Safety Cluster				\$ 12,984,449	\$ 4,322,930	\$ 0	\$ 17,307,379
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs (Note 7)	20.106			\$ 18,325,176	\$	\$	\$ 18,325,176
COVID-19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs (Note 7)	20.106			861,178			861,178
Total 20.106				\$ 19,186,354	\$ 0	\$ 0	\$ 19,186,354
Highway Research and Development Program (Note 15)	20.200			\$ 745,765	\$ 590,737	\$	\$ 1,336,502
Highway Training and Education	20.215				167,793		167,793
Commercial Driver's License Program Implementation Grant	20.232			273,193			273,193
Consolidated Rail Infrastructure and Safety Improvements	20.325			13,635			13,635
Federal-State Partnership for Intercity Passenger Rail	20.326			11,523,399			11,523,399
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			523,836	3,666,601		4,190,437
Formula Grants for Rural Areas and Tribal Transit Program	20.509			1,098,750	3,560,010		4,658,760
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509			2,631,622	53,755,528		56,387,150
Total 20.509				\$ 3,730,372	\$ 57,315,538	\$ 0	\$ 61,045,910
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			\$ 14,351	\$ 91,125	\$	\$ 105,476
Public Transportation Innovation	20.530				428,672		428,672
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614			229,073			229,073
E-911 Grant Program	20.615			452,969	410,860		863,829
Pipeline Safety Program State Base Grant	20.700			1,687,983			1,687,983
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			295,789	156,321		452,110
State Damage Prevention Program Grants	20.720			76,968			76,968
PHMSA Pipeline Safety Program One Call Grant	20.721			48,931			48,931
PHMSA Pipeline Safety Underground Natural Gas Storage Grant	20.725			98,414			98,414
National Infrastructure Investments	20.933			4,683,827			4,683,827
Total U.S. Department of Transportation				\$ 1,417,652,829	\$ 106,353,131	\$ 0	\$ 1,524,005,960

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(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 Treasury							
COVID-19 - Coronavirus Relief Fund	21.019			\$ 221,898,747	\$ (156,043)	\$	\$ 221,742,704
COVID-19 - Emergency Rental Assistance Program	21.023			16,374,290	695,801,428		712,175,718
COVID-19 - Homeowner Assistance Fund	21.026			21,745,529	827,250		22,572,779
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027			1,108,757,401	150,144,379		1,258,901,780
COVID-19 - Coronavirus Capital Projects Fund	21.029			220,004			220,004
Equitable Sharing of Federally Forfeited Property	21.*			1,000			1,000
Total U.S. Department of the Treasury				\$ 1,368,996,971	\$ 846,617,014	\$ 0	\$ 2,215,613,985
Equal Employment Opportunity Commission							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002			\$ 564,190	\$	\$	\$ 564,190
Total Equal Employment Opportunity Commission				\$ 564,190	\$ 0	\$ 0	\$ 564,190
General Services Administration							
Donation of Federal Surplus Personal Property (Note 8)	39.003			\$	\$ 370,343	\$	\$ 370,343
Total General Services Administration				\$ 0	\$ 370,343	\$ 0	\$ 370,343
National Endowment for the Arts							
Promotion of the Arts Partnership Agreements	45.025			\$	\$ 878,225	\$	\$ 878,225
COVID-19 - Promotion of the Arts Partnership Agreements	45.025				892,400		892,400
Total 45.025				\$ 0	\$ 1,770,625	\$ 0	\$ 1,770,625
Total National Endowment for the Arts				\$ 0	\$ 1,770,625	\$ 0	\$ 1,770,625
National Endowment for the Humanities							
Promotion of the Humanities Challenge Grants	45.130			\$ 51,565	\$	\$	\$ 51,565
Promotion of the Humanities Public Programs	45.164			60,667			60,667
Total National Endowment for the Humanities				\$ 112,232	\$ 0	\$ 0	\$ 112,232
Institute of Museum and Library Services							
Museums for America	45.301			\$ 20,936	\$	\$	\$ 20,936
Grants to States	45.310			2,874,403	592,560		3,466,963
COVID-19 - Grants to States	45.310			122,543	2,792,302		2,914,845
Total 45.310				\$ 2,996,946	\$ 3,384,862	\$ 0	\$ 6,381,808
Total Institute of Museum and Library Services				\$ 3,017,882	\$ 3,384,862	\$ 0	\$ 6,402,744
Small Business Administration							
State Trade Expansion	59.061			\$ 55,884	\$ 1,581,363	\$	\$ 1,637,247
Total Small Business Administration				\$ 55,884	\$ 1,581,363	\$ 0	\$ 1,637,247

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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 Veterans Affairs							
Grants to States for Construction of State Home Facilities	64.005			\$ 3,733,172	\$	\$	\$ 3,733,172
Veterans State Domiciliary Care	64.014			192,375			192,375
Veterans State Nursing Home Care	64.015			22,298,250			22,298,250
Veterans Information and Assistance	64.115			514,339			514,339
Total U.S. Department of Veterans Affairs				\$ 26,738,136	\$ 0	\$ 0	\$ 26,738,136
U.S. Environmental Protection Agency							
Clean Water State Revolving Fund Cluster:							
Clean Water State Revolving Fund	66.458			\$ 1,561,412	\$ 96,397,224	\$	\$ 97,958,636
Total Clean Water State Revolving Fund Cluster				\$ 1,561,412	\$ 96,397,224	\$ 0	\$ 97,958,636
Drinking Water State Revolving Fund Cluster:							
Drinking Water State Revolving Fund	66.468			\$ 9,154,978	\$ 30,146,821	\$	\$ 39,301,799
Total Drinking Water State Revolving Fund Cluster				\$ 9,154,978	\$ 30,146,821	\$ 0	\$ 39,301,799
Air Pollution Control Program Support (Note 13)	66.001			\$ 3,565,559	\$	\$ 89,382	\$ 3,654,941
State Indoor Radon Grants	66.032			210,875	50,000		260,875
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			1,158,245	62,367		1,220,612
Diesel Emissions Reduction Act (DERA) State Grants	66.040			24,823	79,245		104,068
Multipurpose Grants to States and Tribes	66.204			330,514			330,514
Environmental Justice Government-to-Government (EJG2G) Program	66.312			914			914
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			353,661			353,661
State Public Water System Supervision	66.432			3,914,116			3,914,116
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444			453,995			453,995
Water Quality Management Planning	66.454			442,706	326,337		769,043
Nonpoint Source Implementation Grants	66.460				3,596,659		3,596,659
Regional Wetland Program Development Grants	66.461			26,982	52,725		79,707
Geographic Programs - Great Lakes Restoration Initiative (Note 15)	66.469			7,382,526	1,635,953		9,018,479
Geographic Programs - Great Lakes Restoration Initiative	66.469	Central Michigan University	GL00E02956	15,437			15,437
Geographic Programs - Great Lakes Restoration Initiative	66.469	Michigan State University	00E02802	39,148	45,794		84,942
Total 66.469				\$ 7,437,111	\$ 1,681,747	\$ 0	\$ 9,118,858
Beach Monitoring and Notification Program Implementation Grants	66.472			\$ 120,674	\$ 212,400	\$	\$ 333,074
Performance Partnership Grants	66.605			12,247,449	49,624		12,297,073
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			3,543	17,883		21,426
Hazardous Waste Management State Program Support (Note 13)	66.801			2,676,068		132,721	2,808,789

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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
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			\$ 1,172,719	\$ 100,392	\$	\$ 1,273,111
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804			594,279			594,279
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			1,809,141			1,809,141
State and Tribal Response Program Grants	66.817			811,912			811,912
Total U.S. Environmental Protection Agency				\$ 48,071,676	\$ 132,773,424	\$ 222,103	\$ 181,067,203
U.S. Department of Energy							
State Energy Program	81.041			\$ 1,396,704	\$ 1,347,200	\$	\$ 2,743,904
Weatherization Assistance for Low-Income Persons	81.042			3,261,474	13,481,279		16,742,753
State Heating Oil and Propane Program	81.138			4,784			4,784
Total U.S. Department of Energy				\$ 4,662,962	\$ 14,828,479	\$ 0	\$ 19,491,441
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			238,471			238,471
Total Student Financial Assistance Cluster				\$ 265,656	\$ 0	\$ 0	\$ 265,656
Special Education Cluster (IDEA):							
Special Education Grants to States	84.027A			\$ 20,720,104	\$ 419,414,627	\$	\$ 440,134,731
COVID-19 - Special Education Grants to States	84.027X				38,080,235		38,080,235
Special Education Preschool Grants	84.173A			763,704	12,055,134		12,818,838
COVID-19 - Special Education Preschool Grants	84.173X				3,283,911		3,283,911
Total Special Education Cluster (IDEA)				\$ 21,483,808	\$ 472,833,907	\$ 0	\$ 494,317,715
Adult Education - Basic Grants to States	84.002A			\$ 2,008,110	\$ 11,669,018	\$	\$ 13,677,128
Title I Grants to Local Educational Agencies	84.010A			5,206,927	447,783,560		452,990,487
Migrant Education State Grant Program	84.011A			411,067	6,186,401		6,597,468
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A			1,088,506			1,088,506
Federal Family Education Loans - Guaranty Agency (Notes 9 and 10)	84.032G			54,665,745			54,665,745
Federal Family Education Loans - Guaranty Agency (Notes 6, 9, and 10)	84.032G			716,754,632			716,754,632
Total 84.032G				\$ 771,420,377	\$ 0	\$ 0	\$ 771,420,377
Federal Family Education Loans - Lender (Notes 9 and 11)	84.032L			\$ (1,928,919)	\$	\$	\$ (1,928,919)
Federal Family Education Loans - Lender (Notes 6, 9, and 11)	84.032L			241,124,947			241,124,947
Total 84.032L				\$ 239,196,028	\$ 0	\$ 0	\$ 239,196,028
Career and Technical Education -- Basic Grants to States	84.048A			\$ 5,071,308	\$ 37,658,450	\$	\$ 42,729,758

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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
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126A			\$ 111,308,219	\$ 762,706	\$	\$ 112,070,925
Migrant Education Coordination Program	84.144F			42,815			42,815
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177B			1,009,300			1,009,300
Special Education-Grants for Infants and Families	84.181A			1,014,419	11,485,649		12,500,068
COVID-19 - Special Education-Grants for Infants and Families	84.181X				1,417,725		1,417,725
Total 84.181				\$ 1,014,419	\$ 12,903,374	\$ 0	\$ 13,917,793
School Safety National Activities	84.184F			\$ 351,743	\$ 428,662	\$	\$ 780,405
Education for Homeless Children and Youth	84.196A			291,821	2,429,392		2,721,213
Charter Schools	84.282A			3,140,271			3,140,271
Twenty-First Century Community Learning Centers	84.287C			926,153	32,670,371		33,596,524
Special Education - State Personnel Development	84.323A				1,242,081		1,242,081
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326K			18,288			18,288
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S			738,821	2,987,985		3,726,806
Credit Enhancement for Charter School Facilities	84.354A			6,066,953			6,066,953
Rural Education	84.358B			109,401	1,224,229		1,333,630
English Language Acquisition State Grants	84.365A			406,355	11,338,037		11,744,392
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A			4,103,595	63,587,563		67,691,158
Grants for State Assessments and Related Activities	84.369A			8,270,321			8,270,321
Comprehensive Literacy Development	84.371C			194,130	3,252,756		3,446,886
School Improvement Grants	84.377A			95,798	2,721,591		2,817,389
Student Support and Academic Enrichment Program	84.424A			1,158,966	31,195,340		32,354,306
Education Stabilization Fund:							
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C			13,295,205	29,925,827		43,221,032
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D			859,196	994,504,220		995,363,416
COVID-19 - Discretionary Grants: Reimagining Workforce Preparation Grants	84.425G			374,257	4,051,351		4,425,608
COVID-19 - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program	84.425R			51,255,982			51,255,982
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U				735,833,248		735,833,248
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W				134,327		134,327
Total 84.425				\$ 65,784,640	\$ 1,764,448,973	\$ 0	\$ 1,830,233,613
Total U.S. Department of Education				\$ 1,251,183,796	\$ 2,907,324,396	\$ 0	\$ 4,158,508,192

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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
National Archives and Records Administration							
National Historical Publications and Records Grants	89.003			\$ 15,598	\$	\$	\$ 15,598
Total National Archives and Records Administration				\$ 15,598	\$ 0	\$ 0	\$ 15,598
U.S. Election Assistance Commission							
2018 HAVA Election Security Grants	90.404			\$ 2,129,258	\$ 2,995,930	\$	\$ 5,125,188
Total U.S. Election Assistance Commission				\$ 2,129,258	\$ 2,995,930	\$ 0	\$ 5,125,188
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			\$ 443,018	\$ 12,410,504	\$	\$ 12,853,522
COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			570,036	5,747,795		6,317,831
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			835,842	22,874,647		23,710,489
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			497,096	10,518,205		11,015,301
Nutrition Services Incentive Program	93.053				7,766,514		7,766,514
Total Aging Cluster				\$ 2,345,992	\$ 59,317,665	\$ 0	\$ 61,663,657
CCDF Cluster:							
Child Care and Development Block Grant (Notes 12 and 18)	93.575			\$ 160,740,868	\$ 10,541,910	\$	\$ 171,282,778
Child Care and Development Block Grant (Note 15)	93.575	Public Policy Associates	90YE0219-01-00	400			400
COVID-19 - Child Care and Development Block Grant (Note 18)	93.575			1,083,335,691	1,701,693		1,085,037,384
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 18)	93.596			80,529,100			80,529,100
COVID-19 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 18)	93.596			14,192,087			14,192,087
Total CCDF Cluster				\$ 1,338,798,146	\$ 12,243,603	\$ 0	\$ 1,351,041,749
Head Start Cluster:							
Head Start	93.600			\$ 239,440	\$ 43,200	\$	\$ 282,640
Total Head Start Cluster				\$ 239,440	\$ 43,200	\$ 0	\$ 282,640
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775			\$ 4,397,357	\$	\$	\$ 4,397,357
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			13,778,648			13,778,648
Medical Assistance Program	93.778			15,816,476,084	37,455,304		15,853,931,388
COVID-19 - Medical Assistance Program	93.778			931,976,661			931,976,661
Total Medicaid Cluster				\$ 16,766,628,750	\$ 37,455,304	\$ 0	\$ 16,804,084,054

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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
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			\$	\$ 162,248	\$	\$ 162,248
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			40,478	623,211		663,689
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042				190,180		190,180
Total 93.042				\$ 40,478	\$ 813,391	\$ 0	\$ 853,869
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043			\$	\$ 786,566	\$	\$ 786,566
COVID-19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				329,408		329,408
Total 93.043				\$ 0	\$ 1,115,974	\$ 0	\$ 1,115,974
COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			\$ 211,139	\$ 306,205	\$	\$ 517,344
National Family Caregiver Support, Title III, Part E	93.052			191,537	5,501,628		5,693,165
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052				1,549,083		1,549,083
Total 93.052				\$ 191,537	\$ 7,050,711	\$ 0	\$ 7,242,248
Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure	93.065			\$ 314,335	\$	\$	\$ 314,335
Chronic Diseases: Research, Control, and Prevention	93.068			(1,169)			(1,169)
Public Health Emergency Preparedness	93.069			8,210,860	7,811,600		16,022,460
Public Health Emergency Preparedness (Note 6)	93.069			85,028			85,028
Total 93.069				\$ 8,295,888	\$ 7,811,600	\$ 0	\$ 16,107,488
Environmental Public Health and Emergency Response	93.070			\$ 3,783,027	\$ 311,579	\$	\$ 4,094,606
Medicare Enrollment Assistance Program	93.071			48,340	1,227,774		1,276,114
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			654,833	5,500		660,333
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			101,136			101,136
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	Regents of the University of Michigan	SUBK00012957	67,780			67,780
Guardianship Assistance	93.090			3,217,812			3,217,812
COVID-19 - Guardianship Assistance	93.090			290,294			290,294
Total 93.090				\$ 3,508,106	\$ 0	\$ 0	\$ 3,508,106

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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
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			\$ 371,386	\$ 1,105,554	\$	\$ 1,476,940
Food and Drug Administration Research	93.103			2,721,491	282,451		3,003,942
Food and Drug Administration Research	93.103	Association of Food and Drug Officials	G-ME-2103-02867; G-2010-02699; G-2110-03059; G-ME-2204-03367	26,620			26,620
Total 93.103				\$ 2,748,111	\$ 282,451	\$ 0	\$ 3,030,562
Maternal and Child Health Federal Consolidated Programs	93.110			\$ 407,745	\$ 513,490	\$	\$ 921,235
Maternal and Child Health Federal Consolidated Programs (Note 15)	93.110	Wayne State University	WSU22035		41,000		41,000
Maternal and Child Health Federal Consolidated Programs	93.110	Association of Public Health Laboratories, Inc.	56300-600-158-21-31; 56300-600-158-22-18	113,492			113,492
Total 93.110				\$ 521,237	\$ 554,490	\$ 0	\$ 1,075,727
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			\$ 903,122	\$ 448,742	\$	\$ 1,351,864
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (Note 6)	93.116			5,674			\$ 5,674
Total 93.116				\$ 908,796	\$ 448,742	\$ 0	\$ 1,357,538
Emergency Medical Services for Children	93.127			\$ 128,754	\$	\$	\$ 128,754
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			308,348			308,348
Injury Prevention and Control Research and State and Community Based Programs	93.136			4,179,827	4,791,209		8,971,036
Community Programs to Improve Minority Health Grant Program	93.137			108,210	350,931		459,141
Projects for Assistance in Transition from Homelessness (PATH)	93.150			166,057	1,653,550		1,819,607
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			248,963	1,123,399		1,372,362
Grants to States for Loan Repayment	93.165			803,127			803,127
Disabilities Prevention	93.184			303,096	213,547		516,643
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197			408,521	64,849		473,370
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	49,853			49,853
Total 93.197				\$ 458,374	\$ 64,849	\$ 0	\$ 523,223
Family Planning Services	93.217			\$ 1,708,644	\$ 6,513,488	\$	\$ 8,222,132
COVID-19 - Family Planning Services	93.217				27,834		27,834
Total 93.217				\$ 1,708,644	\$ 6,541,322	\$ 0	\$ 8,249,966

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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
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235			\$ 579,373	\$ 1,341,120	\$	\$ 1,920,493
State Capacity Building	93.240			477,246			477,246
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			1,321,023	4,911,811		6,232,834
COVID-19 - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			6,815	23,151		29,966
Total 93.243				\$ 1,327,838	\$ 4,934,962	\$ 0	\$ 6,262,800
Early Hearing Detection and Intervention	93.251			\$ 194,820	\$ 106,923	\$	\$ 301,743
Occupational Safety and Health Program	93.262	Michigan State University	RC105035-MDHHS	7,125			7,125
Immunization Cooperative Agreements	93.268			4,788,190	4,764,060		9,552,250
Immunization Cooperative Agreements (Note 6)	93.268			99,254,216			99,254,216
COVID-19 - Immunization Cooperative Agreements	93.268			13,439,688	30,083,971		43,523,659
Total 93.268				\$ 117,482,094	\$ 34,848,031	\$ 0	\$ 152,330,125
Viral Hepatitis Prevention and Control	93.270			\$ 252,543	\$	\$	\$ 252,543
Trans-NIH Research Support (Note 15)	93.310	Michigan State University	RC108889MDHHS	64,106			64,106
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			157,868			157,868
CSELS Partnership: Strengthening Public Health Laboratories	93.322	Association of Public Health Laboratories, Inc.	56401-250-451-22-02	32,880			32,880
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			4,919,490	190,112		5,109,602
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			56,481,841	76,427,320		132,909,161
Total 93.323				\$ 61,401,331	\$ 76,617,432	\$ 0	\$ 138,018,763
State Health Insurance Assistance Program	93.324			\$ 90,819	\$ 1,462,314	\$	\$ 1,553,133
Behavioral Risk Factor Surveillance System	93.336			65,496	537,070		602,566
COVID-19 - Behavioral Risk Factor Surveillance System	93.336				38,000		38,000
Total 93.336				\$ 65,496	\$ 575,070	\$ 0	\$ 640,566
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353	Regents of the University of Michigan	SUBK00010638	\$ 4,513	\$	\$	\$ 4,513
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			2,192,662	4,335,976		6,528,638
ACL Independent Living State Grants	93.369			391,604	3,624,652		4,016,256
Title: Multiple Approaches to Support Young Breast Cancer Survivors and Metastatic Breast Cancer Patients	93.376			192,106	161,712		353,818
The CDC Public Health Cancer Genomics Program: Translating Research into Public Health Practice	93.380			319,182	69,048		388,230

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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
National and State Tobacco Control Program	93.387			\$ 1,156,443	\$ 1,140,104	\$	\$ 2,296,547
National and State Tobacco Control Program (Note 6)	93.387			815			815
Total 93.387				\$ 1,157,258	\$ 1,140,104	\$ 0	\$ 2,297,362
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			\$ 2,054,428	\$ 8,233,973	\$	\$ 10,288,401
The State Flexibility to Stabilize the Market Grant Program	93.413			141,931			141,931
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. 7584; P.O. 7729 - INFLUENZA; P.O. 7958; P.O. 7804	380,006	41,383		421,389
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	National Association of Chronic Diseases Directors	220119		94,943		94,943
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. 7729 - COVID; P.O. 7958	344,340			344,340
Total 93.421				\$ 724,346	\$ 136,326	\$ 0	\$ 860,672
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426			\$ 1,656,329	\$ 651,595	\$	\$ 2,307,924
Every Student Succeeds Act/Preschool Development Grants	93.434			12,901,852	2,378,751		15,280,603
Every Student Succeeds Act/Preschool Development Grants	93.434	North Carolina Department of Health and Human Services	43520	142,276			142,276
Total 93.434				\$ 13,044,128	\$ 2,378,751	\$ 0	\$ 15,422,879
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke- Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.435			\$ 1,164,442	\$ 849,149	\$	\$ 2,013,591
ACL Assistive Technology	93.464			663,488	105,870		769,358
Title IV-E Prevention Program	93.472			808,728	30,970		839,698
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498			849,173	58,331		907,504
COVID-19 - Low Income Household Water Assistance Program	93.499			1,560,179			1,560,179
					5,077,544		5,077,544
MaryLee Allen Promoting Safe and Stable Families Program (Note 12)	93.556			10,752,846	616,806		11,369,652
MaryLee Allen Promoting Safe and Stable Families Program	93.556	University of Maryland, Baltimore	3001333	3,255	31,687		34,942
COVID-19 - MaryLee Allen Promoting Safe and Stable Families Program	93.556			1,637,319			1,637,319
Total 93.556				\$ 12,393,420	\$ 648,493	\$ 0	\$ 13,041,913

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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
Temporary Assistance for Needy Families (Note 12)	93.558			\$ 599,649,966	\$ 77,769,775	\$	\$ 677,419,741
COVID-19 - Temporary Assistance for Needy Families	93.558			17,755,995			17,755,995
Total 93.558				\$ 617,405,961	\$ 77,769,775	\$ 0	\$ 695,175,736
Child Support Enforcement	93.563			\$ 16,939,936	\$ 118,892,141	\$	\$ 135,832,077
Child Support Enforcement Research	93.564			148	33,582		33,730
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			5,264,535	20,884,285		26,148,820
Low-Income Home Energy Assistance (Note 12)	93.568			135,919,312	12,721,751		148,641,063
COVID-19 - Low-Income Home Energy Assistance	93.568			223,749,359	7,130,892		230,880,251
Total 93.568				\$ 359,668,671	\$ 19,852,643	\$ 0	\$ 379,521,314
Community Services Block Grant	93.569			\$ 2,311,943	\$ 23,185,480	\$	\$ 25,497,423
COVID-19 - Community Services Block Grant	93.569			26,424	6,254,561		6,280,985
Total 93.569				\$ 2,338,367	\$ 29,440,041	\$ 0	\$ 31,778,408
Refugee and Entrant Assistance Wilson/Fish Program	93.583			\$ 177,976	\$ 274,738	\$	\$ 452,714
State Court Improvement Program	93.586			805,562			805,562
Community-Based Child Abuse Prevention Grants	93.590			308,711	913,140		1,221,851
Grants to States for Access and Visitation Programs	93.597			241,575			241,575
Chafee Education and Training Vouchers Program (ETV)	93.599			889,480			889,480
COVID-19 - Chafee Education and Training Vouchers Program (ETV)	93.599			1,184,000			1,184,000
Total 93.599				\$ 2,073,480	\$ 0	\$ 0	\$ 2,073,480
Adoption and Legal Guardianship Incentive Payments	93.603			\$ 776,853	\$	\$	\$ 776,853
Developmental Disabilities Basic Support and Advocacy Grants	93.630			1,751,270	1,123,931		2,875,201
COVID-19 - Developmental Disabilities Basic Support and Advocacy Grants	93.630				4,779		4,779
Total 93.630				\$ 1,751,270	\$ 1,128,710	\$ 0	\$ 2,879,980
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634			\$ 6,809	\$ 572,899	\$	\$ 579,708
Children's Justice Grants to States	93.643			409,967	75,000		484,967
Stephanie Tubbs Jones Child Welfare Services Program (Note 12)	93.645			8,462,239	40		8,462,279
COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	93.645			(124)			(124)
Total 93.645				\$ 8,462,115	\$ 40	\$ 0	\$ 8,462,155
Foster Care Title IV-E	93.658			\$ 103,532,038	\$ 6,687,894	\$	\$ 110,219,932
COVID-19 - Foster Care Title IV-E	93.658			2,832,489			2,832,489
Total 93.658				\$ 106,364,527	\$ 6,687,894	\$ 0	\$ 113,052,421

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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
Adoption Assistance	93.659			\$ 109,708,163	\$ 1,606,441	\$	\$ 111,314,604
COVID-19 - Adoption Assistance	93.659			8,686,055			8,686,055
Total 93.659				\$ 118,394,218	\$ 1,606,441	\$ 0	\$ 120,000,659
Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	93.664			\$ 752,009	\$ 511,998	\$	\$ 1,264,007
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665			13,960	1,292,841		1,306,801
Social Services Block Grant (Note 12)	93.667			122,943,204	2,804,253		125,747,457
Child Abuse and Neglect State Grants	93.669			1,542,799	158,750		1,701,549
COVID-19 - Child Abuse and Neglect State Grants	93.669			36,721			36,721
Total 93.669				\$ 1,579,520	\$ 158,750	\$ 0	\$ 1,738,270
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			\$ 112,991	\$ 3,363,236	\$	\$ 3,476,227
COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671				335,879		335,879
Total 93.671				\$ 112,991	\$ 3,699,115	\$ 0	\$ 3,812,106
John H. Chafee Foster Care Program for Successful Transition to Adulthood (Note 12)	93.674			\$ 4,165,885	\$	\$	\$ 4,165,885
COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			2,960,442			2,960,442
Total 93.674				\$ 7,126,327	\$ 0	\$ 0	\$ 7,126,327
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			\$ 2,180,546	\$ 70,209	\$	\$ 2,250,755
Children's Health Insurance Program	93.767			252,368,346	4,719,523		257,087,869
COVID-19 - Children's Health Insurance Program	93.767			14,398,778			14,398,778
Total 93.767				\$ 266,767,124	\$ 4,719,523	\$ 0	\$ 271,486,647
Opioid STR	93.788			\$ 12,757,228	\$ 24,755,675	\$	\$ 37,512,903
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796			8,073,095			8,073,095
Organized Approaches to Increase Colorectal Cancer Screening	93.800			520,084	254,825		774,909
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810			538,215			538,215
Maternal, Infant and Early Childhood Home Visiting Grant	93.870			1,863,668	5,371,961		7,235,629
COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant	93.870				444,647		444,647
Total 93.870				\$ 1,863,668	\$ 5,816,608	\$ 0	\$ 7,680,276

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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
National Bioterrorism Hospital Preparedness Program	93.889			\$ 1,746,798	\$ 4,318,910	\$	\$ 6,065,708
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889			110,556	483,234		593,790
Total 93.889				\$ 1,857,354	\$ 4,802,144	\$ 0	\$ 6,659,498
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			\$ 3,382,690	\$ 2,152,652	\$	\$ 5,535,342
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912			13,802			13,802
HIV Care Formula Grants	93.917			14,248,990	5,013,211		19,262,201
COVID-19 - HIV Care Formula Grants	93.917			(19,658)	19,658		0
Total 93.917				\$ 14,229,332	\$ 5,032,869	\$ 0	\$ 19,262,201
Special Projects of National Significance	93.928	National Alliance of State and Territorial AIDS Directors	20-SA-3215-2287	\$ 78,500	\$	\$	\$ 78,500
Special Projects of National Significance	93.928	Yale University	CON-80003388 (GR115025)	90,000			90,000
Total 93.928				\$ 168,500	\$ 0	\$ 0	\$ 168,500
HIV Prevention Activities Health Department Based	93.940			\$ 3,793,190	\$ 4,669,140	\$	\$ 8,462,330
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			1,084,499			1,084,499
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			120,206	32,696		152,902
Block Grants for Community Mental Health Services	93.958			1,078,965	19,417,952		20,496,917
COVID-19 - Block Grants for Community Mental Health Services	93.958			164,553	10,588,029		10,752,582
Total 93.958				\$ 1,243,518	\$ 30,005,981	\$ 0	\$ 31,249,499
Block Grants for Prevention and Treatment of Substance Abuse	93.959			\$ 1,982,924	\$ 48,410,107	\$	\$ 50,393,031
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959			68,607	16,376,548		16,445,155
Total 93.959				\$ 2,051,531	\$ 64,786,655	\$ 0	\$ 66,838,186
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			\$ 1,809,440	\$ 691,099	\$	\$ 2,500,539
Mental Health Disaster Assistance and Emergency Mental Health	93.982				2,245,732		2,245,732
COVID-19 - Mental Health Disaster Assistance and Emergency Mental Health	93.982			51,574	299,636		351,210
Total 93.982				\$ 51,574	\$ 2,545,368	\$ 0	\$ 2,596,942

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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
Preventive Health and Health Services Block Grant	93.991			\$ 2,948,204	\$ 2,975,165	\$	\$ 5,923,369
Maternal and Child Health Services Block Grant to the States (Note 12)	93.994			9,217,158	9,337,109		18,554,267
Vital Statistics - CDC - NCHS Contract	93.200-2012-50823*			819,529			819,529
Vital Statistics - CDC - National Death Index Contract	93.200-2015-M-62296*			102,620			102,620
Behavioral Health Services Information System Contract (Mental Health - Treatment Episode Data Set)	93.283-07-4803*	Eagle Technologies, Inc.	283-07-4803		26,491		26,491
Behavioral Health Services Information System Contract (Substance Abuse)	93.283-07-4803*	Eagle Technologies, Inc.	283-07-4803	289,641			289,641
FDA Tobacco Retail Inspection Contract	93.75F40121C00029*			1,335,930			1,335,930
Total U.S. Department of Health and Human Services				\$ 20,070,779,514	\$ 741,655,639	\$ 0	\$ 20,812,435,153
<u>U.S. Corporation for National and Community Service</u>							
AmeriCorps State Commissions Support Grant	94.003			\$ 384,177	\$ 138,596	\$	\$ 522,773
AmeriCorps State and National	94.006			76,275	9,929,771		10,006,046
Training and Technical Assistance	94.009			114,460	51,836		166,296
AmeriCorps September 11th National Day of Service and Remembrance Grants	94.012			417	120,820		121,237
AmeriCorps Volunteers In Service to America	94.013			20,000			20,000
AmeriCorps Volunteer Generation Fund	94.021			79,698	372,537		452,235
Total U.S. Corporation for National and Community Service				\$ 675,027	\$ 10,613,560	\$ 0	\$ 11,288,587
<u>Executive Office of the President</u>							
High Intensity Drug Trafficking Areas Program	95.001			\$ 2,261,200	\$	\$	\$ 2,261,200
Total Executive Office of the President				\$ 2,261,200	\$ 0	\$ 0	\$ 2,261,200
<u>Social Security Administration</u>							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001			\$ 91,379,853	\$	\$	\$ 91,379,853
Total Disability Insurance/SSI Cluster				\$ 91,379,853	\$ 0	\$ 0	\$ 91,379,853
Social Security Administration - Birth Record Contract	96.00-14-61006*			\$ 296,193	\$	\$	\$ 296,193
Social Security Administration - Death Record Contract	96.SS00-09-60016*			195,494			195,494
Total Social Security Administration				\$ 91,871,540	\$ 0	\$ 0	\$ 91,871,540
<u>U.S. Department of Homeland Security</u>							
Non-Profit Security Program	97.008			\$	\$ 737,227	\$	\$ 737,227
Boating Safety Financial Assistance	97.012			5,217,996	894,100		6,112,096
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			288,659			288,659
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 17)	97.036			1,478,689	8,943,814		10,422,503

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022
(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 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 17)	97.036			\$ 138,282,742	\$ 11,498,486	\$	\$ 149,781,228
Total 97.036				\$ 139,761,431	\$ 20,442,300	\$ 0	\$ 160,203,731
Hazard Mitigation Grant	97.039			\$ 236,511	\$ 5,313,778	\$	\$ 5,550,289
National Dam Safety Program	97.041			88,478			88,478
Emergency Management Performance Grants	97.042			9,387,564	3,688,494		13,076,058
State Fire Training Systems Grants	97.043			6,138			6,138
Cooperating Technical Partners	97.045			263,385			263,385
BRIC: Building Resilient Infrastructure and Communities	97.047			333,856	2,130,077		2,463,933
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			2,330,049			2,330,049
Homeland Security Grant Program	97.067			2,008,336	8,733,606		10,741,942
Homeland Security Grant Program	97.067	Monroe County	EMW2020SS00044	10,926			10,926
Total 97.067				\$ 2,019,262	\$ 8,733,606	\$ 0	\$ 10,752,868
Disaster Assistance Projects	97.088			\$ 579,079	\$	\$	\$ 579,079
Homeland Security Biowatch Program	97.091			1,532,774			1,532,774
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132			27,139			27,139
HSI - Task Force Officer	97.*			47,535			47,535
Total U.S. Department of Homeland Security				\$ 162,119,856	\$ 41,939,582	\$ 0	\$ 204,059,438
Other Federal Assistance							
COVID-19 - Housing Stability Counseling Program	99.U19			\$ 44,797	\$	\$	\$ 44,797
Total Other Federal Assistance				\$ 44,797	\$ 0	\$ 0	\$ 44,797
Total Financial Assistance				\$ 30,312,244,114	\$ 6,030,359,420	\$ 4,303,917	\$ 36,346,907,451
Total Non-Cash Assistance				\$ 1,057,229,705	\$ 132,054,477	\$ 0	\$ 1,189,284,182
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 31,369,473,819	\$ 6,162,413,897	\$ 4,303,917	\$ 37,536,191,633

* 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 2022. 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 2022 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, 2022. In addition, some of the programs noted below also include other State agencies' expenditures, which are reported as of September 30, 2022.

Assistance Listing Number (ALN)	Federal Program Title	MSHDA Expenditures as of June 30, 2022	Other State Agencies' Expenditures as of September 30, 2022	Total (as Reported on the SEFA)
14.169	Housing Counseling Assistance Program	\$ 510,519	\$ 0	\$ 510,519
14.182	Section 8 - Contract Administration	\$ 395,724,268	\$ 0	\$ 395,724,268
14.182	Section 8 - New Construction/ Substantial Rehabilitation	\$ 9,061,772	\$ 0	\$ 9,061,772
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 156,929	\$ 22,134,000	\$ 22,290,929

Assistance Listing Number (ALN)	Federal Program Title	MSHDA Expenditures as of June 30, 2022	Other State Agencies' Expenditures as of September 30, 2022	Total (as Reported on the SEFA)
14.231	Emergency Solutions Grant Program	\$ 3,111,366	\$ 0	\$ 3,111,366
14.231	COVID-19 - Emergency Solutions Grant Program	\$ 18,190,703	\$ 75,864	\$ 18,266,567
14.239	Home Investment Partnerships Program	\$ 11,681,248	\$ 0	\$ 11,681,248
14.258	Tax Credit Assistance Program	\$ 1,855,000	\$ 0	\$ 1,855,000
14.267	Continuum of Care Program	\$ 1,776,688	\$ 7,652,551	\$ 9,429,239
14.275	Housing Trust Fund	\$ 8,151,306	\$ 0	\$ 8,151,306
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	\$ 824,616	\$ 0	\$ 824,616
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	\$ 1,011,205	\$ 0	\$ 1,011,205
14.871	Section 8 Housing Choice Vouchers	\$ 214,920,601	\$ 0	\$ 214,920,601
14.871	COVID-19 - Section 8 Housing Choice Vouchers	\$ 3,995,558	\$ 0	\$ 3,995,558
14.879	Mainstream Vouchers	\$ 804,255	\$ 0	\$ 804,255
14.896	Family Self-Sufficiency Program	\$ 1,123,384	\$ 0	\$ 1,123,384
21.019	COVID-19 - Coronavirus Relief Fund	\$ 191,533	\$ 221,551,171	\$ 221,742,704
21.023	COVID-19 - Emergency Rental Assistance Program	\$ 712,175,718	\$ 0	\$ 712,175,718
21.026	COVID-19 - Homeowner Assistance Fund	\$ 22,572,779	\$ 0	\$ 22,572,779
99.U19	COVID-19 - Housing Stability Counseling Program	\$ 44,797	\$ 0	\$ 44,797

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 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, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs

Federal expenditures of \$159,269,707 for the Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs (ALN 20.106) channeled to primary airports for fiscal year 2022 are not included in the SEFA. Included in this amount are Coronavirus Aid, Relief, and Economic Security (CARES) Act expenditures totaling \$15,636,435, Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) expenditures totaling \$45,384,922, and American Rescue Plan Act of 2021 expenditures totaling \$20,259,197. 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 20.2% 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 2022 were \$71,873.

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, 2022, 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 \$568,431,109. In addition, as

of September 30, 2022, \$191,234,375 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 2022.

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:

Annual Default Rate	Federal Reinsurance
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 2022 was:

Federal Program Title	ALN	Federal Expenditures
Federal Family Education Loans - Guaranty Agency	84.032G	
Beginning of fiscal year balance - Loans from prior years		\$ 716,754,632
Loan loss reinsured by USDOE		42,731,096
Account maintenance fees		552,736
Loan recoveries - Net of amounts returned to USDOE		177,288
Reimbursement of loss revenue from collections pause		11,204,625
Total Federal Family Education Loans - Guaranty Agency		<u>\$ 771,420,377</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 2022 was:

Federal Program Title	ALN	Federal Expenditures
Federal Family Education Loans - Lender	84.032L	
Beginning of fiscal year balance - Loans from prior years		\$ 241,124,947
Interest subsidy payments		422,471
Special allowance payments		(2,351,390)
Total Federal Family Education Loans - Lender		<u>\$ 239,196,028</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).

MaryLee Allen Promoting Safe and Stable Families Program (ALN 93.556)	\$ 2,064,043
Low-Income Home Energy Assistance (ALN 93.568)	\$ 6,233,358
Stephanie Tubbs Jones Child Welfare Services Program (ALN 93.645)	\$ 5,862,371
Social Services Block Grant (ALN 93.667)	\$ 164,603,379
John H. Chafee Foster Care Program for Successful Transition to Adulthood (ALN 93.674)	\$ 4,170,605
Maternal and Child Health Services Block Grant to the States (ALN 93.994)	\$ 38,015,872

- 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 \$8,300,000 of the TANF grant award to the Child Care and Development Block Grant (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 \$872,484 and Medicaid revenue totaling \$7,004,131 in fiscal year 2022. 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 200.1 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
Interjurisdictional Fisheries Act of 1986	11.407	\$ 16,022
Fish and Wildlife Management Assistance	15.608	37,636
Wildlife Restoration and Basic Hunter Education	15.611	833,378
State Wildlife Grants	15.634	397,812
Highway Research and Development Program	20.200	1,336,502
Highway Planning and Construction	20.205	6,225,844
Geographic Programs - Great Lakes Restoration Initiative	66.469	66,594
Maternal and Child Health Federal Consolidated Programs	93.110	41,000
Trans-NIH Research Support	93.310	64,106
Child Care and Development Block Grant	93.575	400
Total R&D Expenditures		<u>\$ 9,019,294</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 \$1,511,627,411 of emergency allotment benefits.

Note 17 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

The expenditures reported for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program (ALN 97.036) include \$970,396 related to reclassification of expenditures incurred in the prior year. The SEFA does not include \$221,507,143 of expenditures incurred in fiscal year 2022 for which funds have not yet been obligated by the Federal Emergency Management Agency (FEMA). These expenditures will be included on the SEFA in the fiscal year in which the funds are obligated by FEMA.

Note 18 Funding Sources Within the Child Care and Development Fund (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	\$ 162,982,778
CCDF CARES Act	793,199,264
CCDF CRRSAA	288,321,524
Child Care Mandatory and Matching Funds of the CCDF	80,529,100
CCDF American Rescue Plan Supplemental	17,708,683
TANF	8,300,000
Total CCDF Cluster Expenditures	<u>\$ 1,351,041,349</u>

INDEPENDENT AUDITOR'S REPORT



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

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

Qualified and Unmodified Opinions

We have audited the State of Michigan's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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, which expended \$1.2 billion in federal awards that are not included in the schedule of expenditures of federal awards for the fiscal year ended September 30, 2022. Our audit, described below, did not include the operations of these universities because they obtained separate audits in accordance with the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

Assistance Listing Number(s)	Program or Cluster	Percent Audited by Other Auditors	Total Expenditures
17.225	Unemployment Insurance, including COVID-19	100%	\$1,124,857,046
93.575 and 93.596	CCDF Cluster, including COVID-19	0.3%	\$1,351,041,749

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 table in the *Matters Giving Rise to Qualified Opinions on Certain Major Federal Programs* 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 *Matters Giving Rise to Qualified Opinions on Certain Major Federal Programs* section for the fiscal year ended September 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, 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, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Michigan and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we and other auditors have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions 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 and Special Tests and Provisions - EBT Reconciliations	2022-006 2022-028
U.S. Department of Agriculture	10.565, 10.568, and 10.569	Food Distribution Cluster, including COVID-19	Special Tests and Provisions - Accountability for USDA Foods	2022-030
U.S. Department of Labor	17.225	Unemployment Insurance, including COVID-19	Allowable Costs/Cost Principles and Eligibility	2022-062
U.S. Department of Education	84.425	Education Stabilization Fund, including COVID-19	Subrecipient Monitoring	2022-018 2022-042
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; and Matching, Level of Effort, and Earmarking	2022-044

Federal Awarding Agency	Assistance Listing Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
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	2022-006 2022-017 2022-019 2022-025
U.S. Department of Health and Human Services	93.268	Immunization Cooperative Agreements, including COVID-19	Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization	2022-053
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families, including COVID-19	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	2022-006 2022-054
U.S. Department of Health and Human Services	93.568	Low-Income Home Energy Assistance, including COVID-19	Eligibility	2022-057

Federal Awarding Agency	Assistance Listing Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
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; Reporting; Special Tests and Provisions - Managed Care Financial Audit	2022-006 2022-017 2022-019 2022-020 2022-025

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2022-015, 2022-023, 2022-031, 2022-041, 2022-046, 2022-047, 2022-048, 2022-049, and 2022-050. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit. The response 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 other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not 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 2022-004, 2022-006, 2022-017, 2022-018, 2022-019, 2022-020, 2022-025, 2022-028, 2022-030, 2022-042, 2022-044, 2022-053, 2022-054, and 2022-057 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 2022-001, 2022-002, 2022-003, 2022-005, 2022-007, 2022-008, 2022-009, 2022-010, 2022-011, 2022-012, 2022-013, 2022-014, 2022-015, 2022-016, 2022-017, 2022-018, 2022-020, 2022-021, 2022-022, 2022-023, 2022-024, 2022-026, 2022-027, 2022-029, 2022-031, 2022-032, 2022-033, 2022-034, 2022-035, 2022-036, 2022-037, 2022-038, 2022-039, 2022-040, 2022-041,

2022-043, 2022-045, 2022-046, 2022-047, 2022-048, 2022-049, 2022-050, 2022-051, 2022-052, 2022-055, 2022-056, 2022-058, 2022-059, 2022-060, and 2022-061 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our audit. The response 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 other 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, 2022 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated March 29, 2023, 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 by us and other auditors.

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,



Doug Ringler
Auditor General
June 23, 2023

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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	Qualified
10.542	Pandemic EBT Food Benefits, including COVID-19	Unmodified
10.558	Child and Adult Care Food Program, including COVID-19	Unmodified
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, including COVID-19	Unmodified
16.575	Crime Victim Assistance	Unmodified
17.258, 17.259, and 17.278	WIOA Cluster	Unmodified
20.509	Formula Grants for Rural Areas and Tribal Transit Program, including COVID-19	Unmodified
21.019	Coronavirus Relief Fund, including COVID-19	Unmodified
21.023	Emergency Rental Assistance Program, including COVID-19	Unmodified
21.026	Homeowner Assistance Fund, including COVID-19	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery Funds, including COVID-19	Unmodified
81.042	Weatherization Assistance for Low-Income Persons	Unmodified
84.027 and 84.173	Special Education Cluster (IDEA), including COVID-19	Unmodified
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Unmodified
84.425	Education Stabilization Fund, including COVID-19	Qualified
93.044, 93.045, and 93.053	Aging Cluster, including COVID-19	Unmodified
93.575 and 93.596	CCDF Cluster, including COVID-19	Qualified
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	Unmodified
93.558	Temporary Assistance for Needy Families, including COVID-19	Qualified
93.568	Low-Income Home Energy Assistance, including COVID-19	Qualified
93.658	Foster Care - Title IV-E, including COVID-19	Unmodified
93.659	Adoption Assistance, including COVID-19	Unmodified

* See glossary at end of report for definition.

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion
93.667	Social Services Block Grant	Unmodified
93.767	Children's Health Insurance Program, including COVID-19	Qualified
93.959	Block Grants for Prevention and Treatment of Substance Abuse, including COVID-19	Unmodified
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters), including COVID-19	Unmodified

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

Dollar threshold used to distinguish between type A and type B programs: \$56,304,287

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 the established control structure would provide a high probability that material federal program noncompliance would be prevented or detected and corrected. This requires the auditor to 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 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* greater than \$25,000 for a type of compliance requirement for a major program and known questioned costs less than \$25,000 for a type of compliance requirement for a major program if it is likely total questioned costs would exceed \$25,000.

As a result of these low required reporting thresholds, the reader may note, 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 207.

* 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* (071-0010-23), located at:

[<audgen.michigan.gov/wp-content/uploads/2023/05/r071001023-8479.pdf>](http://audgen.michigan.gov/wp-content/uploads/2023/05/r071001023-8479.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 2022-001

Confidential Information in SIGMA*

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	National Guard Military Operations and Maintenance (O&M) Projects: ALN 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-16-2-1002 10/01/2016 - 12/31/2017</p> <p>W912JB-17-2-1001 10/01/2016 - 09/30/2017</p> <p>W912JB-17-2-1001 10/01/2017 - 09/30/2018</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-18-2-1000 10/01/2017 - 09/30/2018</p> <p>W912JB-18-2-1002 10/01/2017 - 09/30/2018</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-19-2-1000 10/01/2018 - 09/30/2019</p> <p>W912JB-19-2-1001 10/01/2018 - 09/30/2019</p> <p>W912JB-19-2-1002 10/01/2018 - 09/30/2019</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-20-2-1000 10/01/2019 - 09/30/2020</p> <p>W912JB-20-2-1001 10/01/2019 - 09/30/2020</p> <p>W912JB-20-2-1002 10/01/2019 - 09/30/2020</p> <p>W912JB-20-2-1021 10/01/2019 - 09/30/2020</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-21-2-1000 10/01/2020 - Until Changed</p> <p>W912JB-21-2-1001 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1002 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1004 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1005 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1007 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1021 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1023 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1024 10/01/2020 - 09/30/2021</p>

* See glossary at end of report for definition.

FAIN and Year (Continued)	Master Cooperative Agreement and Related Appendices:	
	W912JB-22-2-1000	10/01/2021 - 09/30/2022
	W912JB-22-2-1001	10/01/2021 - 09/30/2022
	W912JB-22-2-1002	10/01/2021 - 09/30/2022
	W912JB-22-2-1003	10/01/2021 - 09/30/2022
	W912JB-22-2-1004	10/01/2021 - 09/30/2022
	W912JB-22-2-1005	10/01/2021 - 09/30/2022
	W912JB-22-2-1007	10/01/2021 - 09/30/2022
	W912JB-22-2-1008	10/01/2021 - 09/30/2022
	W912JB-22-2-1010	10/01/2021 - 09/30/2022
	W912JB-22-2-1011	10/01/2021 - 09/30/2022
	W912JB-22-2-1014	10/01/2021 - 09/30/2022
	W912JB-22-2-1021	10/01/2021 - 09/30/2022
	W912JB-22-2-1022	10/01/2021 - 09/30/2022
	W912JB-22-2-1023	10/01/2021 - 09/30/2022
	W912JB-22-2-1024	10/01/2021 - 09/30/2022
	W912JB-22-2-1030	10/01/2021 - 09/30/2022
	W912JB-22-2-1031	10/01/2021 - 09/30/2022
	W912JB-22-2-1040	10/01/2021 - 09/30/2022
	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3076	10/01/2016 - 09/30/2022
	W912JB-21-2-3076	10/01/2020 - 09/30/2021
	W912JB-22-2-3076	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards		\$74,233,891
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		Not Applicable
State Agency		Department of Military and Veterans Affairs

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 - 12/31/2022
	SLT0247	03/01/2020 - 12/31/2022
Total Expenditures of Federal Awards		\$221,742,704
Total COVID-19 Expenditures		\$221,742,704
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 State Police

Condition

The Department of Military and Veterans Affairs (DMVA) and the Michigan Department of State Police (MSP) included user identification (ID) numbers, deemed confidential information by the Department of Technology, Management, and Budget (DTMB) policy, within document attachments when entering program expenditures in the Statewide Integrated Governmental Management Applications (SIGMA).

Criteria

Title 2, Part 200, section 303(e) of the *Code of Federal Regulations** (CFR) requires 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 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. The policy also requires State agencies to identify and classify their information assets based on sensitivity, criticality, and risk.

State of Michigan (SOM) Technical Standard 1340.00.150.02 provides a data classification framework, including examples of confidential and restricted data, to assist State agencies in protecting the confidentiality, integrity, and availability of their systems and information. DTMB Administrative Policy 900.01, last revised in November 2016, established a data classification framework for its information assets, which includes SIGMA. Also, the policy defines and provides examples of confidential data, such as user IDs.

Cause

SIGMA users were unaware of the DTMB policy identifying user ID as confidential information. When DTMB Administrative Policy 900.01 was originally drafted, user ID was included as an example since the data element could be considered confidential by an organization unit.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend DMVA and MSP adhere to established DTMB policies for confidential information in SIGMA.

Management Views

DMVA and MSP disagree that confidential information was included in SIGMA. Follow-up with DTMB confirmed that user ID is not considered confidential data at the DTMB enterprise level.

Auditor's Comments to Management Views*

In June 2023, subsequent to our review, DTMB revised the DTMB Administrative Policy 900.01. These revisions do not negate that a significant deficiency existed in fiscal year 2022.

Therefore, the finding stands as written.

* See glossary at end of report for definition.

FINDING 2022-002
SIGMA High-Risk Activity Monitoring

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	National Guard Military Operations and Maintenance (O&M) Projects: ALN 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and Related Appendices: W912JB-16-2-1000 10/01/2015 - 09/30/2020 W912JB-16-2-1002 10/01/2016 - 12/31/2017 W912JB-17-2-1001 10/01/2016 - 09/30/2017 W912JB-17-2-1001 10/01/2017 - 09/30/2018</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-18-2-1000 10/01/2017 - 09/30/2018 W912JB-18-2-1002 10/01/2017 - 09/30/2018</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-19-2-1000 10/01/2018 - 09/30/2019 W912JB-19-2-1001 10/01/2018 - 09/30/2019 W912JB-19-2-1002 10/01/2018 - 09/30/2019</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-20-2-1000 10/01/2019 - 09/30/2020 W912JB-20-2-1001 10/01/2019 - 09/30/2020 W912JB-20-2-1002 10/01/2019 - 09/30/2020 W912JB-20-2-1021 10/01/2019 - 09/30/2020</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-21-2-1000 10/01/2020 - Until Changed W912JB-21-2-1001 10/01/2020 - 09/30/2021 W912JB-21-2-1002 10/01/2020 - 09/30/2021 W912JB-21-2-1004 10/01/2020 - 09/30/2021 W912JB-21-2-1005 10/01/2020 - 09/30/2021 W912JB-21-2-1007 10/01/2020 - 09/30/2021 W912JB-21-2-1021 10/01/2020 - 09/30/2021 W912JB-21-2-1023 10/01/2020 - 09/30/2021 W912JB-21-2-1024 10/01/2020 - 09/30/2021</p> <p>Master Cooperative Agreement and Related Appendices: W912JB-22-2-1000 10/01/2021 - 09/30/2022 W912JB-22-2-1001 10/01/2021 - 09/30/2022 W912JB-22-2-1002 10/01/2021 - 09/30/2022 W912JB-22-2-1003 10/01/2021 - 09/30/2022 W912JB-22-2-1004 10/01/2021 - 09/30/2022 W912JB-22-2-1005 10/01/2021 - 09/30/2022 W912JB-22-2-1007 10/01/2021 - 09/30/2022 W912JB-22-2-1008 10/01/2021 - 09/30/2022 W912JB-22-2-1010 10/01/2021 - 09/30/2022 W912JB-22-2-1011 10/01/2021 - 09/30/2022 W912JB-22-2-1014 10/01/2021 - 09/30/2022 W912JB-22-2-1021 10/01/2021 - 09/30/2022 W912JB-22-2-1022 10/01/2021 - 09/30/2022 W912JB-22-2-1023 10/01/2021 - 09/30/2022 W912JB-22-2-1024 10/01/2021 - 09/30/2022 W912JB-22-2-1030 10/01/2021 - 09/30/2022 W912JB-22-2-1031 10/01/2021 - 09/30/2022 W912JB-22-2-1040 10/01/2021 - 09/30/2022</p>

FAIN and Year (Continued)	Special Military Project Cooperative Agreements: W912JB-17-2-3076 10/01/2016 - 09/30/2022 W912JB-21-2-3076 10/01/2020 - 09/30/2021 W912JB-22-2-3076 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$74,233,891
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Department of Military and Veterans Affairs and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of 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 - 12/31/2022 SLT0247 03/01/2020 - 12/31/2022
Total Expenditures of Federal Awards	\$221,742,704
Total COVID-19 Expenditures	\$221,742,704
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 Agencies	Michigan Department of State Police and Department of Technology, Management, and Budget

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 4607DRMIP00000001 07/15/2021
Total Expenditures of Federal Awards	\$160,203,731
Total COVID-19 Expenditures	\$149,781,228
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 Agencies	Michigan Department of State Police and Department of Technology, Management, and Budget

Condition

DTMB did not sufficiently monitor the DMVA and MSP high-risk activity reports to ensure users performed only authorized bypass and override actions in SIGMA. We noted DTMB did not perform the high-risk activity monitoring in a timely manner for all 6 sampled reports. DTMB

provided evidence it reviewed the reports; however, on average, these reviews were completed 313 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 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 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 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

DTMB informed us a lack of oversight prevented the timely review of high-risk activity reports, and it has since reassigned staff responsibilities accordingly.

Effect

Individuals may have made inappropriate bypass or override actions in SIGMA that were not detected in a timely manner. As a result, an increased risk exists that DTMB did not identify inappropriate or high-risk activity associated with SIGMA transactions.

Known Questioned Costs

None.

Recommendation

We recommend DTMB sufficiently monitor the DMVA and MSP high-risk activity reports to ensure users performed only authorized bypass and override actions in SIGMA.

Management Views

DTMB agrees with the finding.

FINDING 2022-003

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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022
	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022

FAIN and Year (Continued)	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	
Total COVID-19 Expenditures	\$14,710,415	
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	2021-003	
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	\$708,412,299	
Total COVID-19 Expenditures	\$708,412,299	
Compliance Requirement(s)	Activities Allowed or Unallowed, Eligibility, and Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-003	
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	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	2001MICCC3	03/27/2020 - 09/30/2023
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCC5	12/27/2020 - 09/30/2023
	2101MICDC6	10/01/2020 - 09/30/2024
	2101MICCDF	10/01/2020 - 09/30/2023
	2101MICSC6	10/01/2020 - 09/30/2023
	2201MICCDF	10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749	
Total COVID-19 Expenditures	\$1,099,229,471	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-003	
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	2205MI5MAP 2205MI5ADM 2205MIINCT 2205MIIMPL	10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2021-003	
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 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF 22 01 MI TANF	10/01/2020 - Until Expended 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736	
Total COVID-19 Expenditures	\$17,755,995	
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	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-003	
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	2101MIE5C6 2101MILIEA 2201MILIEA 2201MILIEI	03/11/2021 - 09/30/2022 10/01/2020 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314	
Total COVID-19 Expenditures	\$230,880,251	
Compliance Requirement(s)	Eligibility	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-003	
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2021-003
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

The Michigan Department of Health and Human Services (MDHHS) and DTMB did not always ensure its interface controls over the Bridges Integrated Automated Eligibility Determination System* (Bridges) data exchanges were operating as prescribed. MDHHS uses Bridges for determining eligibility and benefit amounts for food assistance, cash assistance, child care assistance, medical assistance, and emergency assistance programs. We noted:

- a. DTMB did not ensure the file control and batch summary tables used to reconcile Bridges interfaces consistently represented control totals of information processed for 1 of the 9 interfaces sampled. For this 1 interface, we sampled 27 daily files and noted 2 (7%) files did not reconcile.
- 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 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 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.

* See glossary at end of report for definition.

Cause

For part a., DTMB informed us because of a coding issue, record counts were inappropriately duplicated and the exceptions were not caught during development.

For part b., MDHHS informed us staffing limitations and the COVID-19* state of emergency resulted in many priorities being shifted to support emergency activities.

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.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS and DTMB ensure its interface controls over Bridges data exchanges are operating as prescribed.

Management Views

DTMB disagrees with part a. of the finding. MDHHS agrees with part b. of the finding.

For part a., DTMB disagrees the interface over the Bridges Integrated Automated Eligibility Determination System (Bridges) data exchanges is not operating as needed. For one interface, the auditors sampled 27 different daily batches, including 9,945 records, and only four records (.04 percent) were cited by the auditors as having inconsistencies. DTMB reviewed these four records and determined they were processed in accordance with business rules and the reporting inconsistency identified did not impact the accuracy of the reconciliation. Additionally, the auditors did not identify inconsistencies in the other eight interfaces sampled across multiple days, which totaled more than 2.95 million records. Therefore, the interface controls are effective and reasonably ensure that data transferred from a source system to a receiving system is processed accurately, completely, and timely.

Auditor's Comments to Management Views

Regarding part a., contrary to DTMB's views, interface controls are established at a specific data file level and not based on the total number of records or errors identified over a series of data file transfers. FISCAM recommends interface controls should reasonably ensure data transferred from a source system to a receiving system is processed accurately, completely, and timely. We determined the errors noted in part a. of the finding occurred on multiple daily files. Also, DTMB did not provide documentation that it timely reviewed the interface exceptions.

Therefore, the finding stands as written.

FINDING 2022-004

Bridges Security Management and Access Controls*

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable

* See glossary at end of report for definition.

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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022
	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022
	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	
Total COVID-19 Expenditures	\$14,710,415	
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	2021-004	
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	\$708,412,299	
Total COVID-19 Expenditures	\$708,412,299	
Compliance Requirement(s)	Activities Allowed or Unallowed, Eligibility, and Reporting	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-004	
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	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	2001MICCC3	03/27/2020 - 09/30/2023
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCC5	12/27/2020 - 09/30/2023
	2101MICDC6	10/01/2020 - 09/30/2024
	2101MICCDF	10/01/2020 - 09/30/2023
	2101MICSC6	10/01/2020 - 09/30/2023
	2201MICCDF	10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749	
Total COVID-19 Expenditures	\$1,099,229,471	
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	2021-004
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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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	2021-004
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 and 93.558 (COVID-19)
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF 10/01/2020 - Until Expended 22 01 MI TANF 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736
Total COVID-19 Expenditures	\$17,755,995
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	2021-004
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	2101MIE5C6 03/11/2021 - 09/30/2022 2101MILIEA 10/01/2020 - 09/30/2022 2201MILIEA 10/01/2021 - 09/30/2022 2201MILIEI 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314

Total COVID-19 Expenditures	\$230,880,251
Compliance Requirement(s)	Eligibility
Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-004
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	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2021-004
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 32 (80%) of the 40 sampled Bridges incompatible role exception requests. Of the 8 forms received, we noted MDHHS did not properly approve all 8 forms prior to granting the exception requests.
- b. MDHHS did not maintain documentation for 25 (31%) of 80 sampled local office security monitoring reports. Also, MDHHS did not complete timely reviews for 2 (4%) of 55 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 MDHHS did not properly approve 5 (13%) forms prior to granting access to Bridges.
- e. MDHHS did not monitor non-local office Bridges user accounts for compliance with account management requirements semiannually for privileged users or annually for all other users.

* See glossary at end of report for definition.

- f. MDHHS did not maintain documentation for 11 (55%) of the 20 sampled local office high-risk Bridges transaction monitoring reports. Of the 9 reports received, MDHHS did not complete the review timely or did not document its review date for 3 (33%) of the reports.
- g. MDHHS did not perform reviews for 2 (8%) of 24 sampled non-local office high-risk Bridges transaction reports. Of the 22 reports received, MDHHS did not properly document its review and review date for 4 (18%) 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 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 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 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 separation of duties must be implemented through assigned information system access authorizations and 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 compensating controls, such as additional monitoring and supervision, should be in place where segregation of duties* conflicts exist.

Cause

For part a., MDHHS informed us 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 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 it had not fully implemented all database specific configuration standards during our audit period because it was developing an organization-wide security framework for database security configuration management which was approved for implementation subsequent to September 30, 2022.

For part d., MDHHS informed us internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies and procedures.

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

* See glossary at end of report for definition.

For part g., MDHHS informed us it did not perform separate reviews for each type of high-risk transaction prior to February 2022. Also, MDHHS indicated staff oversight and competing priorities impacted its ability to timely review the reports.

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, Pandemic Electronic Benefits Transfer (P-EBT) Food Benefits, CCDF Cluster, Medicaid Cluster, Temporary Assistance for Needy Families (TANF), Low-Income Home Energy Assistance Program (LIHEAP), and Children's Health Insurance Program (CHIP).

Known Questioned Costs

None.

Recommendation

We recommend 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., although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are 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

Regardless of whether DTMB and MDHHS completed their documentation of the standards, we noted and they concurred they had not fully implemented those standards; therefore, the potential vulnerabilities and security risk still exist.

The finding stands as written.

FINDING 2022-005

Bridges Change Management Process

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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022

FAIN and Year (Continued)	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022
	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	
Total COVID-19 Expenditures	\$14,710,415	
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	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

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	\$708,412,299	
Total COVID-19 Expenditures	\$708,412,299	
Compliance Requirement(s)	Activities Allowed or Unallowed, Eligibility, and 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	

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	2001MICCC3	03/27/2020 - 09/30/2023
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCC5	12/27/2020 - 09/30/2023
	2101MICDC6	10/01/2020 - 09/30/2024
	2101MICCDF	10/01/2020 - 09/30/2023
	2101MICSC6	10/01/2020 - 09/30/2023
	2201MICCDF	10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749	
Total COVID-19 Expenditures	\$1,099,229,471	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements and Fraud Detection and Repayment	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services	

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

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	2205MI5MAP 2205MI5ADM 2205MIINCT 2205MIIMPL	10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF 22 01 MI TANF	10/01/2020 - Until Expended 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736	
Total COVID-19 Expenditures	\$17,755,995	
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	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	Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2101MIE5C6 2101MILIEA 2201MILIEA 2201MILIEI	03/11/2021 - 09/30/2022 10/01/2020 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314	
Total COVID-19 Expenditures	\$230,880,251	
Compliance Requirement(s)	Eligibility	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

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	2105MI5021 2205MI5021	10/01/2020 - 09/30/2022 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647	
Total COVID-19 Expenditures	\$14,398,778	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not fully implement an effective change management process over Bridges. Our review disclosed MDHHS did not document post-implementation approvals for 3 (12%) of 25 sampled Bridges change records.

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 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 the business owner perform post-implementation validation. SOM Technical Procedure 1340.00.060.04.01 requires each test type to 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 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 Bridges. As a result, an increased risk exists that MDHHS cannot ensure Bridges is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-006**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	<div>EBT - 2021 10/01/2020 - 09/30/2021</div> <div>EBT - 2022 10/01/2021 - 09/30/2022</div> <div>222MI004F1003 10/21/2021 - 09/30/2022</div> <div>222MI100S2514 10/01/2021 - 09/30/2022</div> <div>222MI100S2519 10/01/2021 - 09/30/2022</div> <div>222MI100S2520 10/01/2021 - 09/30/2022</div> <div>222MI100S8026 10/01/2021 - 09/30/2022</div> <div>222MI100S8036 10/01/2021 - 09/30/2022</div> <div>222MI100S9018 10/01/2021 - 09/30/2022</div> <div>222MI122Q7503 10/01/2021 - 09/30/2022</div> <div>222MI123Q3903 10/01/2021 - 09/30/2023</div>
Total Expenditures of Federal Awards	\$4,127,207,855
Total COVID-19 Expenditures	\$14,710,415
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	2021-005
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19)
Federal Award Identification Number (FAIN) and Year	<div>2205MI5MAP 10/01/2021 - 09/30/2022</div> <div>2205MI5ADM 10/01/2021 - 09/30/2022</div> <div>2205MIINCT 10/01/2021 - 09/30/2022</div> <div>2205MIIMPL 10/01/2021 - 09/30/2022</div>
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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	2021-005
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558 and 93.558 (COVID-19)
Federal Award Identification Number (FAIN) and Year	<div>21 01 MI TANF 10/01/2020 - Until Expended</div> <div>22 01 MI TANF 10/01/2021 - Until Expended</div>
Total Expenditures of Federal Awards	\$695,175,736
Total COVID-19 Expenditures	\$17,755,995

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	2021-005
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2021-005
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. For 6 (43%) of 14 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 14 (23%) of 60 cases.
- b. For 3 (21%) of 14 IEVS interfaces, MDHHS did not take timely action on IEVS information in 9 (15%) of 60 cases reviewed, all of which are also reported in part a.
- c. MDHHS had not established a process to review and monitor the electronic notifications provided to county/district office caseworkers to ensure they utilized the IEVS

information to determine the recipients' eligibility. For all 11 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.

- d. 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 for TANF adoption subsidies.
- e. MDHHS and DTMB did not obtain the Public Assistance Reporting Information System interstate match during the first quarter of the audit period.
- f. 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 and MiChild programs in the applicable IEVS interfaces conducted during the audit period.
- g. Although MDHHS has established a process to identify substantial lottery winners, MDHHS did not establish a data match process to identify public assistance recipients who have won substantial gambling winnings.

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. Also, federal regulation 7 *CFR* 272.17 requires each state agency, to the maximum extent practicable, to establish cooperative agreements with gaming entities within its state to identify members of certified households who have substantial lottery or gambling winnings. Further, federal regulation 7 *CFR* 273.12 requires any substantial lottery or gambling winnings to be reported within 10 days of the change occurring, and federal regulation 7 *CFR* 273.11(r) requires immediate termination of food assistance program benefits for any household with substantial lottery or gambling winnings.

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, Social Security Administration 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 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 parts a. through c., 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 d., MDHHS informed us it did not yet establish and implement the applicable IEVS interfaces to validate income, social security number, criminal background, or citizenship.

For part e., DTMB informed us it did not receive the file back from its external partner.

For part f., MDHHS believes 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 and MiChild programs in the applicable IEVS data exchanges.

For part g., MDHHS stated the number of gaming entities within the State has contributed to the complexity of developing a data match process related to gambling winnings. Also, MDHHS believed that, since it has implemented a process for lottery winners, it has generally complied with the requirements.

Effect

We consider this to be a material weakness and material noncompliance because of the high error rates in our testing and the incomplete data matches noted. As a result, MDHHS may have provided the SNAP Cluster, Medicaid Cluster, TANF, and CHIP benefits to ineligible recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Undeterminable.

Recommendations

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

We also recommend 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 c., d., e., and g. of the finding. MDHHS and DTMB disagree with parts a., b., and f. of the finding.

For parts a. and b., MDHHS agrees with the recommendations. However, MDHHS disagrees with the exceptions identified for 1 of the 6 cited interfaces. For one interface, that impacted three cases, the interface updated appropriately as designed where needed. The interface did not need to update the case for citizenship and worker action was not required because citizenship was verified appropriately using another method and citizenship was not in question.

For part f., MDHHS disagrees that Income Eligibility 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.

Auditor's Comments to Management Views

Regarding parts a. and b., MDHHS could not provide support its interface appropriately updated the case record. During our fieldwork, MDHHS reviewed these cases and determined that citizenship was not in question. However, this review did not support its interface operated as intended.

Regarding part f., federal regulations 42 *CFR* 435.916(a), 42 *CFR* 435.948, and 42 *CFR* 435.952 require the State to use reliable information or information available to the State, including information accessed through databases, to determine or renew a Medicaid recipient eligibility. Similarly, federal regulations 42 *CFR* 457.343 and 42 *CFR* 457.380(d) require the use of such databases to determine or renew CHIP recipient eligibility. MDHHS requested IEVS data for Medicaid recipients, including certain MAGI-based recipients, but did not include all MAGI-based recipients in its IEVS data exchanges at application and redetermination. Further, 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 and MiChild 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 2022-007 **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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022
	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022
	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	

Total COVID-19 Expenditures	\$14,710,415
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	2021-006
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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - ADP Risk Analysis and System Security Review
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-006
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	Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2101MIFOST 10/01/2020 - 09/30/2021 2201MIFOST 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$113,052,421
Total COVID-19 Expenditures	\$2,832,489
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	2021-006
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

MDHHS and DTMB did not ensure a comprehensive ADP security program was fully implemented for information systems used to administer their federal programs. We reviewed 6 significant systems and noted:

- a. MDHHS did not include all critical elements in the business continuity plan (BCP) for 1 system during fiscal year 2022, such as annual review and testing of the plan.

- b. MDHHS and DTMB did not update, review, or test the disaster recovery plan (DRP) for 1 system during fiscal year 2022, and there was not sufficient documentation to support critical elements for the DRP of a separate system, such as annual testing.
- c. MDHHS and DTMB did not complete all necessary updates to the system security plan for 3 systems during fiscal year 2022, including not updating the risk assessment for 2 of those systems which resulted in the expiration of the authority to operate (ATO) for the 3 systems.

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.

SOM Technical Standard 1340.00.070.02 requires DRPs to be updated, reviewed, and tested annually. The Standard also requires documenting test results in the DRP.

Cause

MDHHS and DTMB indicated that resources were focused on meeting federal and State mandates while maintaining operational needs and addressing IT security risks highlighted in prior audits. These priorities were given precedence over reviewing expired ATOs based on the overall risk and return on investment.

Effect

MDHHS cannot demonstrate it has implemented effective controls to ensure the confidentiality, integrity, and availability of its information systems and cannot ensure 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. Outdated system security plans and risk assessments put the security of critical systems at risk by failing to mitigate potential vulnerabilities. The federal grantor agency could issue sanctions and/or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

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

For part b., for the first system identified, although DTMB did not proactively schedule an annual disaster recovery test, DTMB successfully performed an actual failover and supporting documentation was provided to the auditors. The actual failover demonstrated that the disaster

recovery plan (DRP) worked, was complete, and no delays were experienced in restoring the critical system, therefore DTMB did not perform additional testing activities and it was unnecessary to perform a separate review or update. For the second system identified, the DRP was tested in accordance with the State of Michigan Standard and DTMB provided the auditors with supporting documentation that updates were made to the DRP within the State of Michigan DRP repository. The State's environment and data centers leverage an infrastructure that is comprised of fully redundant load balanced systems at alternate sites, data mirroring, and data replication to help ensure high availability.

For part c, although MDHHS agrees that system security plans were not updated timely for the systems cited, MDHHS disagrees that effective controls were not implemented to ensure confidentiality, integrity, and availability of its automated data processing (ADP) information systems. MDHHS also disagrees that the security of critical systems was at risk by failing to mitigate potential vulnerabilities as described above.

MDHHS has compensating controls in place to ensure confidentiality, integrity, and availability of its ADP information systems in addition to mitigating potential vulnerabilities. MDHHS monitors remediation of Plans of Actions and Milestones (POAMS) for all information systems even after expiration of the authority to operate (ATO). In addition, MDHHS is required to audit a portion of these systems (CHAMPS, Bridges, Enterprise Common Controls) as part of responsibilities related to the Affordable Care Act and the Medicaid Expansion marketplace. Those audits are conducted to show compliance with federal information security and privacy requirements related to the data stored in those systems. In addition, 2 of the 3 ADP systems cited for not having an updated risk assessment are reviewed biennially through the Internal Control Evaluation (ICE) process where control evidence is updated to demonstrate effectiveness of controls.

Auditor's Comments to Management Views

The supporting documentation provided did not substantiate the DRPs were updated, reviewed, or tested during fiscal year 2022 in accordance with SOM technical standards. In addition, MDHHS acknowledged system security plans were not updated timely for the systems cited. DRPs, system security plans, and risk assessments are designed to help mitigate potential vulnerabilities, not eliminate them entirely, indicating potential vulnerabilities still exist.

While MDHHS may monitor the remediation of identified risks through POAMS, 2 of the 3 systems cited did not have an updated risk assessment, creating a potential system vulnerability by failing to monitor the current risks. Further, the reviews conducted in other audits and the ICE process do not eliminate the need to ensure a comprehensive ADP security program is fully implemented.

Therefore, the finding stands as written.

FINDING 2022-008

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 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF	10/01/2020 - Until Expended
	22 01 MI TANF	10/01/2021 - Until Expended

Total Expenditures of Federal Awards	\$695,175,736
Total COVID-19 Expenditures	\$17,755,995
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	2021-007
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	2101MIFOST 10/01/2020 - 09/30/2021 2201MIFOST 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$113,052,421
Total COVID-19 Expenditures	\$2,832,489
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	2021-007
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	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	21 01 MI ADPT 10/01/2020 - 09/30/2021 22 01 MI ADPT 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$120,000,659
Total COVID-19 Expenditures	\$8,686,055
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	2021-007
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	Social Services Block Grant: ALN 93.667
Federal Award Identification Number (FAIN) and Year	22 01 MI SOSR 10/01/2021 - 09/30/2023 22 01 MI TANF 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$125,747,457
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	2021-007
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Condition

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

We noted:

- a. MDHHS did not properly approve 3 (8%) of the 40 sampled MiSACWIS application security agreements prior to granting access to MiSACWIS.
- b. MDHHS did not maintain documentation for 12 (30%) of 40 sampled MiSACWIS incompatible role exception requests. Of the 28 forms received, we noted MDHHS did not properly approve 3 (11%) 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 always perform or document its monitoring of high-risk transactions.
- e. MDHHS did not review its semiannual recertification of 1 of 5 sampled MiSACWIS privileged user accounts. Also, MDHHS did not document or properly review its annual recertification of 4 (16%) of 25 sampled MiSACWIS non-privileged user accounts.

Criteria

Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance 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 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 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 separation of duties must be implemented through assigned information system access authorizations and accounts should be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts. In addition, GAO's FISCAM recommends 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 local office security coordinators and security administrators did not follow established policies and procedures regarding granting of MiSACWIS access. Also, MDHHS informed us the exception reviewer approved the conflicting roles instead of routing the role exception requests to the exception manager for review.

For part c., DTMB informed us it had not fully implemented all database specific configuration standards during our audit period because it was developing an organization-wide security framework for database security configuration management which was approved for implementation subsequent to September 30, 2022.

For part d., MDHHS informed us internal control was not always sufficient to ensure it completed and retained documentation to support its monitoring of high-risk transactions.

For part e., MDHHS informed us the users' roles were not always recertified due to staff oversight.

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

Management Views

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

For part c., although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are 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

Regardless of whether MDHHS and DTMB completed their documentation of the standards, we noted and they concurred they had not fully implemented those standards; therefore, the potential vulnerabilities and security risk still exist.

The finding stands as written.

FINDING 2022-009
CHAMPS 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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-008
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	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-008
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 Community Health Automated Medicaid Processing System (CHAMPS) database. CHAMPS is the Medicaid and CHIP claims processing system and includes functions such as provider enrollment, claims status, prior authorization, and eligibility verification. The CHAMPS 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 the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

* See glossary at end of report for definition.

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 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 it had not fully implemented all database specific configuration standards during our audit period because it was developing an organization-wide security framework for database security configuration management which was approved for implementation subsequent to September 30, 2022.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

Although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are 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

Regardless of whether DTMB and MDHHS completed their documentation of the standards, we noted and they concurred they had not fully implemented those standards; therefore, the potential vulnerabilities and security risk still exist.

The finding stands as written.

FINDING 2022-010

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-33236-19-55-A-26 AA-34775-20-55-A-26 AA-36326-21-55-A-26 AA-38536-22-55-A-26	07/01/2019 - 06/30/2022 07/01/2020 - 06/30/2023 07/01/2021 - 06/30/2024 04/01/2022 - 06/30/2025
Total Expenditures of Federal Awards	\$105,233,107	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Matching, Level of Effort, and Earmarking; Period of Performance; Reporting; and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-010	
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	Temporary Assistance for Needy Families: ALN 93.558 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF 22 01 MI TANF	10/01/2020 - Until Expended 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736	
Total COVID-19 Expenditures	\$17,755,995	
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	2021-010	
State Agencies	Michigan Department of Health and Human Services and Department of Labor and Economic Opportunity	

Condition

The Department of Labor and Economic Opportunity (LEO) did not fully establish effective user 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 review MARS user access semiannually for privileged accounts or annually for all other accounts.
- b. LEO did not disable 83 (44%) of 189 active MARS user accounts that had not accessed the application in over 60 days as of September 30, 2022.

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 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 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 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

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 LEO fully establish effective user access controls over MARS.

Management Views

LEO agrees with the finding.

FINDING 2022-011

MATT 2.0 Security Management and Access Controls

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	01/27/2021 - 09/30/2022
	ERAE0084	05/11/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$712,175,718	
Total COVID-19 Expenditures	\$712,175,718	
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	2021-011	
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	Homeowner Assistance Fund: ALN 21.026 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	HAF0031	12/07/2021 - 09/30/2026
Total Expenditures of Federal Awards	\$22,572,779	

* See glossary at end of report for definition.

Total COVID-19 Expenditures	\$22,572,779
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 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 utilize MATT 2.0 to manage 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 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 2,973 (85%) of 3,503 MATT 2.0 user accounts that last logged in before fiscal year 2022. These users include 75 MSHDA employees, 5 other State employees, and 2,893 external partners. Also, 2,132 (72%) of these users had not logged in since access was granted.
- d. MSHDA did not maintain adequate documentation that a system access form was properly approved and documented prior to granting access for 1 (11%) of 9 sampled MATT 2.0 users.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance 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 information from unauthorized access, use, disclosure, modification, destruction, or denial and to ensure confidentiality, integrity, and availability of State information.

SOM Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls ensuring 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, accounts 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

For parts a., b., and c., MSHDA informed us it is in the 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.

For part d., MSHDA informed us it is in the process of centralizing IT functions, and this is a training issue resulting because of a shift from a decentralized to a centralized IT approach.

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

Management Views

MSHDA agrees with the finding.

FINDING 2022-012

MATT 2.0 Change Management Process

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Emergency Rental Assistance Program: ALN 21.023 (COVID-19)
Federal Award Identification Number (FAIN) and Year	ERA0415 01/27/2021 - 09/30/2022 ERAE0084 05/11/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$712,175,718
Total COVID-19 Expenditures	\$712,175,718
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	2021-012
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	Homeowner Assistance Fund: ALN 21.026 (COVID-19)
Federal Award Identification Number (FAIN) and Year	HAF0031 12/07/2021 - 09/30/2026
Total Expenditures of Federal Awards	\$22,572,779
Total COVID-19 Expenditures	\$22,572,779
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 State Housing Development Authority

Condition

MSHDA had not fully implemented its change management process over MATT 2.0 during fiscal year 2022. We sampled 17 MATT 2.0 change records and noted for 4 (24%) records, 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 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 the business owner to 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 by methods such as tracking and documenting system changes.

Cause

For 3 of the records, MSHDA informed us it followed its previous change management process prior to implementing a stricter change management process in November 2021, which includes requiring its electronically documented approval before any production changes can be made.

For the remaining record, MSHDA was not able to provide documented support in accordance with its change management process effective November 2021.

Effect

Without a fully implemented 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 MATT 2.0 is configured and operating securely and as intended.

Known Questioned Costs

None.

Recommendation

We recommend MSHDA fully implement its change management process over MATT 2.0.

Management Views

MSHDA agrees with the finding.

FINDING 2022-013

MDE, Security Management and Access Controls

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Food Distribution Cluster: ALN 10.565, 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19)

Federal Award Identification Number (FAIN) and Year	222MI053Y8005 222MI053Y8105 222MI053Y8613	10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$85,425,950	
Total COVID-19 Expenditures	\$23,683,790	
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	2021-013	
State Agency	Michigan Department of Education	

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Child and Adult Care Food Program: ALN 10.558 and 10.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	222MI060N1150 222MI060N2020 222MI069N1050	10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$62,295,494	
Total COVID-19 Expenditures	\$2,423,184	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Education	

Federal Agency	U.S. Department of the Treasury	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Coronavirus State and Local Fiscal Recovery Funds: ALN 21.027 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	SLFRP0127	03/03/2021 - 12/31/2024
Total Expenditures of Federal Awards	\$1,258,901,780	
Total COVID-19 Expenditures	\$1,258,901,780	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Education	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Special Education Cluster (IDEA): ALN 84.027, 84.027 (COVID-19), 84.173, and 84.173 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	H027A180110 H027A190110 H027A200110 H027A210110 H027X210110 H173A180117 H173A190117	07/01/2018 - 09/30/2019 07/01/2019 - 09/30/2020 07/01/2020 - 09/30/2021 07/01/2021 - 09/30/2022 07/01/2021 - 09/30/2022 07/01/2018 - 09/30/2019 07/01/2019 - 09/30/2020

FAIN and Year (Continued)	H173A200117 H173A210117 H173X210117	07/01/2020 - 09/30/2021 07/01/2021 - 09/30/2022 07/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$494,317,715	
Total COVID-19 Expenditures	\$41,364,146	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Education	

Federal Agency	U.S. Department of Education	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants): ALN 84.367	
Federal Award Identification Number (FAIN) and Year	S367A200021 S367A210021	07/01/2020 - 09/30/2021 07/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$67,691,158	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - Participation of Private School Children	
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 S425D200010 S425D210010 S425R210030 S425U210010 - 21A S425W210023 V425G200035	01/08/2021 - 09/30/2022 04/29/2020 - 09/30/2021 01/05/2021 - 09/30/2022 02/22/2021 - 09/30/2022 03/24/2021 - 09/30/2023 04/23/2021 - 09/30/2023 10/01/2020 - 09/29/2023
Total Expenditures of Federal Awards	\$1,830,233,613	
Total COVID-19 Expenditures	\$1,830,233,613	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - Participation of Private School Children	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-013	
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	2001MICCC3	03/27/2020 - 09/30/2023
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCC5	12/27/2020 - 09/30/2023
	2101MICDC6	10/01/2020 - 09/30/2024
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCDF	10/01/2020 - 09/30/2023
	2101MICSC6	10/01/2020 - 09/30/2023
	2202MICCDF	10/10/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749	
Total COVID-19 Expenditures	\$1,099,229,471	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-013	
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+); Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS); Michigan Nutrition Data (MiND); Next Generation Grant, Application and Cash Management System (NexSys); and Catamaran. We noted:

- a. MDE did not consistently follow its established policies and procedures over the granting of access to GEMS/MARS and NexSys. Our review disclosed:
 - (1) MDE did not maintain documentation to support it approved the system role for 1 (3%) of 33 sampled GEMS/MARS users. Of the 33 forms reviewed, 18 forms related to replacing an existing user and we noted for 2 (11%) of these users MDE did not deactivate the existing users' accounts.
 - (2) Of the 44 sampled NexSys forms reviewed, 17 forms related to replacing an existing user and we noted for 1 (6%) of these users MDE did not deactivate the existing users' accounts. In addition, MDE did not obtain proper approval prior to granting access for 1 (20%) of 5 sampled NexSys grant unit users.
- b. MDE did not review all privileged accounts on a semiannual basis for MEGS+ and NexSys.
- c. MDE did not review all non-privileged accounts on an annual basis for MEGS+, GEMS/MARS, MiND, and NexSys.

- d. MDE did not disable inactive MEGS+, GEMS/MARS, MiND, and Catamaran users who had not accessed the applications in over 60 days as of September 30, 2022 as noted below:

System	As of September 30, 2022	
	Number of Active User Accounts	Number (Percent) of User Accounts Not Accessed in Over 60 Days
MEGS+	4,403	1,623 (37%)
GEMS/MARS	3,634	1,880 (52%)
MiND	3,363	2,079 (62%)
Catamaran	2,150	451 (21%)

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 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 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 separation of duties must be implemented through assigned information system access authorizations, 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.

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 security administrators did not always follow established processes for granting and approving access.

For part b., MDE informed us that because of an oversight, semiannual reviews were not documented and appropriate action was not taken when the semiannual reviews were not completed as requested.

For part c., MDE informed us it performs annual reviews on a sample basis for MEGS+, GEMS/MARS, and MiND non-privileged accounts because of the volume of accounts. Also, MDE informed us it did not establish a process to perform annual reviews for NexSys non-privileged accounts.

For part d., MDE informed us 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 MDE fully establish effective security management and access controls over MEGS+, GEMS/MARS, MiND, NexSys, and Catamaran.

Management Views

MDE agrees with the finding.

FINDING 2022-014**MDE, 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, 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19)
Federal Award Identification Number (FAIN) and Year	222MI053Y8005 10/01/2021 - 09/30/2022 222MI053Y8105 10/01/2021 - 09/30/2022 222MI053Y8613 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$85,425,950
Total COVID-19 Expenditures	\$23,683,790
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-014
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Child and Adult Care Food Program: ALN 10.558 and 10.558 (COVID-19)
Federal Award Identification Number (FAIN) and Year	222MI060N1150 10/01/2021 - 09/30/2022 222MI060N2020 10/01/2021 - 09/30/2022 222MI069N1050 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$62,295,494
Total COVID-19 Expenditures	\$2,423,184
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Special Education Cluster (IDEA): ALN 84.027, 84.027 (COVID-19), 84.173, and 84.173 (COVID-19)
Federal Award Identification Number (FAIN) and Year	H027A180110 07/01/2018 - 09/30/2019 H027A190110 07/01/2019 - 09/30/2020 H027A200110 07/01/2020 - 09/30/2021 H027A210110 07/01/2021 - 09/30/2022 H027X210110 07/01/2021 - 09/30/2022 H173A180117 07/01/2018 - 09/30/2019 H173A190117 07/01/2019 - 09/30/2020 H173A200117 07/01/2020 - 09/30/2021 H173A210117 07/01/2021 - 09/30/2022 H173X210117 07/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$494,317,715
Total COVID-19 Expenditures	\$41,364,146
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants): ALN 84.367
Federal Award Identification Number (FAIN) and Year	S367A200021 07/01/2020 - 9/30/2021 S367A210021 07/01/2021 - 9/30/2022
Total Expenditures of Federal Awards	\$67,691,158
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions - Participation of Private School Children
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 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 S425U210010 - 21A 03/24/2021 - 09/30/2023 S425W210023 04/23/2021 - 09/30/2023 V425G200035 10/01/2020 - 09/29/2023
Total Expenditures of Federal Awards	\$1,830,233,613
Total COVID-19 Expenditures	\$1,830,233,613

Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Subrecipient Monitoring, and Special Tests and Provisions - Participation of Private School Children
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-014
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	<table> <tr> <td>2001MICCC3</td><td>03/27/2020 - 09/30/2023</td></tr> <tr> <td>2001MICCDF</td><td>10/01/2019 - 09/30/2022</td></tr> <tr> <td>2101MICCC5</td><td>12/27/2020 - 09/30/2023</td></tr> <tr> <td>2101MICDC6</td><td>10/01/2020 - 09/30/2024</td></tr> <tr> <td>2101MICCDF</td><td>10/01/2020 - 09/30/2023</td></tr> <tr> <td>2101MICSC6</td><td>10/01/2020 - 09/30/2023</td></tr> <tr> <td>2202MICCDF</td><td>10/01/2021 - 09/30/2024</td></tr> </table>	2001MICCC3	03/27/2020 - 09/30/2023	2001MICCDF	10/01/2019 - 09/30/2022	2101MICCC5	12/27/2020 - 09/30/2023	2101MICDC6	10/01/2020 - 09/30/2024	2101MICCDF	10/01/2020 - 09/30/2023	2101MICSC6	10/01/2020 - 09/30/2023	2202MICCDF	10/01/2021 - 09/30/2024
2001MICCC3	03/27/2020 - 09/30/2023														
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2202MICCDF	10/01/2021 - 09/30/2024														
Total Expenditures of Federal Awards	\$1,351,041,749														
Total COVID-19 Expenditures	\$1,099,229,471														
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, and Earmarking														
Type of Finding	Significant Deficiency														
Known Questioned Costs by FAIN	\$0														
Repeat Finding	2021-014														
State Agency	Michigan Department of Education														

Condition

MDE did not fully implement an effective change management process over MiND and NexSys. We sampled 29 MiND and 12 NexSys change deployments and noted:

Control Weakness	Number (Percent) of Sample Items by System	
	MiND	NexSys
MDE did not document testing results at one or more stages of process.	0 (0%)	1 (8%)
MDE did not close and document the completion of the change order request.	2 (7%)	1 (8%)

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 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 the business owner to authorize the change to be developed and perform post-implementation validation. SOM Technical Procedure 1340.00.060.04.01 requires each test type to 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 because of an oversight, it did not document the testing results and close the work items.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MDE fully implement an effective change management process over MiND and NexSys.

Management Views

MDE agrees with the finding.

FINDING 2022-015

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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022
	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022
	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	
Total COVID-19 Expenditures	\$14,710,415	
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	222MI100S2514 - \$267,385	
Repeat Finding	2021-015	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Justice	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Crime Victim Assistance: ALN 16.575	

Federal Award Identification Number (FAIN) and Year	2018-V2-GX-0067	10/01/2017 - 09/30/2022
	2019-V2-GX-0036	10/01/2018 - 09/30/2023
	2020-V2-GX-0044	10/01/2019 - 09/30/2023
	15POVC-21-GG-00632-ASSI	10/01/2020 - 09/30/2024
	15POVC-22-GG-00762-ASSI	10/01/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$61,285,218	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Energy	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Weatherization Assistance for Low-Income Persons: ALN 81.042	
Federal Award Identification Number (FAIN) and Year	DE-EE0007927	07/01/2017 - 06/30/2022
	DE-EE0009909	07/01/2022 - 06/30/2023
	DE-EE0009994	07/01/2022 - 06/30/2027
Total Expenditures of Federal Awards	\$16,742,753	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Allowable Costs/Cost Principles	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	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	Aging Cluster: ALN 93.044, 93.044 (COVID-19), 93.045, 93.045 (COVID-19), and 93.053	
Federal Award Identification Number (FAIN) and Year	2001MICMC2	03/20/2020 - 09/30/2022
	2001MIHDC2	03/20/2020 - 09/30/2022
	2001MIHDC3	04/01/2020 - 09/30/2022
	2001MISSC3	04/01/2020 - 09/30/2022
	2101MICMC6	04/01/2021 - 09/30/2024
	2101MIHDC5	12/27/2020 - 09/30/2023
	2101MIHDC6	04/01/2021 - 09/30/2024
	2101MISSC6	04/01/2021 - 09/30/2024
	2101MIVAC5	04/01/2021 - 09/30/2023
	2201MIOACM	10/01/2021 - 09/30/2023
	2201MIOAHD	10/01/2021 - 09/30/2023
	2201MIOANS	10/01/2021 - 09/30/2023
	2201MIOASS	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$61,663,657	
Total COVID-19 Expenditures	\$17,333,132	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

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	2001MICCC3	03/27/2020 - 09/30/2023
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCC5	12/27/2020 - 09/30/2023
	2101MICDC6	10/01/2020 - 09/30/2024
	2101MICCDF	10/01/2020 - 09/30/2023
	2101MICSC6	10/01/2020 - 09/30/2023
	2202MICCDF	10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749	
Total COVID-19 Expenditures	\$1,099,229,471	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-015	
State Agencies	Michigan Department of Education and Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2205MI5ADM - \$108,396	
Repeat Finding	2021-015	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF	10/01/2020 - Until Expended
	22 01 MI TANF	10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736	
Total COVID-19 Expenditures	\$17,755,995	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-015	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2101MIE5C6 03/11/2021 - 09/30/2022 2101MILIEA 10/01/2020 - 09/30/2022 2201MILIEA 10/01/2021 - 09/30/2022 2201MILIEI 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314
Total COVID-19 Expenditures	\$230,880,251
Compliance Requirement(s)	Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2201MILIEA - \$50,867
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	2101MIFOST 10/01/2020 - 09/30/2021 2201MIFOST 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$113,052,421
Total COVID-19 Expenditures	\$2,832,489
Compliance Requirement(s)	Allowable Costs/Cost Principles
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-015
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	21 01 MIADPT 10/01/2020 - 09/30/2021 22 01 MIADPT 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$120,000,659
Total COVID-19 Expenditures	\$8,686,055
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-015
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Social Services Block Grant: ALN 93.667
Federal Award Identification Number (FAIN) and Year	22 01 MI SOSR 10/01/2021 - 09/30/2023 22 01 MI TANF 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$125,747,457
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Allowable Costs/Cost Principles

Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-015
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-015
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Block Grants for Prevention and Treatment of Substance Abuse: ALN 93.959 and 93.959 (COVID-19)
Federal Award Identification Number (FAIN) and Year	B08TI083456 10/01/2020 - 09/30/2022 B08TI083503 03/15/2021 - 03/14/2023 B08TI083947 09/01/2021 - 09/30/2025 B08TI084587 09/01/2021 - 09/30/2025 B08TI084651 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$66,838,186
Total COVID-19 Expenditures	\$16,445,155
Compliance Requirement(s)	Allowable Costs/Cost Principles and Matching, Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure it used the appropriate Public Assistance Cost Allocation Plan (PACAP) data to allocate expenditures to its federal programs. We noted 4 (2%) of 206 statistic groups for which MDHHS used incorrect data to calculate the PACAP percentages, which affected 13 (76%) of 17 sampled cost pools.

Criteria

Federal regulation 45 *CFR* 95.507 and Appendix VI of federal regulation 2 *CFR* 200 state 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.

Cause

MDHHS informed us its 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

- \$426,648 - federal share.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-016

MDE, Reporting - FFATA Reporting

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants): ALN 84.367
Federal Award Identification Number (FAIN) and Year	S367A200021 07/01/2020 - 9/30/2021 S367A210021 07/01/2021 - 9/30/2022
Total Expenditures of Federal Awards	\$67,691,158
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of 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 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 S425U210010 - 21A 03/24/2021 - 09/30/2023 S425W210023 04/23/2021 - 09/30/2023 V425G200035 10/01/2020 - 09/29/2023
Total Expenditures of Federal Awards	\$1,830,233,613
Total COVID-19 Expenditures	\$1,830,233,613
Compliance Requirement(s)	Reporting
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	2001MICCC3 03/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCC5 12/27/2020 - 09/30/2023 2101MICDC6 10/01/2020 - 09/30/2024 2101MICCDF 10/01/2020 - 09/30/2023 2101MICSC6 10/01/2020 - 09/30/2023 2201MICCDF 10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749
Total COVID-19 Expenditures	\$1,099,229,471
Compliance Requirement(s)	Reporting
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 have a process to ensure it submitted subaward information in accordance with the Federal Funding Accountability and Transparency Act (FFATA) of 2006 and federal guidance. MDE's process is to reopen and overwrite the previous month's report on the FFATA Subaward Reporting System (FSRS) instead of submitting a new report each month.

We reviewed FSRS and MDE's FFATA documentation and could not determine if MDE timely reported subaward information for:

- a. All 22 sampled Supporting Effective Instruction State Grants subawards totaling \$5,435,439.
- b. 32 (94%) of 34 sampled Education Stabilization Fund (ESF) subawards totaling \$29,957,229.
- c. All 10 sampled CCDF Cluster subawards totaling \$6,407,071.

Criteria

Federal regulation 2 *CFR* 170 implemented FFATA requirements for reporting subaward information and requires MDE to report, on the federal website, 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.

The federal government maintains frequently asked questions providing guidance on the correct FFATA reporting process on its FSRS website. This guidance clarifies FFATA reporting should be completed monthly and reopening and resubmitting the same report to update for monthly changes over the life of the grant is incorrect and will make it difficult to track reported awards.

Cause

MDE informed us it overwrites FFATA reports on the FSRS website each month as needed to ensure each grant always reflects the current grant funds available for the recipient. As a result, historical data is unavailable in FSRS.

Effect

We were unable to determine if MDE grant information was available in a timely manner for public access through the federal website established to improve transparency of governmental spending. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDE submit subaward information in accordance with FFATA and federal guidance.

Management Views

MDE agrees with the finding.

FINDING 2022-017

MDHHS, Reporting - FFATA Reporting

Federal Agency	U.S. Department of Justice
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Crime Victim Assistance: ALN 16.575
Federal Award Identification Number (FAIN) and Year	2018-V2-GX-0067 10/01/2017 - 09/30/2022 2019-V2-GX-0036 10/01/2018 - 09/30/2023 2020-V2-GX-0044 10/01/2019 - 09/30/2023 15POVC-21-GG-00632-ASSI 10/01/2020 - 09/30/2024 15POVC-22-GG-00762-ASSI 10/01/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$61,285,218
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Energy
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Weatherization Assistance for Low-Income Persons: ALN 81.042
Federal Award Identification Number (FAIN) and Year	DE-EE0007927 07/01/2017 - 06/30/2022 DE-EE0009909 07/01/2022 - 06/30/2023 DE-EE0009994 07/01/2022 - 06/30/2027
Total Expenditures of Federal Awards	\$16,742,753
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

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

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Aging Cluster: ALN 93.044, 93.044 (COVID-19), 93.045, 93.045 (COVID-19) and 93.053	
Federal Award Identification Number (FAIN) and Year	2001MICMC2	03/20/2020 - 09/30/2022
	2001MIHDC2	03/20/2020 - 09/30/2022
	2001MIHDC3	04/01/2020 - 09/30/2022
	2001MISSC3	04/01/2020 - 09/30/2022
	2101MICMC6	04/01/2021 - 09/30/2024
	2101MIHDC5	12/27/2020 - 09/30/2023
	2101MIHDC6	04/01/2021 - 09/30/2024
	2101MISSC6	04/01/2021 - 09/30/2024
	2101MIVAC5	04/01/2021 - 09/30/2023
	2201MIOACM	10/01/2021 - 09/30/2023
	2201MIOAHD	10/01/2021 - 09/30/2023
	2201MIOANS	10/01/2021 - 09/30/2023
	2201MIOASS	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$61,663,657	
Total COVID-19 Expenditures	\$17,333,132	
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	

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	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
Compliance Requirement(s)	Reporting	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-019	
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	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	\$152,330,125	
Total COVID-19 Expenditures	\$43,523,659	
Compliance Requirement(s)	Reporting	

Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC): ALN 93.323 and 93.323 (COVID-19)
Federal Award Identification Number (FAIN) and Year	NU50CK00510 08/01/2019 - 07/31/2024
Total Expenditures of Federal Awards	\$138,018,763
Total COVID-19 Expenditures	\$132,909,161
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Temporary Assistance for Needy Families: ALN 93.558 and 93.558 (COVID-19)
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF 10/01/2020 - Until Expended 22 01 MI TANF 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736
Total COVID-19 Expenditures	\$17,755,995
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Low-Income Home Energy Assistance: ALN 93.568 and 93.568 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2101MIE5C6 03/11/2021 - 09/30/2022 2101MILIEA 10/01/2020 - 09/30/2022 2201MILIEA 10/01/2021 - 09/30/2022 2201MILIEI 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314
Total COVID-19 Expenditures	\$230,880,251
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Foster Care - Title IV-E: ALN 93.658 and 93.658 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2101MIFOST 10/01/2020 - 09/30/2021 2201MIFOST 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$113,052,421
Total COVID-19 Expenditures	\$2,832,489
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	21 01 MI ADPT 10/01/2020 - 09/30/2021 22 01 MI ADPT 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$120,000,659
Total COVID-19 Expenditures	\$8,686,055
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Social Services Block Grant: ALN 93.667
Federal Award Identification Number (FAIN) and Year	22 01 MI SOSR 10/01/2021 - 09/30/2023 22 01 MI TANF 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$125,747,457
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-019
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	Block Grants for Prevention and Treatment of Substance Abuse: ALN 93.959 and 93.959 (COVID-19)
Federal Award Identification Number (FAIN) and Year	B08TI083456 10/01/2020 - 09/30/2022 B08TI083503 03/15/2021 - 03/14/2023 B08TI083947 09/01/2021 - 09/30/2025 B08TI084587 09/01/2021 - 09/30/2025 B08TI084651 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$66,838,186
Total COVID-19 Expenditures	\$16,445,155
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 it reported or accurately and timely reported all subaward information as required by the FFATA. Our results 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
16.575	20	0	20	0	0
81.042	5	0	5	0	0
93.044, 93.045, and 93.053	6	1	5	0	0
93.775, 93.777, and 93.778	25	0	25	25	0
93.268	15	1	13	0	0
93.323	18	0	18	0	1
93.558	15	2	13	0	0
93.568	3	0	3	0	0
93.658	1	0	1	0	0
93.659	1	0	1	0	0
93.667	5	0	5	0	0
93.767	3	0	3	3	0
93.959	12	0	12	0	0
Total	129	4	124	28	1

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
16.575	\$ 7,688,261	\$ 0	\$ 7,688,261	\$ 0	\$ 0
81.042	3,428,737	0	3,428,737	0	0
93.044, 93.045, and 93.053	26,572,691	3,874,623	22,698,068	0	0
93.775, 93.777, and 93.778	1,987,994	0	1,987,994	1,987,994	0
93.268	10,512,408	166,554	9,845,854	0	0
93.323	16,395,627	0	16,395,627	0	37,332
93.558	7,435,240	63,564	7,371,676	0	0
93.568	1,435,415	0	1,435,415	0	0
93.658	2,671,005	0	2,671,005	0	0
93.659	2,671,005	0	2,671,005	0	0
93.667	519,421	0	519,421	0	0
93.767	1,613,748	0	1,613,748	1,613,748	0
93.959	10,203,897	0	10,203,897	0	0
Total	<u>\$ 93,135,449</u>	<u>\$ 4,104,741</u>	<u>\$ 88,530,708</u>	<u>\$3,601,742</u>	<u>\$ 37,332</u>

We noted:

- a. MDHHS did not report any subaward information for 4 (3%) of 129 sampled subawards.
- b. Of the 125 subawards in FSRS:
 - (1) MDHHS did not timely submit subaward information for 124 (99%) sampled subawards.
 - (2) MDHHS did not submit the correct amount for 28 (22%) sampled subawards.
 - (3) MDHHS did not report all key data elements for 1 (1%) sampled subawards.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires MDHHS report, on the federal website, 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 the unavailability of FSRS during a significant portion of the fiscal year 2021 reporting period contributed to its inability to report timely as required because it created a backlog of fiscal year 2021 reports that needed to be entered into FSRS prior to the submission of the fiscal year 2022 reports. Also, for the Medicaid Cluster and CHIP, the Electronic Grants Administration and Management System account code and funding source fields were inaccurate, which impacted the query used to obtain certain FFATA data elements.

Effect

MDHHS grant information was not accurate or timely available for public access through the website established to improve transparency of governmental spending. We consider this to be a material weakness and material noncompliance for the Medicaid Cluster and CHIP because of

the high error rates related to the accuracy of information submitted to FSRS. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-018

MDE, Subrecipient Monitoring - Subaward Information

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Number	Coronavirus State and Local Fiscal Recovery Funds: ALN 21.027 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLFRP0127 03/03/2021 - 12/31/2024
Total Expenditures of Federal Awards	\$1,258,901,780
Total COVID-19 Expenditures	\$1,258,901,780
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Education
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants): ALN 84.367
Federal Award Identification Number (FAIN) and Year	S367A200021 07/01/2020 - 09/30/2021 S367A210021 07/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$67,691,158
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

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 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022

FAIN and Year (Continued)	S425U210010 - 21A S425W210023 V425G200035	03/24/2021 - 09/30/2023 04/23/2021 - 09/30/2023 10/01/2020 - 09/29/2023
Total Expenditures of Federal Awards	\$1,830,233,613	
Total COVID-19 Expenditures	\$1,830,233,613	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-038	
State Agency	Michigan Department of Education	

Condition

MDE did not report to its subrecipients all subaward information as required by the Uniform Guidance. We noted:

- a. MDE did not report one or more of the following for 4 (16%) of 25 sampled Supporting Effective Instruction State Grant subrecipients and 28 (47%) of 60 ESF subrecipients: unique entity identifier, FAIN, federal award date, federal award project description, name of federal awarding agency and pass-through entity, ALN, Assistance Listing Title, federal award dollar amount, identification of whether the award is research and development, indirect cost rate for the federal award, an approved federally recognized indirect cost rate for the subrecipient, and closeout terms and conditions.
- b. MDE did not report the correct FAIN or closeout terms and conditions for all 5 sampled Coronavirus State and Local Fiscal Recovery Funds subrecipients.

Criteria

Federal regulation 2 *CFR* 200.332(a) requires that all pass-through entities ensure that every subaward includes certain information.

Cause

For part a., MDE informed us MEGS+ is designed to automatically generate the grant award notifications upon approval of subaward applications; however, this function did not operate correctly in fiscal year 2022.

For part b., MDE informed us because of an oversight, it did not always provide all required subaward information to subrecipients. Also, MDE believed it used the best available information at the time MDE developed and executed the subawards; however, our review of documentation noted MDE was provided the program's award identification prior to the executed subawards, but MDE staff did not appropriately communicate the information to applicable parties.

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the federal requirements. We consider this to be a material weakness and material noncompliance for ESF because of the high error rate related to federal award information which was not disclosed to the subrecipient. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE agrees with the finding.

FINDING 2022-019

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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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	2205MI5MAP - \$1,093
Repeat Finding	2021-022
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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: \$876 2105MI5021 - \$680 2205MI5021 - \$196
Repeat Finding	2021-022
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 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* (OMB) *Compliance Supplement* was revised requiring auditors to review MAGI eligibility determinations for both the Medicaid Cluster and CHIP.

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 2022.

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

	Medicaid	CHIP
Total number of beneficiaries sampled	60	60
Number (percent) of MAGI beneficiaries unable to test	6 (10%)	12 (20%)
Total likely number of MAGI beneficiaries unable to test	74,086	16,324
Total amount of likely payments associated with above beneficiaries	\$145,106,879	\$15,962,425
Total number of beneficiaries reviewed	54	48
Number (percent) of ineligible beneficiaries	4 (7%)	11 (23%)
Number (percent) of beneficiaries with missing documentation in the case file	1 (2%)	0 (0%)

For an estimated 74,086 Medicaid and 16,324 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 54 Medicaid and 48 CHIP beneficiaries 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 4 (7%) of 54 Medicaid and 11 (23%) of 48 CHIP cases reviewed.
- b. MDHHS did not maintain case file documentation that supports the beneficiary eligibility determination for 1 (2%) of 54 Medicaid cases reviewed.

* See glossary at end of report for definition.

Criteria

Federal regulations 42 *CFR* 435.1002(b) and 42 *CFR* 457.622(d) indicate federal funding is available only for services provided to eligible beneficiaries. Federal regulation 42 *CFR* 435.914 requires 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 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 the missing documentation resulted from staff oversight.

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 23% 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 total questioned costs would exceed \$25,000.

- \$1,969 - federal share.
- \$656 - State share of costs MDHHS inappropriately used as matching.

Recommendations

We recommend MDHHS properly consider Medicaid and CHIP eligibility documentation in accordance with eligibility requirements.

We also recommend MDHHS maintain documentation to support beneficiary eligibility was determined in accordance with eligibility requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2022-020

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	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	

Total COVID-19 Expenditures	\$931,976,661
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	2021-023
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2105MI5021 - \$0 (unduplicated amount - \$235 included in Finding 2022-019)
Repeat Finding	2021-023
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure 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 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 it incorrectly recorded \$39.1 million of CHIP medical payments to the Medicaid Cluster throughout fiscal year 2022.

However, we selected a sample of 2 beneficiaries that were transferred to CHIP and noted both beneficiaries were not eligible for CHIP but were in fact Medicaid eligible and, therefore, should not have been transferred.

Criteria

Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal programs that provides reasonable assurance 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 implemented a system change to correct eligibility classifications in Bridges in April 2021. All new cases are being correctly routed. MDHHS expects all existing cases will be updated during the 14-month period following the May 11, 2023 end of the public health emergency, as allowed by the Centers for Medicare and Medicaid Services (CMS). The Medicaid Cluster to CHIP transfer was completed correctly; however, because of an incorrect eligibility determination reflected in Bridges, some cases were transferred in error.

Effect

MDHHS inappropriately transferred \$294 Medicaid Cluster expenditures to CHIP. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Also, of the \$39.1 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 Cash Management Improvement Act (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 \$39.1 million CHIP expenditures identified by MDHHS as inappropriately charged to and reimbursed by the Medicaid Cluster represented 14% of total CHIP expenditures and both sample 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 total questioned costs would exceed \$25,000.

- \$235 - federal share of CHIP payments made to providers for ineligible CHIP beneficiaries, of which \$235 is questioned in Finding 2022-019.
- \$58 - State share of costs MDHHS inappropriately used as matching.

Recommendation

We recommend MDHHS ensure 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 the related federal draw is accurate and timely.

Management Views

MDHHS agrees with the finding.

FINDING 2022-021

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	2205MI5MAP 2205MI5ADM 2205MIINCT 2205MIIMPL	10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2021-024	
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	2105MI5021 2205MI5021	10/01/2020 - 09/30/2022 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647	
Total COVID-19 Expenditures	\$14,398,778	
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	2021-024	
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 eligibility records with identified errors were properly investigated, corrected, and resubmitted for processing. Our sample of 15 daily interface runs identified 9 (60%) which had been excluded from eligibility interface processing.

Criteria

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

Cause

MDHHS informed us 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.

Effect

MDHHS could not ensure 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 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 MDHHS maintain documentation to support eligibility records with identified errors and excluded from eligibility interface processing are investigated, corrected, and resubmitted for processing as appropriate.

Management Views

MDHHS agrees with the finding.

FINDING 2022-022

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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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	2021-026
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2021-026
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain all required disclosures and/or ensure 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 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. According to its Medicaid and CHIP State Plans, 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 and 42 *CFR* 457.935.

Cause

MDHHS indicated it did not have a sufficient process or communication method in place to always obtain timely or complete disclosures because it is not directly involved in the contract execution or contract renewal process for many managed care organizations (MCOs) and, therefore, may not timely become aware new disclosures are required. In addition, MDHHS relies on the entities to inform it when ownership changes occur. Also, 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 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 MDHHS monitor its MI Choice entities' network of providers to ensure all providers enter into provider agreements and make all required disclosures.

Management Views

MDHHS agrees with the finding.

FINDING 2022-023**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 10/01/2021 - 09/30/2022 2105MI5ADM 10/01/2021 - 09/30/2022 2105MIINCT 10/01/2021 - 09/30/2022 2105MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
Compliance Requirement(s)	Allowable Costs/Cost Principles, Cash Management, and Special Tests and Provisions - Medicaid Fraud Control Unit and Refunding of Federal Share of Medicaid Overpayments to Providers
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	Undeterminable
Repeat Findings	2021-027 and 2021-048
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2021-027
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 processes in place to ensure receivables recorded in its Adult Services Authorized Payments system were accurately reflected on the reports used for preparation of the CMS-64 report, which resulted in untimely reporting of \$1.6 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 quarter of fiscal year 2022.

- c. MDHHS did not have a process in place to identify overpayments returned late and to calculate the corresponding interest due to the U.S. Department of Health and Human Services' (HHS's) 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 11 (44%) of 25 sampled Medicaid overpayments and 2 (50%) of 4 sampled CHIP 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 system issues contributed to the untimely reporting of overpayments. Also, MDHHS stated overpayment receivables entered into CHAMPS were not properly reported due to the design of CHAMPS and 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 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 2022-024

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	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2021-028	
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	2105MI5021	10/01/2020 - 09/30/2022
	2205MI5021	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647	
Total COVID-19 Expenditures	\$14,398,778	
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	2021-028	
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 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 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 2022-025

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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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	2021-029
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	2105MI5021 10/01/2020 - 09/30/2022 2205MI5021 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$271,486,647
Total COVID-19 Expenditures	\$14,398,778
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	2021-029
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure an independent audit was conducted and posted to its website at least once every three years of encounter and financial data submitted by its managed care entities, which included 15 MCOs, 10 PIHP entities, and 21 Prepaid Ambulatory Health Plan (PAHP) entities in fiscal year 2022.

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 website.

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 the data submitted by the managed care entities is accurate. Also, inaccurate data could affect the capitation rates 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 MDHHS ensure an independent audit is conducted and posted to its website 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 2022-026

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), ALN 93.323 and Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036 - Long-Term Care (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	\$138,018,763
Total COVID-19 Expenditures	\$132,909,161
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	2021-052
State Agency	Michigan Department of Health and Human Services

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
FAIN and Year (Continued)	4607DRMIP00000001 07/15/2021
Total Expenditures of Federal Awards	\$160,203,731
Total COVID-19 Expenditures	\$149,781,228
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 Agencies	Michigan Department of Health and Human Services and Michigan Department of State Police

Condition

MDHHS did not maintain sufficient documentation to demonstrate a process was in place to ensure long-term care (LTC) facility COVID-19 testing reimbursement requests, totaling \$48.5 million (\$46.4 million Disaster Grants - Public Assistance (Presidentially Declared Disasters) and \$2.1 million ELC), were reasonable and appropriate.

Criteria

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

Also, Subpart E of federal regulations 2 *CFR* 200 and 5 *CFR* 75 require 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 believed its process was sufficient to ensure requests were reasonable and appropriate. However, the documentation provided did not substantiate the procedures completed.

Effect

MDHHS could not demonstrate 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 MDHHS maintain sufficient documentation to demonstrate its process to ensure LTC facility COVID-19 testing reimbursement requests are reasonable and appropriate.

Management Views

MDHHS agrees with the finding.

FINDING 2022-027

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

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022
	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022
	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	
Total COVID-19 Expenditures	\$14,710,415	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - EBT Card Security	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS should ensure it obtains and reviews System and Organization Controls (SOC) reports* covering the entire audit period for services provided by the State's electronic benefits transfer (EBT) service provider. We noted:

- a. MDHHS did not obtain and review the SOC report or obtain a bridge letter for the EBT service provider who provided services for the first month of fiscal year 2022.

* See glossary at end of report for definition.

- b. MDHHS did not obtain a bridge letter for the period not covered by the SOC report for 2 of the 4 SOC reports reviewed.
- c. MDHHS did not review and evaluate 2 of the 4 SOC reports received.
- d. MDHHS did not timely review the remaining 2 SOC reports received. Reviews occurred, on average, 124 days past the required 30 days.

Criteria

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

The State of Michigan Financial Management Guide (FMG) (Part VII, Chapter 1, Section 1000) prescribes guidelines for departments to assess and manage risks associated with third-party relationships. Departments need to understand and/or evaluate risks and the controls each service organization designs, implements, and operates for the assigned operational process and how the service organization's internal control system impacts the department's internal control system. The FMG provides required SOC report review procedures and requires management to complete the review within 30 days of receiving the SOC report.

Cause

MDHHS stated competing priorities delayed the SOC report reviews and it did not believe they needed to review two of the SOC reports.

Effect

MDHHS cannot ensure general controls of vendor-hosted systems are sufficient to ensure the security of the issuance, redemption, and settlement of EBT benefits. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS ensure it obtains and reviews SOC reports covering the entire audit period for services provided by the State's EBT service provider.

Management Views

MDHHS agrees with the finding.

FINDING 2022-028

SNAP Cluster, ALN 10.551 and 10.561, Special Tests and Provisions - EBT Reconciliations

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 - 2021	10/01/2020 - 09/30/2021
	EBT - 2022	10/01/2021 - 09/30/2022
	222MI004F1003	10/21/2021 - 09/30/2022
	222MI100S2514	10/01/2021 - 09/30/2022
	222MI100S2519	10/01/2021 - 09/30/2022
	222MI100S2520	10/01/2021 - 09/30/2022
	222MI100S8026	10/01/2021 - 09/30/2022
	222MI100S8036	10/01/2021 - 09/30/2022
	222MI100S9018	10/01/2021 - 09/30/2022
	222MI122Q7503	10/01/2021 - 09/30/2022
	222MI123Q3903	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855	
Total COVID-19 Expenditures	\$14,710,415	
Compliance Requirement(s)	Special Tests and Provisions - EBT Reconciliations	
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	

Background

MDHHS is responsible for determining eligibility for SNAP benefits. The State's EBT provider then provides the SNAP recipient with a debit card which can be used for food purchases at authorized retailer stores. The State's EBT contractor is responsible for paying retailers that have accepted EBT cards for qualified purchases. The EBT contractor then receives funds from the State, via wire transfer, as reimbursement for the retail purchases. MDHHS is responsible for reconciling the payments made to retailers by its EBT contractor with the amounts drawn from its EBT account with the U.S. Department of the Treasury.

Condition

MDHHS did not complete daily reconciliations of payments made to retailers by its EBT contractor with the client information recorded in its system and the reports used to make the federal draw. MDHHS developed the Benefit Issuer Food Stamp Report to summarize the total detailed daily client SNAP activity reported by its EBT contractor; however, because of inaccuracies, MDHHS did not use the report in its reconciliation process.

Criteria

Federal regulation 7 *CFR* 274.1(i)(1) requires state agencies to establish procedures to monitor SNAP benefit issuers to ensure their operations comply with SNAP requirements, including the identification and correction of deficiencies and to report any violations to the federal government.

Also, federal regulation 7 *CFR* 274.4(a) requires state agencies to reconcile total EBT funds entering into, exiting from, and remaining in the EBT contractor's system each day and to verify retailer credit against the deposit information entered in the ACH.

Cause

MDHHS informed us that because its Benefit Issuer Food Stamp Report did not include recipients who received SNAP benefits under the expanded COVID-19 eligibility requirements, it was unable to complete the reconciliation. MDHHS also noted a change in its EBT contractor contributed to the delay in modifying the report.

Effect

Without proper reconciliation procedures in place, MDHHS could not ensure daily SNAP payment amounts recorded in its system were accurate. We consider this to be a material weakness and material noncompliance because of the amount of SNAP benefits issued through the EBT process and because this required daily reconciliation was not in place in fiscal year 2022. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS complete daily reconciliations of payments made to retailers by its EBT contractor with client information recorded in its system and the reports used to make the federal draw.

Management Views

MDHHS agrees with the finding.

FINDING 2022-029

SNAP Cluster, ALN 10.551 and 10.561, Special Tests and Provisions - EBT Card Security

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	222MI100S2514 10/01/2021 - 09/30/2022 222MI100S2519 10/01/2021 - 09/30/2022 222MI100S2520 10/01/2021 - 09/30/2022 222MI100S8026 10/01/2021 - 09/30/2022 222MI100S8036 10/01/2021 - 09/30/2022 222MI100S9018 10/01/2021 - 09/30/2022 222MI122Q7503 10/01/2021 - 09/30/2022 222MI123Q3903 10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$4,127,207,855
Total COVID-19 Expenditures	\$14,710,415
Compliance Requirement(s)	Special Tests and Provisions - EBT Card Security
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure its EBT contractor conducted monthly physical inventories of EBT cards used to provide SNAP benefits to eligible individuals. MDHHS could not provide 1 (8%) of the 12 monthly reports used by the contractor to monitor EBT cards issued and replaced.

Criteria

Federal regulation 7 *CFR* 274.1(i)(1) requires states to establish procedures to monitor SNAP benefit issuers to ensure their operations comply with SNAP requirements, including the identification and correction of deficiencies, and to report any violations to the federal government.

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

Cause

MDHHS stated a change in the EBT contractor prevented it from obtaining the October 2021 report because the prior contractor decommissioned Michigan's EBT server.

Effect

MDHHS cannot determine how many EBT cards were issued or replaced during October 2021. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS ensure its EBT contractor conducts monthly physical inventories of EBT cards to monitor EBT cards issued and replaced.

Management Views

MDHHS agrees with the finding.

FINDING 2022-030

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

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Food Distribution Cluster: ALN 10.565, 10.568, 10.568 (COVID-19), 10.569, and 10.569 (COVID-19)
Federal Award Identification Number (FAIN) and Year	222MI053Y8005 10/01/2021 - 09/30/2022 222MI053Y8105 10/01/2021 - 09/30/2022 222MI053Y8613 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$85,425,950
Total COVID-19 Expenditures	\$23,683,790
Compliance Requirement(s)	Special Tests and Provisions - Accountability for USDA Foods
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 review the records of eligible recipient agencies (ERAs) receiving and distributing USDA donated foods through The Emergency Food Assistance Program (TEFAP) (Food Commodities), ALN 10.569. Our review of 6 of 29 ERAs disclosed:

- a. MDE discontinued the reporting period reconciliations beginning in April 2022 impacting all 6 sampled ERAs.
- b. For 2 TEFAP food receipt and distribution reports received prior to April 2022, MDE did not document and follow up on food inventory activity differences.

Criteria

Federal regulation 7 *CFR* 251.10(e) requires MDE to monitor TEFAP operations to ensure the program is administered in accordance with federal and State requirements. MDE's TEFAP State Plan requires each ERA to submit a quarterly inventory record which is to be reviewed by MDE to ensure USDA foods are distributed in appropriate amounts to households. As part of its monitoring procedures, MDE required ERAs to submit food receipt and distribution reports at least quarterly for reconciliation of donated food shipments with Food and Nutrition Service (FNS) web-based supply chain management reports.

Cause

MDE informed us it was developing a new monitoring process because it believed the reconciliations were inefficient and not reflective of TEFAP inventory movement. As a result, it discontinued the reconciliations and no longer required ERAs to submit the food receipt and distribution reports for the last 6 months of fiscal year 2022.

Effect

We consider this to be a material weakness and material noncompliance because MDE did not monitor USDA donated foods for the last 6 months of fiscal year 2022. Failure to comply with recordkeeping requirements may result in the loss or misuse of donated foods. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDE adequately review records of ERAs receiving and distributing USDA donated foods through TEFAP.

Management Views

MDE agrees with the finding.

FINDING 2022-031

Pandemic EBT Food Benefits, ALN 10.542, Activities Allowed or Unallowed and Eligibility - Overpayment of Benefits

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	\$708,412,299
Total COVID-19 Expenditures	\$708,412,299
Compliance Requirement(s)	Activities Allowed or Unallowed and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	\$782
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not always ensure accurate P-EBT benefits were provided to eligible beneficiaries. We noted for 1 (4%) of the 26 sampled cases reviewed, MDHHS duplicated the summer benefits resulting in an overpayment of \$782.

Criteria

The Families First Coronavirus Response Act of 2020 (Public Law 116-127), as amended, requires MDHHS to have an approved state plan to provide P-EBT food benefits to households with children who would otherwise receive free or reduced-price meals if not for their schools being closed because of the COVID-19 emergency.

MDHHS's P-EBT State Plan states it will provide the standard benefit amount for the summer period and will identify the eligible children based on eligibility in the last month of the school year.

Cause

MDHHS informed us that because of the timing of the 2022-2023 school enrollment for these children, a system error duplicated the 2022 summer benefits.

Effect

MDHHS overpaid P-EBT benefits by \$782 for the sampled cases. 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 total questioned costs would exceed \$25,000.

- \$782 – federal share.

Recommendation

We recommend MDHHS ensure accurate P-EBT benefits are provided to eligible beneficiaries.

Management Views

MDHHS agrees with the finding.

FINDING 2022-032

Pandemic EBT Food Benefits, ALN 10.542, Reporting – Report of Disaster Supplemental Nutrition Assistance Benefit Issuance

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	\$708,412,299
Total COVID-19 Expenditures	\$708,412,299
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 have a process in place to ensure it maintained documentation to support the submitted Report of Disaster Supplemental Nutrition Assistance Benefit Issuance (FNS-292B). For all 3 sampled reports, MDHHS did not retain auditable submitted information, such as copies or screen prints of submitted reports. Rather, MDHHS provided us an e-mail disclosing the information which it represented as submitted.

Criteria

Federal regulation 2 *CFR* 200.334 requires financial records, supporting documents, statistical records, and all other nonfederal entity records pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report.

Federal Register 86:89 (11 May 2021) page 25,837 requires state agencies to report the number of eligible children and households receiving P-EBT benefits and total value of the benefits monthly.

Cause

MDHHS informed us it electronically submitted the FNS-292B using the Food Program Reporting System (FPRS), but it did not retain copies of the submitted reports and the submitted reports were not available in FPRS.

Effect

We were unable to validate the information submitted to USDA on the FNS-292B. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS establish a process to ensure it maintains documentation to support submitted FNS-292B reports.

Management Views

MDHHS disagrees that federal regulations require MDHHS to maintain copies or screenshots of FNS-292B information reported on the federal website. MDHHS normally has the ability to access the information on the federal system. However, during audit fieldwork, the FNS-292B information MDHHS submitted on the federal website was not viewable to the auditors because the reports were under federal review. MDHHS did not retain a copy or screen prints of the submitted reports; however, MDHHS did maintain the underlying reports used to compile the submitted FNS-292B reports and this was provided to the auditors during fieldwork.

Auditor's Comments to Management View

MDHHS acknowledges it did not maintain a copy or screen prints of submitted reports. Documentation of submitted reports is necessary to provide auditable information to validate the accuracy of the report submission. MDHHS provided a spreadsheet and an e-mail disclosing the information which it represented as submitted; however, this information did not substantiate the FNS-292B was accurately submitted.

Therefore, the finding stands as written.

FINDING 2022-033**National Guard Military Operations and Maintenance (O&M) Projects, ALN 12.401, Cash Management - Timeliness of Cash Draws**

Federal Agency	U.S. Department of Defense
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	National Guard Military Operations and Maintenance (O&M) Projects: ALN 12.401
Federal Award Identification Number (FAIN) and Year	<p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-16-2-1000 10/01/2015 - 09/30/2020</p> <p>W912JB-16-2-1002 10/01/2016 - 12/31/2017</p> <p>W912JB-17-2-1001 10/01/2016 - 09/30/2017</p> <p>W912JB-17-2-1001 10/01/2017 - 09/30/2018</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-18-2-1000 10/01/2017 - 09/30/2018</p> <p>W912JB-18-2-1002 10/01/2017 - 09/30/2018</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-19-2-1000 10/01/2018 - 09/30/2019</p> <p>W912JB-19-2-1001 10/01/2018 - 09/30/2019</p> <p>W912JB-19-2-1002 10/01/2018 - 09/30/2019</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-20-2-1000 10/01/2019 - 09/30/2020</p> <p>W912JB-20-2-1001 10/01/2019 - 09/30/2020</p> <p>W912JB-20-2-1002 10/01/2019 - 09/30/2020</p> <p>W912JB-20-2-1021 10/01/2019 - 09/30/2020</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-21-2-1000 10/01/2020 - Until Changed</p> <p>W912JB-21-2-1001 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1002 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1004 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1005 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1007 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1021 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1023 10/01/2020 - 09/30/2021</p> <p>W912JB-21-2-1024 10/01/2020 - 09/30/2021</p> <p>Master Cooperative Agreement and Related Appendices:</p> <p>W912JB-22-2-1000 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1001 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1002 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1003 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1004 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1005 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1007 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1008 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1010 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1011 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1014 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1021 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1022 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1023 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1024 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1030 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1031 10/01/2021 - 09/30/2022</p> <p>W912JB-22-2-1040 10/01/2021 - 09/30/2022</p>

FAIN and Year (Continued)	Special Military Project Cooperative Agreements:	
	W912JB-17-2-3076	10/01/2016 - 09/30/2022
	W912JB-21-2-3076	10/01/2020 - 09/30/2021
	W912JB-22-2-3076	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$74,233,891	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Military and Veterans Affairs	

Condition

DMVA did not ensure its reimbursement requests were prepared in accordance with the CMIA, the program Master Cooperative Agreement, and National Guard Regulations.

We sampled 40 cash draws and noted:

- a. DMVA prepared reimbursement requests from 71 to 189 days after the close of the month for 5 (13%) sampled cash draws.
- b. DMVA did not maintain documentation to support the timeliness of reimbursement requests for 5 (13%) sampled cash draws.
- c. DMVA did not timely submit an expenditure report for federal approval for 1 (3%) sampled cash draw.

Criteria

Federal regulation 31 *CFR* 205 Subpart B and the Master Cooperative Agreement require a State must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs. National Guard Regulation 5-1 requires the grantee to expend state government funds first and then to submit request for reimbursement for allowable cooperative agreement costs.

For construction appendices, DMVA sends the expenditure reports to the federal Construction and Facilities Management Officer (CFMO) for review and approval of the federal coding to be applied prior to DMVA preparing the reimbursement request. After the CFMO approves the coding, DMVA prepares the SF-270 and sends it back to the CFMO for final approval and submission to the United States Property and Fiscal Office.

Cause

DMVA informed us year-end closing activities and delays in receiving information from federal program managers impacted the timeliness of draws.

Effect

DMVA limited its assurance it complied with CMIA. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend DMVA ensure its reimbursement requests are prepared in accordance with the CMIA, the program Master Cooperative Agreement, and National Guard Regulations.

Management Views

DMVA agrees with the finding.

FINDING 2022-034

Community Development Block Grants/State's program, ALN 14.228, Reporting - Timeliness of Performance Reporting

Federal Agency	U.S. Department of Housing and Urban Development	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii: ALN 14.228 and 14.228 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	B-14-DC-26-0001	07/01/2014
	B-15-DC-26-0001	07/01/2015
	B-16-DC-26-0001	07/01/2016
	B-17-DC-26-0001	07/01/2017
	B-18-DC-26-0001	07/01/2018
	B-19-DC-26-0001	07/01/2019
	B-20-DC-26-0001	07/01/2020
	B-20-DW-26-0001	06/24/2020
	B-21-DC-26-0001	07/01/2021
Total Expenditures of Federal Awards	\$27,259,884	
Total COVID-19 Expenditures	\$4,968,955	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Strategic Fund and Michigan State Housing Development Authority	

Condition

MSHDA did not ensure timely submission of the Consolidated Annual Performance and Evaluation Report. We noted MSHDA's 2021 program year report, which included Community Development Block Grant (CDBG) performance information compiled by the Michigan Strategic Fund (MSF), was due in September 2022 but was not submitted until March 2023.

Criteria

Federal regulation 24 *CFR* 91.520 requires an annual review and report of the progress made in carrying out a jurisdiction's strategic and action plans. This performance report is required to be submitted to the U.S. Department of Housing and Urban Development (HUD) within 90 days after the close of MSHDA's program year.

Cause

MSHDA informed us the 2021 program year report was not submitted timely because of miscommunication among its staff. MSHDA inaccurately believed a federal waiver applicable to the report due in fiscal year 2021 was still applicable for the report due in fiscal year 2022.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MSHDA ensure it timely submits the Consolidated Annual Performance and Evaluation Report.

Management Views

MSHDA agrees with the finding.

FINDING 2022-035

Community Development Block Grants/State's program, ALN 14.228, Reporting - FFATA Reporting

Federal Agency	U.S. Department of Housing and Urban Development	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii: ALN 14.228 and 14.228 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	B-14-DC-26-0001	07/01/2014
	B-15-DC-26-0001	07/01/2015
	B-16-DC-26-0001	07/01/2016
	B-17-DC-26-0001	07/01/2017
	B-18-DC-26-0001	07/01/2018
	B-19-DC-26-0001	07/01/2019
	B-20-DC-26-0001	07/01/2020
	B-20-DW-26-0001	06/24/2020
	B-21-DC-26-0001	07/01/2021
Total Expenditures of Federal Awards	\$27,259,884	
Total COVID-19 Expenditures	\$4,968,955	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Strategic Fund	

Condition

MSF did not ensure it reported all CDBG subawards as required by FFATA. We reviewed 36 subawards totaling \$70,219,077 and noted MSF did not report 2 (6%) subawards totaling \$7,675,940.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires MSF to report, on the federal website, 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

MSF informed us these 2 subrecipients did not register for a unique entity identifier, which was required for FFATA reporting as of April 4, 2022.

Effect

MSF grant information was not available for public access through the federal website established to improve transparency of governmental spending as required. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MSF ensure it reports all CDBG subawards as required by FFATA.

Management Views

MSF agrees with the finding.

FINDING 2022-036

Crime Victim Assistance, ALN 16.575, Eligibility - Subrecipient Eligibility

Federal Agency	U.S. Department of Justice	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Crime Victim Assistance: ALN 16.575	
Federal Award Identification Number (FAIN) and Year	2018-V2-GX-0067	10/01/2017 - 09/30/2022
	2019-V2-GX-0036	10/01/2018 - 09/30/2023
	2020-V2-GX-0044	10/01/2019 - 09/30/2023
	15POVC-21-GG-00632-ASSI	10/01/2020 - 09/30/2024
	15POVC-22-GG-00762-ASSI	10/01/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$61,285,218	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Eligibility	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not have a process in place to ensure subrecipients met all federal eligibility requirements prior to awarding funds. Our review of 21 subrecipients noted the application documents and agreements lacked specific subrecipient eligibility requirements, such as the subrecipients' identification of financial support from sources other than the award or that they do not discriminate against victims because they disagree with the way the State is prosecuting the criminal case. We were able to determine the subrecipients' eligibility based on information provided subsequent to the award.

Criteria

Federal regulation 2 *CFR* 200.303 requires 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. Federal law 34 *USC* 20103(b) requires MDHHS subrecipients to meet specific requirements to be eligible to receive a grant award.

Cause

MDHHS informed us that during its process to align policies and procedures for multiple programs, some intended eligibility requirements were inadvertently excluded from some subrecipient agreements.

Effect

Without a process and internal control in place to ensure subrecipient eligibility, MDHHS may have made payments to ineligible subrecipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS establish a process to ensure subrecipients meet all federal eligibility requirements prior to awarding funds.

Management Views

MDHHS agrees with the finding.

FINDING 2022-037

Crime Victim Assistance, ALN 16.575, Subrecipient Monitoring - Risk Assessment and During-the-Award Monitoring

Federal Agency	U.S. Department of Justice	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Crime Victim Assistance: ALN 16.575	
Federal Award Identification Number (FAIN) and Year	2018-V2-GX-0067	10/01/2017 - 09/30/2022
	2019-V2-GX-0036	10/01/2018 - 09/30/2023
	2020-V2-GX-0044	10/01/2019 - 09/30/2023
	15POVC-21-GG-00632-ASSI	10/01/2020 - 09/30/2024
	15POVC-22-GG-00762-ASSI	10/01/2021 - 09/30/2025
Total Expenditures of Federal Awards	\$61,285,218	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not sufficiently monitor and evaluate the risk of noncompliance with program requirements. We noted:

- a. MDHHS did not sufficiently monitor service activity for 3 (14%) of 21 subrecipients during fiscal year 2022. For 2 of the 3 subrecipients, MDHHS did not monitor the service activity for all quarters of fiscal year 2022. For 1 of the 3 subrecipients, MDHHS did not require the subrecipient to provide service activity data for its review.

- b. MDHHS did not evaluate 1 (5%) of 21 subrecipient's risk of noncompliance with program requirements to determine and implement the type of monitoring appropriate for the subrecipient.

Criteria

Federal regulation 2 *CFR* 200.332(d) requires MDHHS to monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals are achieved.

In addition, federal regulation 2 *CFR* 200.332(b) requires MDHHS to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

As part of its monitoring procedures, MDHHS reviews subrecipient service activity data.

Cause

For part a., MDHHS informed us data was reviewed and certified by the grantee, but MDHHS did not document its review in the log. For the service activity data that was not reviewed, MDHHS believed the administrative portion of the Crime Victims Assistance funds did not require service activity reports.

For part b., MDHHS informed us it completes its annual risk assessment by November 15 and adjusts its monitoring plan for any awards issued through March 31. The grant agreement commenced May 1, 2022 and continued through September 30, 2022 and, therefore, was not included in the fiscal year 2022 monitoring plan.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MDHHS sufficiently monitor and evaluate the risk of noncompliance with program requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2022-038

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

Federal Award Identification Number (FAIN) and Year	AA-33236-19-55-A-26 AA-34775-20-55-A-26 AA-36326-21-55-A-26 AA-38536-22-55-A-26	07/01/2019 - 06/30/2022 07/01/2020 - 06/30/2023 07/01/2021 - 06/30/2024 04/01/2022 - 06/30/2025
Total Expenditures of Federal Awards	\$105,233,107	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Department of Labor and Economic Opportunity	

Condition

LEO did not ensure it timely reported WIOA Cluster subaward information required by the FFATA. We tested 25 subawards totaling \$15,812,845 and noted LEO did not timely report subaward information for 10 (40%) subawards totaling \$9,013,017.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires LEO report, on the federal website, 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 informed us competing priorities impacted its ability to timely complete FFATA reporting.

Effect

LEO grant information was not available timely for public access through the federal website established to improve transparency of government spending as required. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend LEO ensure that it timely reports WIOA Cluster subaward information as required by FFATA.

Management Views

LEO agrees with the finding.

FINDING 2022-039

Formula Grants for Rural Areas and Tribal Transit Program, ALN 20.509, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Subrecipient Monitoring - PTMS Security Management and Access Controls

Federal Agency	U.S. Department of Transportation
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Formula Grants for Rural Areas and Tribal Transit Program: ALN 20.509 and 20.509 (COVID-19)

Federal Award Identification Number (FAIN) and Year	MI-2016-003	08/05/2015 - 12/31/2021
	MI-2017-030	09/12/2017 - 03/31/2023
	MI-2018-034	09/19/2018 - 03/31/2024
	MI-2020-008	03/31/2020 - 03/30/2028
	MI-2020-015	04/24/2020 - 04/15/2024
	MI-2021-023	07/27/2021 - 06/14/2024
	MI-2021-049	08/18/2021 - 03/30/2029
Total Expenditures of Federal Awards	\$61,045,910	
Total COVID-19 Expenditures	\$56,387,150	
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 Transportation	

Condition

The Michigan Department of Transportation (MDOT) did not fully establish effective security management and access controls over Public Transportation Management System (PTMS) users. Program subrecipients utilize PTMS to submit applications, operating assistance reports, payment requests, and inventory, such as vehicles, equipment, and facilities and renovations. Also, MDOT program staff utilize PTMS to manage subgrants and review and approve subrecipient payment requests. We noted:

- a. MDOT did not ensure it properly approved access for 2 of 7 sampled PTMS user accounts.
- b. MDOT did not review PTMS user access semiannually for privileged accounts or annually for all other accounts.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance 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 security controls 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 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 accounts be reviewed for compliance with account management requirements semiannually for privileged accounts and annually for all other accounts.

Cause

MDOT informed us an oversight occurred due to employee turnover.

Effect

Without effective security management and access controls, individuals may obtain unauthorized or inappropriate access to PTMS.

Known Questioned Costs

None.

Recommendation

We recommend MDOT fully establish effective security management and access controls over PTMS.

Management Views

MDOT agrees with the finding.

FINDING 2022-040

Formula Grants for Rural Areas and Tribal Transit Program, ALN 20.509, Subrecipient Monitoring - Subrecipient Audits

Federal Agency	U.S. Department of Transportation	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Formula Grants for Rural Areas and Tribal Transit Program: ALN 20.509 and 20.509 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	MI-2016-003	08/05/2015 - 12/31/2021
	MI-2017-030	09/12/2017 - 03/31/2023
	MI-2018-034	09/19/2018 - 03/31/2024
	MI-2020-008	03/31/2020 - 03/30/2028
	MI-2020-015	04/24/2020 - 04/15/2024
	MI-2021-023	07/27/2021 - 06/14/2024
	MI-2021-049	08/18/2021 - 03/30/2029
Total Expenditures of Federal Awards	\$61,045,910	
Total COVID-19 Expenditures	\$56,387,150	
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 Transportation	

Condition

MDOT did not ensure its review of subrecipient single audit* reports and issuance of management decisions were completed within six months of the Federal Audit Clearinghouse (FAC) acceptance date.

MDOT's process is to begin its review of subrecipient single audits after all applicable audits are received. Therefore, it reviewed the 2020 and 2021 single audits in March 2022 and March and April 2023, respectively.

We noted:

- a. For all 9 sampled 2020 single audits, MDOT's reviews were not timely and ranged between 72 and 229 days late.
- b. MDOT had not reviewed any of its subrecipient 2021 single audits as of September 30, 2022, which should have been reviewed between June 2022 and September 2022.

* See glossary at end of report for definition.

In addition, MDOT did not issue management decision letters within six months of the FAC acceptance date for 3 subrecipient single audit reports. Each of these reports contained material weaknesses.

Criteria

Federal regulation 2 *CFR* 200.501 requires nonfederal entities who expend \$750,000 or more in federal awards during their fiscal year to obtain a single audit for that fiscal year. Also, federal regulation 2 *CFR* 200.332(f) requires the pass-through entity to verify these subrecipients are audited as required by Subpart F of the Uniform Guidance, Audit Requirements, when it is expected the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded the \$750,000 threshold. In addition, federal regulation 2 *CFR* 200.521 requires MDOT to issue a management decision letter on the appropriateness of all audit findings related to its federal awards and the subrecipient's corrective action plan within six months of acceptance by the FAC.

Cause

MDOT informed us an oversight occurred due to employee turnover and the need to update its procedures.

Effect

MDOT limited the State's assurance its subrecipients complied with grant requirements and implemented corrective action for audit findings to prevent future sanctions or disallowed costs, which could necessitate adjustments to MDOT's records. The federal grantor agency could issue sanctions or disallowance related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDOT ensure its review of subrecipient single audit reports and issuance of management decisions are completed within six months of the FAC acceptance date.

Management Views

MDOT agrees with the finding.

FINDING 2022-041

Homeowner Assistance Fund, ALN 21.026, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Eligibility Determinations

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Homeowner Assistance Fund: ALN 21.026 (COVID-19)
Federal Award Identification Number (FAIN) and Year	HAF0031 12/07/2022 - 09/30/2026
Total Expenditures of Federal Awards	\$22,572,779
Total COVID-19 Expenditures	\$22,572,779
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	HAF0031 - \$9,129

Repeat Finding	Not Applicable
State Agency	Michigan State Housing Development Authority

Condition

MSHDA did not obtain and maintain sufficient documentation to support the Homeowner Assistance Fund (HAF) applicants' eligibility was properly determined for 3 (12%) of 25 HAF assistance payments reviewed. We noted:

- a. For 1 (4%) applicant, sufficient documentation did not exist to support the applicant's eligibility. Contradictory information was provided by the applicant as to the hardship encountered from the COVID-19 pandemic. MSHDA did not detect this at the time of its review and, therefore, did not follow up with the applicant.
- b. For 1 (4%) applicant, MSHDA did not document the required income calculation to support the homeowner met the income eligibility requirement. We performed this calculation and determined the client was eligible for HAF assistance.
- c. For 1 (4%) applicant, MSHDA did not ensure its system checklist was completed prior to approving for eligibility. We determined this did not affect the applicant's eligibility.

Criteria

Subpart E of federal regulation 2 *CFR* 200 requires 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.

The HAF guidance requires homeowners to attest that they experienced financial hardship after January 21, 2020 associated with the coronavirus pandemic. A financial hardship is defined as a material reduction in income or a material increase in expenses. The attestation must describe the nature of the financial hardship.

MSHDA's internal policy requires case managers to verify and calculate homeowner income during their determination of eligibility in the initial review of the application. Case managers must record their calculations within the activity log. Calculations are performed to determine annual income utilizing supporting documentation. In addition, case managers must use a system checklist to ensure all parts of the application have been reviewed prior to approving the homeowner's eligibility.

Cause

MSHDA informed us these errors resulted from employee oversight.

Effect

MSHDA may have provided assistance to ineligible applicants. 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 total questioned costs would exceed \$25,000.

- \$9,129 - federal share.

Recommendation

We recommend MSHDA obtain and maintain sufficient documentation to support the HAF applicants' eligibility is properly determined.

Management Views

MSHDA agrees with the finding.

FINDING 2022-042

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 S425D200010 04/29/2020 - 09/30/2021 S425D210010 01/05/2021 - 09/30/2022 S425R210030 02/22/2021 - 09/30/2022 S425U210010 - 21A 03/24/2021 - 09/30/2023 S425W210023 04/23/2021 - 09/30/2023 V425G200035 10/01/2020 - 09/29/2023
Total Expenditures of Federal Awards	\$1,830,233,613
Total COVID-19 Expenditures	\$1,830,233,613
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-039
State Agency	Michigan Department of Education

Condition

MDE did not complete sufficient during-the-award monitoring procedures in fiscal year 2022.

MDE provided its subrecipients a two-year grant and notified its subrecipients in their grant award notification that a final expenditure report (FER) was due by August 29, 2022. As of September 30, 2022, MDE received 1,335 (78%) of 1,717 FERs for the two-year grant. In addition, MDE contracted with a vendor to conduct desk reviews of ESF subrecipients beginning in July 2022.

We noted:

- a. MDE did not complete any reviews of the FERs submitted during fiscal year 2022. We determined subrecipients submitted 990 (58%) FERs by August 29, 2022.
- b. Neither MDE nor its contractor could provide documentation supporting the subrecipient desk reviews finalized and whether any corrective action was required or enforcement action was taken against noncompliant subrecipients during fiscal year 2022.

Criteria

Federal regulation 2 *CFR* 200.303 requires the nonfederal entity 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 federal awards.

In addition, federal regulation 2 *CFR* 200.332(d) states that all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- Reviewing financial and performance reports required by the pass-through entity.
- Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address single audit findings related to the particular subaward.

Federal regulation 2 *CFR* 200.332(h) states that all pass-through entities must consider taking enforcement action against noncompliant subrecipients.

MDE's grant award notifications required ESF subrecipients to submit a FER by August 29, 2022. MDE contracted for the completion of subrecipient desk reviews.

Cause

MDE elected to delay its review of FERs until all FERs were received. Also, because MDE's contracted desk reviews did not begin until July 2022, it was unable to finalize any individual subrecipient reviews by September 30, 2022.

Effect

MDE may not identify in a timely manner subrecipients that used funds for unauthorized purposes. We consider this to be a material weakness and material noncompliance because of lack of during-the-award monitoring activities. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDE complete sufficient during-the-award monitoring of ESF subrecipients.

Management Views

For part a., MDE partially agrees with the finding. MDE acknowledges that it did not complete any reviews of the FERs submitted during fiscal year 2022. However, the Uniform Guidance does not specify a timeframe for the review of FERs for ESF funds and the ESF program is inherently more flexible than other federal programs in this regard. Although grant award notifications (GANs) originally required ESF subrecipients to submit a FER by August 29, 2022, MDE communicated to ESF subrecipients after the initial GANs that the August 29, 2022 due date was subject to change due to the continuously changing rules and requirements around this funding, including extension possibilities such as late liquidation. ESF FERs were due either within 60 days of full draw of the funds or within 60 days of the end of the award period, which could have been during the State's fiscal year 2022 or well after September 30, 2022. For this reason, under Uniform Guidance, MDE had the authority to delay the review of FERs until closer to the end date of the award. In the case of late liquidation, the U.S. Department of

Education provided notification that extended the award period as far as 14 months beyond the original end date of the award.

For part b., MDE partially agrees with the finding. MDE acknowledges that subrecipient desk reviews were not finalized; however, the majority of the subrecipient monitoring was complete. The Uniform Guidance does not specify a timeframe for ESF subrecipient monitoring to occur and no requirement or expectation was made that monitoring would be finalized by MDE management by September 30, 2022. While the MDE contractor was not tracking completion against the date of September 30, 2022, documentation was and is still available, upon request from the OAG, to demonstrate the substantial ongoing monitoring activities, such as desk reviews and review of amendments, as of the end of the State's fiscal year 2022. The Compliance Team was in regular contact with MDE throughout the monitoring process. The Compliance Team provided regular updates leading up to September 30, 2022 and shared comprehensive preliminary results with the department soon after September 30, 2022.

Auditor's Comments to Management Views

We determined, and MDE acknowledged, it did not complete any FER reviews or finalize any desk reviews as part of its during-the-award monitoring activities for the \$1.8 billion provided to subrecipients in fiscal year 2022. In addition, the contractor acknowledged it did not have a tracking mechanism in place identifying when desk reviews were completed, consequently documentation did not exist to validate MDE's assertion that a majority of the subrecipient monitoring was complete. Federal regulation 2 *CFR* 200 Subpart F requires the SOM single audit be conducted annually in accordance with the State's fiscal year, which represents the period covered by the auditor's compliance opinion. Therefore, sufficient appropriate evidence must exist during the audit period to determine whether MDE complied with the subrecipient monitoring requirement identified as subject to audit in the OMB *Compliance Supplement*. Sufficient appropriate evidence did not exist in fiscal year 2022 to support compliance with federal regulation 2 *CFR* 200.332(d).

Therefore, the finding stands as written.

FINDING 2022-043

Aging Cluster, ALN 93.044, 93.045, and 93.053, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring - AIS FIRST User Access

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Aging Cluster: ALN 93.044, 93.044 (COVID-19), 93.045, 93.045 (COVID-19), and 93.053	
Federal Award Identification Number (FAIN) and Year	2001MICMC2	03/20/2020 - 09/30/2022
	2001MIHDC2	03/20/2020 - 09/30/2022
	2001MIHDC3	04/01/2020 - 09/30/2022
	2001MISSC3	04/01/2020 - 09/30/2022
	2101MICMC6	04/01/2021 - 09/30/2024
	2101MIHDC5	12/27/2020 - 09/30/2023
	2101MIHDC6	04/01/2021 - 09/30/2024
	2101MISSC6	04/01/2021 - 09/30/2024
	2101MIVAC5	04/01/2021 - 09/30/2023
	2201MIOACM	10/01/2021 - 09/30/2023
	2201MIOAHD	10/01/2021 - 09/30/2023
	2201MIOANS	10/01/2021 - 09/30/2023
	2201MIOASS	10/01/2021 - 09/30/2023

Total Expenditures of Federal Awards	\$61,663,657
Total COVID-19 Expenditures	\$17,333,132
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not fully establish effective user access controls over Aging Information System (AIS) Financial Information Reporting System Technology (FIRST). AIS FIRST is utilized by Aging Cluster subrecipients to submit data, payment requests, and financial status reports to MDHHS. We noted MDHHS did not properly approve 3 of the 4 sampled users' application security agreements prior to granting access to AIS FIRST.

Criteria

Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance 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 security controls 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 due to limited staff resources, the application security agreements did not contain a final approving signature.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-044

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	2001MICCC3 03/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCC5 12/27/2020 - 09/30/2023 2101MICDC6 10/01/2020 - 09/30/2024 2101MICCDF 10/01/2020 - 09/30/2023 2101MICSC6 10/01/2020 - 09/30/2023 2201MICCDF 10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749
Total COVID-19 Expenditures	\$1,099,229,471
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Total Questioned Costs: \$1,688 2101MICCDF - \$1,447 2201MICCDF - \$ 241
Repeat Finding	2021-040
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 6 (15%) of the 40 cases we reviewed. Our review disclosed:

- a. MDHHS case record documentation was inconsistent with client eligibility information entered in Bridges for 3 (8%) of 40 cases reviewed. For these cases, the authorized hours of care in Bridges exceeded the client's documented need for hours of child care services.
- b. MDHHS did not appropriately categorize the client's eligibility based on the supporting documentation in the case record for 2 (5%) of 40 cases reviewed. We determined this did not affect the client's eligibility for child care services or level of benefits.
- c. MDHHS did not maintain sufficient documentation to support the client's eligibility determination for 1 (3%) of 40 cases reviewed. We noted incomplete supporting documentation related to the client's categorical eligibility.

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 MDE identify additional eligibility requirements in its CCDF State Plan. MDE's CCDF State Plan for Federal Fiscal Years 2022-2024 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 - Title IV. 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 its internal control and monitoring activities were not sufficient to ensure 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 total questioned costs would exceed \$25,000.

- \$1,688 - federal share.
- \$707 - State share of costs that MDE inappropriately used as matching.

Recommendation

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

Management Views

MDHHS and MDE agree with the finding.

FINDING 2022-045

CCDF Cluster, ALN 93.575 and 93.596, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Child Care Stabilization Grants

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	2001MICCC3	03/27/2020 - 09/30/2023
	2001MICCDF	10/01/2019 - 09/30/2022
	2101MICCC5	12/27/2020 - 09/30/2023
	2101MICDC6	10/01/2020 - 09/30/2024
	2101MICCDF	10/01/2020 - 09/30/2023

FAIN and Year (Continued)	2101MICSC6 2201MICCDF	10/01/2020 - 09/30/2023 10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749	
Total COVID-19 Expenditures	\$1,099,229,471	
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 Education	

Condition

MDE did not maintain documentation of its efforts to verify child care stabilization grant applications. For 3 (7%) of the 45 applications reviewed, MDE did not document and follow up differences between Bridges child eligibility data and the number of subsidy eligible children on the provider's application. MDE calculated provider grant amounts based on the number of children on the grant application which did not always agree with subsidy eligible children reported in Bridges, resulting in potential underpayments to the providers.

Criteria

The American Relief Plan of 2021 requires states to make child care stabilization grants to qualified child care providers. Providers were required to complete separate online applications to receive child care stabilization grants in fall 2021, spring 2022, and summer 2022. MDE's written procedures required its administrative reviewer to edit the number of subsidy children on the application to match Bridges query data.

Cause

MDE informed us that because of an oversight, documentation was not maintained to support that it used the correct number of subsidy-eligible children when calculating a provider's grant amount.

Effect

MDE may have made inaccurate child care stabilization grant payments to child care providers. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDE maintain documentation to support that it appropriately verifies child care stabilization grant applications.

Management Views

MDE agrees with the finding.

FINDING 2022-046

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	2001MICCC3 03/27/2020 - 09/30/2023 2001MICCDF 10/01/2019 - 09/30/2022 2101MICCC5 12/27/2020 - 09/30/2023 2101MICDC6 10/01/2020 - 09/30/2024 2101MICCDF 10/01/2020 - 09/30/2023 2101MICSC6 10/01/2020 - 09/30/2023 2201MICCDF 10/01/2021 - 09/30/2024
Total Expenditures of Federal Awards	\$1,351,041,749
Total COVID-19 Expenditures	\$1,099,229,471
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2101MICCDF - \$245
Repeat Finding	2021-041
State Agencies	Michigan Department of Education and Department of Licensing and Regulatory Affairs

Background

In accordance with the interagency agreement between MDE and the Department of Licensing and Regulatory Affairs (LARA) for fiscal year 2022, 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 perform timely inspections and maintain sufficient documentation to support child care providers met applicable health and safety requirements to be eligible for CCDF Cluster payments. Our review of 51 sampled licensed providers for the CCDF Cluster payments disclosed:

- a. LARA did not ensure timely annual on-site inspections for 7 (14%) licensed providers. We noted LARA performed the on-site inspections from 15 to 20 months after the last on-site inspection.
- b. LARA did not maintain documentation to support 1 renewal inspection.
- c. LARA did not maintain documentation to support it granted an extension when the license period had expired for 1 provider with a license renewed during fiscal year 2022.

Criteria

Federal regulation 45 *CFR* 98.41 states the lead agency (MDE) shall have in effect under State, local, or tribal law requirements 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 MDE shall certify in its CCDF State Plan 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 2022-2024 provides the State's standards and monitoring processes to ensure providers meet health and safety requirements in the federal regulations.

Cause

LARA informed us limited resources impacted the timeliness of some inspections and the missing documentation was an oversight.

Effect

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

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 total questioned costs would exceed \$25,000.

- \$245 - federal share.
- \$103 - State share of costs that MDE inappropriately used as matching.

Recommendation

We recommend MDE and LARA perform timely inspections and 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 2022-047

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	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2205MI5MAP - \$5,103	
Repeat Finding	2021-042	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure beneficiary eligibility was updated in CHAMPS. As a result, MDHHS issued \$5,774 for 15 (50%) of 30 payments sampled from a \$1,390,653 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 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 total questioned costs exceed \$25,000.

- \$5,103 - federal share of payments made to providers on behalf of ineligible beneficiaries.
- \$671 - 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 2022-048

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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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 - \$232
Repeat Finding	2021-043, part a.
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not prevent or timely recover payments, totaling \$324, for 2 (25%) of 8 sampled clients who were hospitalized while receiving Home Help Program (HHP) services and no longer met eligibility requirements.

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 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 a client is admitted to a hospital 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.

Cause

MDHHS informed us the post-payment review process is complicated by the lag time (up to one year) associated with MDHHS receiving and processing hospital claims and delays in changes to clients' level of care. Also, the monthly hospitalization reports are not capturing all facility stays for home help clients.

Effect

MDHHS paid a total of \$324 from October 1, 2021 through September 30, 2022 for sampled clients who did not qualify for the HHP services because they were hospitalized. 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 total questioned costs would exceed \$25,000.

- \$232 - federal share of amounts paid for HHP services while sampled clients were hospitalized.
- \$92 - State share of costs MDHHS inappropriately used as matching.

Recommendation

We recommend MDHHS prevent or timely recover payments for HHP services when clients no longer meet eligibility requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2022-049

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	2205MI5MAP 10/01/2021 - 09/30/2022 2205MI5ADM 10/01/2021 - 09/30/2022 2205MIINCT 10/01/2021 - 09/30/2022 2205MIIMPL 10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054
Total COVID-19 Expenditures	\$931,976,661
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	2205MI5MAP - \$348
Repeat Finding	2021-044
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not review home help provider invoices for 4 (27%) of 15 sampled payments to individual providers, totaling \$485, to help ensure home help payments were reflective of the services provided.

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 it will provide personal care services under HHP. MDHHS has developed the ASM to further define specific policies and procedures for delivery of Medicaid HHP services. ASM Section 135 requires individual providers to submit monthly invoices for reimbursement.

Cause

Although the Electronic Service Verifications (ESV) and Paper Service Verifications (PSV) collect information on completed services, prior to April 1, 2022 there was no automated review of the ESV information and there continues to be no automated review of the PSV information to determine if all services were provided before payment was issued.

Effect

MDHHS paid a total of \$485 for services from October 1, 2021 through September 30, 2022 that were not supported by home help provider invoices for the sampled payments. 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 total questioned costs would exceed \$25,000.

- \$348 - federal share.
- \$137 - State share of costs MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-050

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	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2205MI5MAP - \$71,324	
Repeat Finding	2021-045	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure proper payment of practitioner fee-for-service (FFS) claims. We noted MDHHS paid \$95,211 for 2,154 FFS claims 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 costs conform to any limitations, exclusions, or conditions and be consistent with policies that apply to the federal award.

Cause

MDHHS stated 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 in 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

MDHHS made improper FFS practitioner payments of \$95,211 from October 1, 2021 through September 30, 2022. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$71,324 - federal share of improper payments made to providers from October 1, 2021 through September 30, 2022.
- \$23,887 - State share of costs MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-051

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Special Tests and Provisions - MARIS 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	2205MI5MAP	10/01/2021 - 09/30/2022
	2205MI5ADM	10/01/2021 - 09/30/2022
	2205MIINCT	10/01/2021 - 09/30/2022
	2205MIIMPL	10/01/2021 - 09/30/2022
Total Expenditures of Federal Awards	\$16,804,084,054	
Total COVID-19 Expenditures	\$931,976,661	
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	2021-046	
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, and 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 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 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 it had not fully implemented all database specific configuration standards during our audit period because it was developing an organization-wide security framework for database security configuration management which was approved for implementation subsequent to September 30, 2022.

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 MDHHS and DTMB fully establish and implement effective security management over the MARIS database.

Management Views

Although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are 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

Regardless of whether DTMB and MDHHS completed their documentation of the standards, we noted and they concurred they had not fully implemented those standards; therefore, the potential vulnerabilities and security risk still exist.

The finding stands as written.

FINDING 2022-052

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	\$152,330,125
Total COVID-19 Expenditures	\$43,523,659
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	2021-049
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 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 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 it had not fully implemented all database specific configuration standards during our audit period because it was developing an organization-wide security framework for

database security configuration management which was approved for implementation subsequent to September 30, 2022.

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

Management Views

Although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are 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

Regardless of whether DTMB and MDHHS completed their documentation of the standards, we noted and they concurred they had not fully implemented those standards; therefore, the potential vulnerabilities and security risk still exist.

The finding stands as written.

FINDING 2022-053

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	\$152,330,125
Total COVID-19 Expenditures	\$43,523,659
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	2021-051
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure compliance site visits for providers enrolled in the VFC program were conducted in accordance with federal guidelines. We noted:

- a. MDHHS did not timely conduct a compliance site visit at least once every 24 months for 16 (40%) of 40 sampled providers. For the 16 providers, the compliance visits were late between 1.8 months and 1.5 years, averaging 9.2 months.
- b. MDHHS did not conduct a compliance site visit at least once every 24 months for 12 (30%) of 40 sampled providers. For the 12 providers, the compliance visits were not complete as of September 30, 2022 and were overdue between 9.2 months and 3.9 years, averaging 1.5 years.
- c. MDHHS did not conduct site visits for over 70% of VFC providers during fiscal year 2022, instead MDHHS completed site visits for only 43% of providers.

Criteria

Federal law 42 USC 1396s requires vaccines to be adequately safeguarded and used solely for authorized purposes. The HHS's Centers for Disease Control and Prevention's (CDC's) Vaccines for Children July 2021 and July 2022 Operations Guides state 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. In addition, the CDC's approval of MDHHS's monitoring program includes conducting annual site visits to over 70% of VFC provider clinic sites each year. Because of the COVID-19 pandemic, the CDC provided separate guidance noting 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 resumed conducting regular site visits for a limited number of providers during fiscal year 2022. Also, 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 rates. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS ensure 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 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. 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.

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 tests and provisions compliance requirements for Control, Accountability, and Safeguarding of Vaccine and Record of Immunization were subject to audit according to OMB *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 2022-054

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 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF	10/01/2020 - Until Expended
	22 01 MI TANF	10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736	
Total COVID-19 Expenditures	\$17,755,995	
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: \$8,368 21 01 MI TANF - \$8,019 22 01 MI TANF - \$ 349	
Repeat Finding	2021-053	
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 TANF-funded assistance payments.

We noted the client's case records did not include the following:

- a. Documentation to support completion of the Family Self-Sufficiency Plan, verifications to support the 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 parole violations for 6 (30%) of 20 sampled TANF-funded Family Independence Program (FIP) payments.
- b. Completed applications, support for timely completion of the Family Automated Screening Tool, verifications to support the relationship of the child to the adult on the case record, and records to support children older than 6 were attending school full time for 2 (29%) of 7 sampled TANF-COVID-19 funded clothing allowance payments for eligible children receiving FIP or ineligible for FIP due to receiving Supplemental Security Income during September 2022.

Criteria

Federal regulation 45 *CFR* 260.20 requires 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 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 violating a condition of probation or parole imposed under federal or State law.

Further, Public Act 166 of 2022 required MDHHS to allocate an annual clothing allowance to all eligible children in a FIP group.

In addition, Subpart E of federal regulation 45 *CFR* 75 requires 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

For part a., MDHHS informed us its controls were not sufficient to ensure that all of the required verification documentation was appropriately maintained in the client's case record.

For part b., MDHHS informed us that because these families received FIP benefits during September 2022, they were eligible for the COVID-19 clothing allowance. However, our review disclosed the two case records did not support FIP eligibility for September 2022.

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 rates 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 total questioned costs would exceed \$25,000.

- \$8,368 - federal share.

- \$56 - State share of costs MDHHS inappropriately used as State maintenance of effort.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2022-055

Temporary Assistance for Needy Families, ALN 93.558, Reporting - Accuracy of Financial Reports

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 and 93.558 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	21 01 MI TANF 22 01 MI TANF	10/01/2020 - Until Expended 10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$695,175,736	
Total COVID-19 Expenditures	\$17,755,955	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not submit accurate financial reports to HHS's Administration for Children and Families (ACF). Our review of the fiscal year 2022 fourth quarter TANF financial report (ACF-196R) noted MDHHS excluded \$23.1 million in federal expenditures incurred by LEO. Also, MDHHS inappropriately included these expenditures in its fiscal year 2023 first quarter financial report instead of submitting a corrected fiscal year 2022 financial report for the quarter ended September 30, 2022.

Criteria

Federal regulation 2 *CFR* 200.302(b)(2) requires grantees to submit accurate financial data in accordance with a grant program's reporting requirements. The reporting instructions include details for reporting expenditures made in the federal fiscal year for the grant year being reported. The instructions also state revisions to expenditures reported in prior years should be made to the report of the fiscal year in which the expenditure occurred.

Cause

MDHHS informed us its internal control approval process was not timely and resulted in excluding LEO's fourth quarter interagency billing from the 2022 financial report.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MDHHS improve its internal control and submit revised financial reports to ACF.

Management Views

MDHHS agrees with the finding.

FINDING 2022-056

Low-Income Home Energy Assistance, ALN 93.568, Cash Management - Recertification of Clearance Patterns

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	2101MIE5C6	03/11/2021 – 09/30/2022
	2101MILIEA	10/01/2020 – 09/30/2022
	2201MILIEA	10/01/2021 – 09/30/2022
	2201MILIEI	10/01/2021 – 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314	
Total COVID-19 Expenditures	\$230,880,251	
Compliance Requirement(s)	Cash Management	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2021-016	
State Agencies	Michigan Department of Health and Human Services and Michigan Department of Treasury	

Condition

The Michigan Department of Treasury (Treasury) did not adequately review and recertify the accuracy of the clearance patterns contained in the agreement with the U.S. Department of the Treasury, referred to as the Treasury State Agreement (TSA). We noted Treasury did not reassess the accuracy of the LIHEAP clearance patterns as specified in its fiscal year 2022 TSA, which were last reviewed and updated in its fiscal year 2015 TSA.

Criteria

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

Cause

Treasury informed us staff turnover and the transfer of the TSA process to another Treasury office contributed to its delay in the recertification of the clearance patterns.

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 2022-057

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	2101MIE5C6	03/11/2021 – 09/30/2022
	2101MILIEA	10/01/2020 – 09/30/2022
	2201MILIEA	10/01/2021 – 09/30/2022
	2201MILIEI	10/01/2021 – 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314	
Total COVID-19 Expenditures	\$230,880,251	
Compliance Requirement(s)	Eligibility	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	2201MILIEA - \$3,772	
Repeat Finding	2021-057	
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, and proof of energy crisis for 13 (32%) of 41 sampled LIHEAP-funded State Emergency Relief (SER) energy payments.

Criteria

Federal law 42 USC 8624 requires the State to 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 the payment amount must match the amount on the past due or shut-off notice.

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 total questioned costs would exceed \$25,000.

- \$3,772 – federal share.

Recommendation

We recommend MDHHS maintain sufficient documentation to support client eligibility for LIHEAP-funded SER energy payments.

Management Views

MDHHS agrees with the finding.

FINDING 2022-058

Low-Income Home Energy Assistance, ALN 93.568, Reporting - Annual Report on Households Assisted by LIHEAP

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	2101MILIEA	10/01/2020 - 09/30/2022
	2101MIE5C6	03/11/2021 - 09/30/2022
	2201MILIEA	10/01/2021 - 09/30/2022
	2201MILIEI	10/01/2021 - 09/30/2023
Total Expenditures of Federal Awards	\$379,521,314	
Total COVID-19 Expenditures	\$230,880,251	
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 the accuracy of the Annual Report on Households Assisted by LIHEAP reported to HHS's ACF. Our review disclosed MDHHS did not accurately report 2 (14%) of 14 line items reviewed. MDHHS did not include 12,799 (4%) applicants for heating assistance and 1,396 (60%) applicants for furnace repair and replacement assistance.

Criteria

Federal regulation 45 *CFR* 96.82(b) requires each grantee to submit to the U.S. Department of Health and Human Services, as part of its LIHEAP grant application, data on the number of

households receiving LIHEAP assistance during the 12-month period corresponding to the federal fiscal year. The reporting instructions include details for reporting household counts for assisted households and applicant households for the federal fiscal year.

Cause

MDHHS and DTMB informed us additional applicants were identified in Treasury's home heating credit data after the report was submitted and resulted in underreporting heating assistance applicants. MDHHS and DTMB also informed us an error in DTMB's query language resulted in underreporting furnace repair and replacement applicants.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MDHHS ensure the accuracy of the Annual Report on Households Assisted by LIHEAP reported to HHS's ACF.

Management Views

MDHHS agrees with the finding.

FINDING 2022-059

Social Services Block Grant, ALN 93.667, Reporting - Post-Expenditure Report

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	22 01 MI SOSR	10/01/2021 - 09/30/2023
	22 01 MI TANF	10/01/2021 - Until Expended
Total Expenditures of Federal Awards	\$125,747,457	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not submit an accurate post-expenditure report to ACF. Our review of the fiscal year 2022 Social Services Block Grant (SSBG) Post-Expenditure Report noted MDHHS inappropriately excluded 21,162 recipients who received Independent Living Services (ILS) funded by the SSBG program, resulting in a 13% understatement of total recipients on the report.

Criteria

Federal law 42 *USC* 1397e requires each state to prepare and submit an annual post-expenditure report to include the number of individuals who received services paid for in whole

or in part with funds and the amount spent in providing each type of service. The SSBG Post Expenditure Report instructions provide that the total number of recipients includes all recipients of services supported by the total expenditures.

Cause

MDHHS informed us ILS recipients were excluded from the SSBG Post-Expenditure Report because it misunderstood information provided by the auditors in fiscal year 2021. Subsequent to our review, MDHHS submitted a revised report and included these recipients.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MDHHS submit accurate post-expenditure reports and include all individuals receiving SSBG supported services.

Management Views

MDHHS agrees with the finding.

FINDING 2022-060

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 4607DRMIP00000001 07/15/2021
Total Expenditures of Federal Awards	\$160,203,731
Total COVID-19 Expenditures	\$149,781,228
Compliance Requirement(s)	Reporting
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2021-060
State Agency	Michigan Department of State Police

Condition

MSP did not ensure that it timely reported Disaster Grants - Public Assistance subaward information as required by FFATA. We reviewed 8 subawards totaling \$5,961,983 and noted MSP did not timely report subaward information for 3 (38%) subawards totaling \$1,876,788.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires MSP report, on the federal website, 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 that responding to the unprecedented challenges of the COVID-19 pandemic and several other Michigan disasters with limited resources impacted its ability to complete FFATA reporting timely.

Effect

MSP grant information was not available for public access through the federal website established to improve transparency of governmental spending as required. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MSP agrees with the finding.

FINDING 2022-061

Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036, Subrecipient Monitoring - Subrecipient Audits

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
	4607DRMIP00000001	07/15/2021
Total Expenditures of Federal Awards	\$160,203,731	
Total COVID-19 Expenditures	\$149,781,228	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of State Police	

Condition

MSP did not appropriately monitor its subrecipients to ensure they complied with the Uniform Guidance. MSP utilized a tracking sheet to identify those subrecipients that required a single audit and a form to document its review of subrecipient single audits.

We sampled 5 subrecipients and noted for 2 (40%):

- a. MSP did not appropriately identify or document if the subrecipients required a single audit. Therefore, MSP did not monitor these subrecipients to ensure the status or submission of their single audit reports. We verified both subrecipients obtained the required single audits.
- b. MSP did not complete single audit report review forms. Therefore, MSP did not take steps to determine whether a management decision letter was needed. We verified there were no findings related to both subrecipients' federal awards.

Criteria

Federal regulation 2 *CFR* 200.501 requires nonfederal entities who expend \$750,000 or more in federal awards during their fiscal year to obtain a single audit for that fiscal year. Also, federal regulation 2 *CFR* 200.332(f) requires the pass-through entity to verify these subrecipients are audited as required by Subpart F of the Uniform Guidance, Audit Requirements, when it is expected the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded the \$750,000 threshold. In addition, federal regulation 2 *CFR* 200.521(d) requires MSP to issue a management decision letter on the appropriateness of all audit findings related to its federal awards and the subrecipient's corrective action plan within six months of acceptance by the FAC.

Cause

MSP informed us a miscommunication between its staff regarding its query of subrecipient expenditure data resulted in subrecipients being excluded from the tracking sheet.

Effect

MSP limited the State's assurance that its subrecipients complied with grant requirements and implemented corrective actions for audit findings to prevent future sanctions or disallowed costs, which could necessitate adjustments to MSP's records. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MSP appropriately monitor its subrecipients to ensure they comply with the Uniform Guidance.

Management Views

MSP agrees with the finding.

Findings Identified by Other Auditors

FINDING 2022-062

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, 2022, Finding 2022-001.

FINDING 2022-063**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, 2022, Finding 2022-002.

FINDING 2022-064**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, 2022, Finding 2022-003.

FINDING 2022-065**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, 2022, Finding 2022-001.

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, 2022

Prior Audit Findings Related to the Financial Statements

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2021
Finding Title: Improvements needed over vendor file fraud controls

Finding: The Statewide Integrated Governmental Management Applications (SIGMA) Operations and Support, within the State Budget Office, should continue to improve internal control over the State's vendor file to help reduce the risk of fraudulent or improper payments.

Current Status: SIGMA Operations and Support did not correct the deficiencies noted in the finding.

Reason(s) for Recurrence: During the timeframe when the fraudulent activity occurred, there was a delay in daily internal control monitoring. Corrective action was immediately put in place to ensure monitoring was completed by experienced staff and validated by management daily.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2018
Finding Title: Improvements needed to limit access to confidential information in SIGMA

Finding: Various State agencies did not sufficiently limit access to confidential information in SIGMA to only appropriate users.

Current Status: State agencies partially corrected the deficiencies noted in the finding. The Michigan Department of Corrections (MDOC) and the Michigan Department of Treasury (Treasury) corrected part a. of the finding.

Reason(s) for Recurrence: The new security roles required creation and testing prior to being approved to go live in SIGMA in February 2023.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 3
Initial Year Written: Fiscal Year 2021
Finding Title: Improvements needed over Treasury system access controls

Finding: Treasury should improve user access controls over two of its information systems related to banking and unclaimed property to help prevent and detect inappropriate access and protect confidential information from unauthorized use, disclosure, modification, or destruction.

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

Reason(s) for Recurrence: Due to an oversight error, one review rather than two were performed for one of the systems. For a second system, there were technical issues pulling the required data during the first semi-annual privileged user review. Other issues noted were different in nature from the prior audit finding.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 6, part a.2.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 4
Initial Year Written: Fiscal Year 2018
Finding Title: Improvement needed for financial accounting practices related to capital assets

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

Current Status: State agencies and OFM partially corrected the deficiencies noted in the finding. State agencies corrected parts b.2. through b.4.

Reason(s) for Recurrence: For part a., the Department of Technology, Management, and Budget (DTMB) has been reviewing and writing off fully depreciated legacy information technology (IT) capital equipment that no longer qualify as capital assets within SIGMA. However, DTMB was not able to complete a comprehensive review by the end of fiscal year 2022 due to the review and impact related to the implementation of Governmental Accounting Standards Board Statement No. 87. DTMB will continue its efforts and plans to complete the comprehensive review by the end of fiscal year 2023.

For part b.1., DTMB's lack of resources impeded on managerial oversight to follow up on the matter to ensure effectiveness of the new process and control.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 8, parts a. and b.1.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 5
Initial Year Written: Fiscal Year 2013
Finding Title: Improvements needed for establishing and monitoring tax receivables and payables

Finding: Treasury should continue to enhance internal control to help 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. Treasury corrected parts c., d., f., h., and i. of the finding.

Reason(s) for Recurrence: For part a., the control weaknesses noted were different in nature from the prior audit finding.

For part b., there were general ledger limitations in the legacy system. The legacy system had not been replaced as of the balance sheet date.

For parts e. and g., there was a lack of staffing resources. Treasury filled a vacant tax accrual specialist position in 2022, but the employee left the position for another Treasury accounting position prior to year-end closing.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 6
Initial Year Written: Fiscal Year 2019
Finding Title: Improvements needed to 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 SOMACFR.

Current Status: State agencies partially corrected the deficiencies noted in the finding. The Michigan Department of Transportation (MDOT) corrected part a. of the finding.

Reason(s) for Recurrence: For the Michigan Department of State Police (MSP), additional time was required to research and design appropriate and cost-effective compensating controls related to the deposits.

For the Department of Environment, Great Lakes, and Energy (EGLE), the Department of Natural Resources, MDOT, and the Michigan Department of Agriculture and Rural Development, there was additional complexity to implement corrective action due to the number of departments that use MiCARS. As a result, more time was needed to discuss the components and processes used by each department as well as to design and implement the new processes where needed.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 7
Initial Year Written: Fiscal Year 2021
Finding Title: Improvements needed for interface controls

Finding: The Department of Labor and Economic Opportunity (LEO) should improve interface controls over SIGMA to help ensure all data exchanged between SIGMA and other State information systems is processed completely, accurately, and timely.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 8
Initial Year Written: Fiscal Year 2021
Finding Title: Improvements needed to processes for establishing and monitoring Medicaid receivables and payables

Finding: The Michigan Department of Health and Human Services (MDHHS) should enhance internal control to help prevent, or detect and correct, misstatements and help ensure the accuracy of Medicaid accruals and transactions.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: Finding 9
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 all accounting information recorded in the SOMACFR.

Current Status:	<p>State agencies partially corrected the deficiencies noted in the finding. State agencies corrected parts a.1., c., d., and e. through g. of the finding.</p> <p><u>Reason(s) for Recurrence:</u> For part a.2., based on the unique nature of the receivable and the limited history of the coronavirus disease of 2019 (COVID-19) related programs, the level of validation procedures applied to the vendor's estimate was the most efficient use of available resources.</p> <p>For part b., the review date was overlooked as year-end close dates were extended during the close process.</p> <p>Other issues noted in the finding were different in nature from the prior audit finding.</p> <p><u>Corrective Action:</u> See corrective action for Findings Related to the Financial Statements, Finding 4 parts c.3. and e.1.</p>
Audit Period: Finding Number: Initial Year Written: Finding Title:	<p>October 1, 2020 through September 30, 2021</p> <p>Finding 10</p> <p>Fiscal Year 2018</p> <p>Improved oversight needed for third party service organization monitoring</p>
Finding:	<p>Various State agencies should continue to enhance their oversight of third party service organizations to help ensure the accuracy and integrity of all accounting information recorded in the SOMACFR.</p>
Current Status:	<p>State agencies did not correct the deficiencies noted in the finding.</p> <p><u>Reason(s) for Recurrence:</u> For part a., there was a delay in Treasury's receipt of the System and Organization Controls (SOC) reports due to a change in the vendor's reporting period and due to limited resources.</p> <p>For part b., the Michigan Department of State (MDOS) did not clearly document the rationale for not obtaining a SOC report for a third-party service organization's subservice vendor because MDOS's data was not stored at the other subservice vendor locations. Additional training was needed on reviewing SOC reports. The Treasury corrective action plan included the development of a risk matrix for determining subservice organizations who were responsible for completing a SOC. Due to unforeseen delays, this risk matrix was not developed.</p> <p>For part c., Treasury had incorrect complementary user entity control information in the initial review template which was subsequently updated with the correct information.</p> <p>For parts b., c., and d., MDHHS did not have a documented process in place to monitor the completion of SOC report reviews that materially impact the financial statements.</p>

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

Prior Audit Findings Related to Federal Awards

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 in part b. of the finding are no longer applicable. Assistance Listing Number (ALN) 12.401 was not included in the CMIA agreement for fiscal years 2020 through 2022.

Reason(s) for Recurrence: Prior year-end closing activities and delays in receiving information from federal program managers impacted the timeliness of draws.

Corrective Action: See corrective action for Finding 2022-033.

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 Children's Health Insurance

Program (CHIP) eligibility groups. The public health emergency (PHE) delayed implementation of corrective action.

Corrective Action: MDHHS expects that all existing cases will be updated during the 14-month period following the May 11, 2023 end of the PHE, as allowed by the Centers for Medicare and Medicaid Services. MDHHS is also developing a system enhancement that 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.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-001
Initial Year Written: Fiscal Year 2018
Finding Title: Access Limitation for Confidential Information in SIGMA

Finding: MDHHS and LEO did not sufficiently limit access to confidential information to appropriate users of the information in SIGMA.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-002
Initial Year Written: Fiscal Year 2020
Finding Title: SIGMA High-Risk Activity Monitoring

Finding: LEO and 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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-003
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 SNAP Cluster, Pandemic Electronic Benefits Transfer Food Benefits, Child Care and Development Fund (CCDF) Cluster, Medicaid Cluster, Temporary Assistance for Needy Families (TANF), Low Income Home Energy Assistance Program (LIHEAP), and CHIP.

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

Reason(s) for Recurrence: For part a., due to a coding issue, record counts were inappropriately duplicated and the exceptions were not caught during development.

For part b., the COVID-19 state of emergency resulted in many priorities being shifted to support emergency activities.

Also, competing priorities have delayed corrective action for these items.

Corrective Action: See corrective action for Finding 2022-003.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-004
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 at the time of review because DTMB was developing an organization-wide security framework for database security configuration management, which was approved for implementation subsequent to September 30, 2022.

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 did not perform separate reviews for each type of high-risk transaction prior to February 2022. Also, MDHHS staff

oversight and competing priorities impacted the ability to timely review the reports.

Corrective Action: See corrective action for Finding 2022-004.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-005
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 and DTMB corrected parts a., f., and h. of the finding.

Reason(s) for Recurrence: 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 did not yet establish and implement the applicable IEVS interfaces to validate income, social security number, criminal background, or citizenship.

For part g., MDHHS determined that post eligibility verification for modified adjusted gross income (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.

Corrective Action: See corrective action for Finding 2022-006.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-006
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 meeting federal and State mandates while maintaining operational needs and addressing IT security risks highlighted in prior audits. These priorities were given precedence over reviewing expired authorities to operate based on the overall risk and return on investment.

Corrective Action: See corrective action for Finding 2022-007.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-007
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 did not correct the deficiencies noted in the finding.

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

For part c., DTMB had not fully implemented all database specific configuration standards at the time of review because DTMB was developing an organization-wide security framework for database security configuration management, which was approved for implementation subsequent to September 30, 2022.

For part d., MDHHS had established a process to identify and monitor high-risk transactions during fiscal year 2022; however, the process did not identify an additional type of high-risk transaction.

Corrective Action: See corrective action for Finding 2022-008.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-008
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 part b. of the finding.

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

DTMB was developing an organization-wide security framework for database security configuration management, which was approved for implementation subsequent to September 30, 2022.

Corrective Action: See corrective action for Finding 2022-009.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-009
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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-010
Initial Year Written: Fiscal Year 2020
Finding Title: MARS User Access

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

Current Status: LEO partially corrected the deficiencies noted in the finding. LEO corrected part a. of the finding.

Reason(s) for Recurrence: Because of staffing limitations, some processes could not be followed or established.

Corrective Action: See corrective action for Finding 2022-010.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-011
Initial Year Written: Fiscal Year 2021
Finding Title: MATT 2.0 Security Management and Access Controls

Finding: 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.

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

Reason(s) for Recurrence: MSHDA had not fully implemented the corrective action prior to the start of the fiscal year 2022 Single Audit. The fiscal year 2021 audit report was issued in August 2022.

Corrective Action: See corrective action for Finding 2022-011.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-012
Initial Year Written: Fiscal Year 2021
Finding Title: MATT 2.0 Change Management Process

Finding: MSHDA did not fully implement an effective change management process over its MATT 2.0 application.

Current Status: MSHDA did not correct the deficiencies noted in the finding. This condition does not apply to the Coronavirus Relief Fund (CRF) program, as there were no applicable expenditures in fiscal year 2022 processed through the MATT 2.0 system for CRF.

Reason(s) for Recurrence: MSHDA had not fully implemented the corrective action for fiscal year 2022. The fiscal year 2021 audit report was issued in August 2022.

Corrective Action: See corrective action for Finding 2022-012.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-013
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, Security Management and Access Controls

Finding: The Michigan Department of Education (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; Michigan Nutrition Data; Next Generation Grant, Application and Cash Management System (NexSys); and Jira.

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

Reason(s) for Recurrence: For part a., MDE security administrators did not always follow established processes for granting and approving access.

For part b., competing priorities impeded MDE from following internal procedures to ensure semiannual reviews are documented and appropriate action is taken when the semiannual reviews are not completed as requested.

For part c., MDE was working with DTMB to address the DTMB standards for non-organizational application accounts but did not make progress. MDE developed a solution for reviewing low-risk accounts consistent with National Institute of Standards and Technology for non-organizational application accounts; however, it was not implemented until after the audit period.

For part d., MDE 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. MDE obtained an exception from DTMB on the 60-day inactivity requirement after the audit period.

Corrective Action: See corrective action for Finding 2022-013.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-014
Initial Year Written: Fiscal Year 2021
Finding Title: MDE, IT Change Management Process

Finding: MDE did not fully implement an effective change management process over MEGS+ and NexSys.

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

Reason(s) for Recurrence: MDE was still vetting process and procedure changes with DTMB regarding the testing and documentation of change management items within the DevOps tracking system.

Corrective Action: See corrective action for Finding 2022-014.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-015
Initial Year Written: Fiscal Year 2021
Finding Title: MDHHS, PACAP - Inappropriate PACAP Allocation

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

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

Reason(s) for Recurrence: MDHHS quality control processes did not detect the errors because of the immaterial value of each error.

Corrective Action: See corrective action for Finding 2022-015.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-016
Initial Year Written: Fiscal Year 2020
Finding Title: Treasury, Cash Management Improvement Act - Recertification of Clearance Patterns

Finding: Treasury did not adequately review and recertify the accuracy of the clearance patterns specified in its fiscal year 2021 Treasury State Agreement (TSA).

Current Status: Treasury partially corrected the deficiencies noted in the finding. Treasury corrected the finding for all programs except for LIHEAP.

Reason(s) for Recurrence: Staff turnover and the transfer of the TSA process to another Treasury office contributed to its delay in the recertification of the clearance patterns.

Corrective Action: See corrective action for Finding 2022-056.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-017
Initial Year Written: Fiscal Year 2018
Finding Title: MDHHS, Cash Management - Cash Management Process

Finding: MDHHS did not follow its established cash draw process to prepare reimbursement requests in accordance with the CMIA. In addition, MDHHS did not report complete and accurate information to Treasury for noncompliant cash draws.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-018
Initial Year Written: Fiscal Year 2021
Finding Title: MDE, Reporting - FFATA Reporting

Finding: 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.

Current Status: MDE corrected the deficiencies noted in the finding as of June 2022.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-019
Initial Year Written: Fiscal Year 2021
Finding Title: MDHHS, Reporting - FFATA Reporting

Finding: MDHHS did not ensure that it reported or accurately and timely reported all subaward information as required by the FFATA.

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

Reason(s) for Recurrence: The unavailability of the Federal Subaward Reporting System (FSRS) during a significant portion of the fiscal year 2021 reporting period contributed to its inability to report timely as

required because it created a backlog of fiscal year 2021 reports that needed to be entered into FSRS prior to the submission of the fiscal year 2022 reports. Also, for the Medicaid Cluster and CHIP, the EGrAMS account code and funding source fields were inaccurate which impacted the query used to obtain certain FFATA data elements.

Corrective Action: See corrective action for Finding 2022-017.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-020
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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-021
Initial Year Written: Fiscal Year 2021
Finding Title: MSHDA, Subrecipient Monitoring - Subaward Information

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

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-022
Initial Year Written: Fiscal Year 2008
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Beneficiary Eligibility

Finding: MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility.

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

Reason(s) for Recurrence: For part a., MDHHS did not properly consider all available beneficiary information when determining beneficiary eligibility because of system issues and staff actions.

For part b., MDHHS's internal control was not always sufficient to ensure document retention.

Corrective Action: See corrective action for Finding 2022-019.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-023
Initial Year Written: Fiscal Year 2018
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 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: MDHHS implemented a system change to correct eligibility classifications in Bridges in April 2021. All new cases are being correctly routed. MDHHS expects all existing cases will be updated during the 14-month period following the May 11, 2023 end of the PHE, as allowed by the Centers for Medicare and Medicaid services. The Medicaid Cluster to CHIP transfer was completed correctly, however, due to an incorrect eligibility determination reflected in Bridges, some cases were transferred in error.

Corrective Action: See corrective action for Finding 2022-020.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-024
Initial Year Written: Fiscal Year 2017
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 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 an eligibility record with an identified error for 1 (7%) of 15 sampled daily interface runs.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS investigated, corrected, and resubmitted for processing eligibility records with errors in a timely manner.

Reason(s) for Recurrence: MDHHS's central office did 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.

Corrective Action: See corrective action for Finding 2022-021.

Audit Period: October 1, 2020 through September 30, 2021

Finding Number: 2021-025
Initial Year Written: Fiscal Year 2020
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Medical Records

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

Current Status: MDHHS corrected the deficiencies noted in the finding as of May 2022.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-026
Initial Year Written: Fiscal Year 2008
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Provider Eligibility

Finding: 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 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: 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.

Corrective Action: See corrective action for Finding 2022-022.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-027
Initial Year Written: Fiscal Year 2020
Finding Title: 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

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: 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.

Corrective Action: See corrective action for Finding 2022-023.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-028
Initial Year Written: Fiscal Year 2021
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Medical Loss Ratio

Finding: 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.

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

Reason(s) for Recurrence: MDHHS 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.

Corrective Action: See corrective action for Finding 2022-024.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-029
Initial Year Written: Fiscal Year 2021
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Managed Care Periodic Audits

Finding: 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.

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

Reason(s) for Recurrence: MDHHS 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.

Corrective Action: See corrective action for Finding 2022-025.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-030
Initial Year Written: Fiscal Year 2015
Finding Title: 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

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 because DTMB was developing an organization-wide security framework for database security configuration management, which was approved for implementation subsequent to September 30, 2022.

Corrective Action: DTMB developed an organization-wide framework for database security configuration management. DTMB anticipates having compliance documentation by September 30, 2023.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-031
Initial Year Written: Fiscal Year 2019
Finding Title: 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

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., the semiannual user reviews were in development and were not fully implemented in fiscal year 2022.

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. MDHHS anticipates completion of corrective action by December 2023.

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. MDHHS anticipates completion of corrective action by December 2023.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-032
Initial Year Written: Fiscal Year 2021
Finding Title: 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

Finding: MDHHS did not fully implement an effective change management process over MI-WIC.

Current Status: MDHHS corrected the deficiencies noted in the finding as of October 1, 2022.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-033
Initial Year Written: Fiscal Year 2021
Finding Title: Housing Voucher Cluster, ALN 14.871 and 14.879, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Accounting for HAP Expenditures

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

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-034
Initial Year Written: Fiscal Year 2021
Finding Title: WIOA Cluster, ALN 17.258, 17.259, and 17.278, Reporting - FFATA Reporting

Finding: LEO did not report Workforce Innovation and Opportunity Act (WIOA) Cluster subaward information as required by FFATA.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-035
Initial Year Written: Fiscal Year 2021
Finding Title: Coronavirus Relief Fund, ALN 21.019, Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payments in Excess of Grant Award Amount

Finding: MSHDA did not have sufficient controls in place to prevent payments to subrecipients in excess of their CRF grant award amounts.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-036
Initial Year Written: Fiscal Year 2021
Finding Title: Emergency Rental Assistance Program, ALN 21.023, Procurement and Suspension and Debarment - Suspension and Debarment Process

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

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-037
Initial Year Written: Fiscal Year 2021
Finding Title: Drinking Water State Revolving Fund Cluster, ALN 66.468, Matching, Level of Effort, and Earmarking - Principal Forgiveness

Finding: EGLE did not develop and report to the U.S. Environmental Protection Agency its plans to allocate the remaining 2017 capitalization grant's principal forgiveness.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-038
Initial Year Written: Fiscal Year 2021
Finding Title: Education Stabilization Fund, ALN 84.425, Subrecipient Monitoring - Subaward Information

Finding: MDE did not report all subaward information and did not report accurate information as required by the Uniform Guidance to its subrecipients.

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

Reason(s) for Recurrence: MEGS+ is designed to automatically generate the Grant Award Notifications upon approval of subaward applications, however this function did not operate correctly in fiscal year 2022.

Corrective Action: See corrective action for Finding 2022-018.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-039
Initial Year Written: Fiscal Year 2021
Finding Title: Education Stabilization Fund, ALN 84.425, Subrecipient Monitoring - During-the-Award Monitoring Procedures

Finding: MDE did not adequately and timely monitor its subrecipients that received Education Stabilization Fund (ESF) subawards.

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

Reason(s) for Recurrence: The Uniform Guidance does not specify a timeframe for the review of Final Expenditure Reports (FERs) or subrecipient reviews for ESF funds. MDE elected to delay its review of FERs until closer to the liquidation end date. Also, because MDE's contracted desk reviews did not begin until July 2022, it was unable to finalize any individual subrecipient reviews by September 30, 2022.

Corrective Action: See corrective action for Finding 2022-042.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-040
Initial Year Written: Fiscal Year 2005
Finding Title: 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

Finding: 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.

Current Status: MDE and MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected part c. of the finding.

Reason(s) for Recurrence: MDHHS's 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 2022-044.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-041
Initial Year Written: Fiscal Year 2019
Finding Title: 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

Finding:	MDE and the Department of Licensing and Regulatory Affairs (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 a. and c. of the finding. <u>Reason(s) for Recurrence:</u> Limited resources impacted the timeliness of some inspections, and the missing documentation was an oversight. <u>Corrective Action:</u> See corrective action for Finding 2022-046.
Audit Period:	October 1, 2020 through September 30, 2021
Finding Number:	2021-042
Initial Year Written:	Fiscal Year 2017
Finding Title:	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
Finding:	MDHHS did not ensure that beneficiary eligibility was updated in CHAMPS.
Current Status:	MDHHS did not correct the deficiencies noted in the finding. <u>Reason(s) for Recurrence:</u> 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. <u>Corrective Action:</u> See corrective action for Finding 2022-047.
Audit Period:	October 1, 2020 through September 30, 2021
Finding Number:	2021-043
Initial Year Written:	Fiscal Year 2013
Finding Title:	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
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 partially corrected the deficiencies noted in the finding. MDHHS corrected part b. of the finding. <u>Reason(s) for Recurrence:</u> The post-payment review process is complicated by the lag time (up to one year) associated with MDHHS

receiving and processing hospital claims and delays in changes to clients' level of care. Also, the monthly hospitalization reports are not capturing all facility stays for home help clients.

Corrective Action: See corrective action for Finding 2022-048.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-044
Initial Year Written: Fiscal Year 2019
Finding Title: 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

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

Reason(s) for Recurrence: Although the Electronic Service Verifications (ESV) and Paper Service Verifications (PSV) collect information on completed services, prior to April 1, 2022, there was no automated review of the ESV information and there continues to be no automated review of the PSV information to determine if all services were provided before payment was issued.

Corrective Action: See correcting action for Finding 2022-049.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-045
Initial Year Written: Fiscal Year 2013
Finding Title: Medicaid Cluster, ALN 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. The primary remaining sources for overlaps between FFS and capitation payments are due to retroactive removal of Medicaid eligibility.

Corrective Action: See corrective action for Finding 2022-050.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-046
Initial Year Written: Fiscal Year 2020
Finding Title: Medicaid Cluster, ALN 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 had not fully implemented all database specific configuration standards at the time of review because DTMB was developing an organization-wide security framework for database security configuration management, which was approved for implementation subsequent to September 30, 2022.

Corrective Action: See corrective action for Finding 2022-051.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-047
Initial Year Written: Fiscal Year 2021
Finding Title: Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Special Tests and Provisions - MARIS Security Management and Access Controls

Finding: MDHHS did not establish effective security management and access controls over MARIS users.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-048
Initial Year Written: Fiscal Year 2020
Finding Title: 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

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 the overpayment until the correct information could be obtained.

Corrective Action: See corrective action for Finding 2022-023.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-049
Initial Year Written: Fiscal Year 2018
Finding Title: Immunization Cooperative Agreements, ALN 93.268, Special Tests and Provisions - MCIR General Controls

Finding: MDHHS and DTMB did not fully establish and implement effective security configurations for the Michigan Care Improvement Registry (MCIR) 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 because DTMB was developing an organization-wide security framework for database security configuration management, which was approved for implementation subsequent to September 30, 2022.

Corrective Action: See corrective action for Finding 2022-052.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-050
Initial Year Written: Fiscal Year 2021
Finding Title: Immunization Cooperative Agreements, ALN 93.268, Special Tests and Provisions - MCIR User Access Controls

Finding: MDHHS did not establish effective user access controls over MCIR.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-051
Initial Year Written: Fiscal Year 2021
Finding Title: Immunization Cooperative Agreements, ALN 93.268, Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization

Finding: MDHHS did not ensure that required compliance site visits for providers enrolled in the Vaccines for Children (VFC) program were conducted.

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

Reason(s) for Recurrence: MDHHS did not conduct provider compliance site visits for all providers because the Centers for Disease Control and Prevention (CDC) allowed jurisdictions to temporarily suspend site visits during the COVID-19 pandemic.

Corrective Action: See corrective action for Finding 2022-053.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-052
Initial Year Written: Fiscal Year 2020
Finding Title: 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

Finding: 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.

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

Reason(s) for Recurrence: MDHHS had a process in place to ensure requests were reasonable and appropriate; however, the process was not documented sufficiently.

Corrective Action: See corrective action for Finding 2022-026.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-053
Initial Year Written: Fiscal Year 2011
Finding Title: 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

Finding: 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.

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

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

Corrective Action: See corrective action for Finding 2022-054.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-054
Initial Year Written: Fiscal Year 2014
Finding Title: 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

Finding: MDHHS did not maintain sufficient documentation of its efforts to evaluate client income eligibility.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-055
Initial Year Written: Fiscal Year 2021
Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Family Support Subsidy Program

Finding: MDHHS did not maintain documentation to support client eligibility for the TANF-funded family support subsidy program.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-056
Initial Year Written: Fiscal Year 2021
Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - TANF-Funded Foster Care Payments

Finding: MDHHS inappropriately claimed the same costs under two federal programs.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-057
Initial Year Written: Fiscal Year 2016
Finding Title: Low-Income Home Energy Assistance, ALN 93.568, Eligibility - Eligibility Determinations

Finding: 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 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 2022-057.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-058
Initial Year Written: Fiscal Year 2015
Finding Title: Adoption Assistance, ALN 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 corrected the deficiencies noted in the finding.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-059
Initial Year Written: Fiscal Year 2021
Finding Title: 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

Finding: MDHHS did not appropriately calculate the federal and State shares for the Insurance Provider Assessment tax reimbursed to managed care health plans.

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

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-060
Initial Year Written: Fiscal Year 2021
Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036, Reporting - FFATA Reporting

Finding: MSP did not ensure that it reported or accurately and timely reported Disaster Grants - Public Assistance subaward information as required by FFATA.

Current Status: MSP partially corrected the deficiencies noted in the finding. MSP corrected parts a., b.2., and b.3. of the finding.

Reason(s) for Recurrence: Competing priorities impacted MSP's ability to complete FFATA reporting.

Corrective Action: See corrective action for Finding 2022-060.

Audit Period: October 1, 2020 through September 30, 2021
Finding Number: 2021-061

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, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Finding 2021-001.
Current Status:	The Unemployment Insurance Agency (UIA) did not correct the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2022, Summary Schedule of Prior Audit Findings, Finding 2021-001.
Audit Period:	October 1, 2020 through September 30, 2021
Finding Number:	2021-062
Initial Year Written:	Fiscal Year 2021
Finding Title:	Unemployment Insurance, CFDA 17.225
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, Finding 2021-002.
Current Status:	UIA did not correct the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2022, Summary Schedule of Prior Audit Findings, Finding 2021-002.
Audit Period:	October 1, 2020 through September 30, 2021
Finding Number:	2021-063
Initial Year Written:	Fiscal Year 2017
Finding Title:	Unemployment Insurance, CFDA 17.225
Finding:	See Department of Labor and Economic Opportunity, Unemployment Insurance Agency, Unemployment Compensation Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2021, Finding 2021-003.
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, 2022, Summary Schedule of Prior Audit Findings, Finding 2021-003.
Audit Period:	October 1, 2020 through September 30, 2021
Finding Number:	2021-064

Initial Year Written:	Fiscal Year 2021
Finding Title:	Unemployment Insurance, CFDA 17.225
Finding:	See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Administration Fund, Single Audit Reporting Package, Year Ended September 30, 2021, Finding 2021-001.
Current Status:	UIA did not correct the deficiencies noted in the finding. See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Administration Fund, Report on Expenditure of Federal Awards, Year Ended September 30, 2022, Summary Schedule of Prior Audit Findings, Finding 2021-001.



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

Comprehensive review of tax credit forwards

Management Views

The Michigan Department of Treasury (Treasury) and the Office of Financial Management (OFM) agree that a more comprehensive evaluation of business tax credit forwards should occur to determine if the related estimated liabilities and deferred inflows of resources are reasonably measurable.

Planned Corrective Action

Treasury currently has issued a request for proposal (RFP) to obtain professional services to review how other governmental agencies treat tax credit forwards. Results from the RFP will be used to determine next steps including developing a methodology for calculating tax credit forwards if found appropriate.

Treasury staff will also be reviewing available data to determine what, if anything, can be used to measure the credit forward balances at year-end.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Suzie Nichols, Treasury

Finding 2

Improvements over vendor file fraud controls

Management Views

The Statewide Integrated Governmental Management Applications (SIGMA) Operations and Support (SOS) and OFM agree that internal control over the State's vendor file should continue to be reviewed for opportunities to further enhance vendor monitoring to reduce the risk of fraudulent payments. This instance of fraud occurred when there was a delay in execution of the internal control previously implemented. Corrective action was immediately implemented by SOS during the fiscal year to ensure timely execution of the controls. The enhanced controls established in recent years have successfully prevented multiple occurrences of attempted fraudulent access to vendor profiles.

Planned Corrective Action

SOS has implemented multiple preventive controls related to select high risk vendor activity. Additional monitoring continues to be put in place based on known patterns of fraud. To ensure additional delays would not occur in daily monitoring, validation emails were immediately implemented and continue to be sent to SIGMA management that include assurance that the reviews have been completed with explanation of any risks identified. SOS will continue to review fraud risks and modify controls and monitoring efforts as required.

Anticipated Completion Date

Completed

Responsible Individual(s)

Allison Mikulec, SOS

Finding 3

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.1., Treasury corrected the Governmental Accounting Standards Board (GASB) 34 workbook to reduce revenues by amounts refunded to taxpayers for Sales, Use and Withholding, Corporate Income Tax (CIT) and City taxes. Treasury has updated its procedures to ensure this issue does not recur in the future. Further training and communication have taken place with the Treasury GASB 34 team as well.

For part a.2., Treasury corrected the GASB 34 workbook to properly estimate the Insurance Provider Assessment Act (IPAA) receivable. Further training and communication have taken place with the Treasury tax accrual team on the importance of communicating adjustments made to the 60-day accruals to the individual that is completing GASB 34 calculations to determine the impacts to GASB 34.

For part a.3., Treasury corrected the GASB 34 workbook and booked adjusting entries in SIGMA to exclude delinquent collection patterns from fiscal year 2019 and prior, therefore making the estimate reasonable. Future procedures and methodology for this receivable will include analytical review of the underlying data to ensure the reasonableness of the calculated estimate.

For part a.4., Treasury ran the updated SIGMA Business Intelligence (SBI) queries that included the adjustment amounts that had been booked since the original calculation and updated the GASB 34 workbook with the new totals. Treasury has corrected the SBI query used for closing to include all CIT revenue ensuring all CIT revenue is accounted for in the future. Further training and communication have taken place for the Treasury tax accrual team on the importance of communicating adjustments made to the 60-day accruals to the individual that is completing GASB 34 calculations to determine the impacts to the full accrual calculations, which includes assessing the need to run an updated SBI query for City Tax revenue if adjustments were made.

For part b., correcting entries were booked in SIGMA. Treasury is working to enhance the original methodology used to book the fiscal year 2022 accrual to address the issues noted in the audit. This includes refining the various attributes of the methodology, the reporting used, and communications within Treasury on the information required.

For part c., 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 d.1., a correcting entry was booked in SIGMA. Further training, communication, and procedure updates have taken place to explain that if delinquent tax collections for IPAA is estimated in assessed tax receivables/receivables to be assessed collection reports, then it should not be accrued from other 60-day reports as well.

For part d.2., Treasury will review State agency payments subsequent to running the SAP Report 28 to identify any October or November payments posted in SAP after the SAP Report 28 was run. This review will be completed annually in early December in order to determine if any adjustments are necessary.

For part d.3., Treasury will revise the current process for working with the tax processing area in Treasury to ensure assessments that are not being actively collected on accurately reflect their status in the Michigan Motor Fuel and Tobacco Tax System.

For part e., Treasury plans to fill the vacant tax accrual specialist position, which as part of that position, will re-evaluate the liability recorded for business taxes when the estimated refund changes prior to the State of Michigan Annual Comprehensive Financial Report (SOMACFR) issuance. If the position is not filled in time, Treasury will reassign this task to existing resources.

For part f., Treasury plans to fill the vacant tax accrual specialist position, which as part of that position, will focus on comparing tax accrual methodologies used to subsequent actual activity to determine if methodology changes are warranted. There will be a training period required.

Anticipated Completion Date

- a.1. Completed
- a.2. Completed
- a.3. September 30, 2023
- a.4. Completed
- b. September 30, 2023
- c. Treasury has not yet determined an anticipated completion date.
- d.1. Completed
- d.2. December 15, 2023
- d.3. September 30, 2023
- e. September 30, 2023
- f. September 30, 2024

Responsible Individual(s)

Tim Johnson, Treasury

Finding 4

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 SOMACFR.

Planned Corrective Action

For part a., OFM has updated its process to ensure that the net investment in capital assets calculation is reviewed by someone who is independent of the preparation process.

For part b., Treasury booked the correcting entry in SIGMA and completed additional training with staff responsible for booking this entry to properly filter the SBI query to capture the proper population of transactions to be reclassified to expenditures. The report filtering process has been updated and documented in the procedures should this entry be reassigned to a different staff member in the future.

For part c.1., the Michigan Department of Health and Human Services (MDHHS) has developed a checklist to aid in the review of the Quality Assurance Assessment accruals. The checklist includes a step to verify the beginning balance is updated for current year amounts.

For part c.2., MDHHS held an internal meeting to discuss the identified issue and improve the accounts payable process. The MDHHS Expenditure Operations Division is currently reviewing all payables that are requested and recorded in each respective area. After the review is complete, a list will be distributed to all respective areas for review and awareness to prevent duplication.

For part c.3., the receivable established was related to private insurance company reimbursement for coronavirus disease of 2019 (COVID-19) testing costs. The public health emergency (PHE) ended on May 11, 2023, and private insurance companies will no longer be required to cover the costs of COVID-19 testing.

For part d., the Department of Natural Resources (DNR) Finance and Operations (Minerals Management Section, Revenue Verification Unit) and the Michigan Department of Transportation (MDOT) Accounting Services Division's (ASD) Accounts Receivable Section will update the Land Ownership Tracking System query and ensure amounts are reconciled with the Michigan Cashiering and Receivable System (MiCARS) and SIGMA. MDOT ASD will review the established accrual methodology for estimating revenues from oil and gas royalties and implement process improvements for future reconciliation.

For part e.1., the Michigan Department of Education (MDE) will set an initial re-review date of the actual National School Lunch Program expenditure data the second week of January for the estimated accrual. This re-review date will be added to the MDE closing schedule list and in the procedures for calculating the estimated payable. Adjusting entries will be made with OFM's approval if needed. This expenditure data will be re-evaluated bi-weekly until the actual SOMACFR year-end close date is determined during the close process.

For part e.2., MDE is the fourth and last agency to have access to the data regarding the Brownfield Redevelopment fund payable. MDE will coordinate with the other three State agencies involved with Brownfield Redevelopment consisting of the Michigan Strategic Fund (MSF), Michigan Economic Development Corporation (MEDC), and Treasury to verify the fund balance. Regular monthly fund assessment meetings will occur to determine if and when an adjustment to the estimated payable is necessary. The fund reassessment dates will be added to the MDE closing schedule list and in the procedures for calculating the estimated payable. Adjusting entries will be made with OFM's approval if needed. MDE will also submit an estimation methodology to OFM for approval that includes the initial estimate and planned reassessments.

For part f., MDOT will develop and run additional reports as needed throughout the year to identify errors in coding requiring correction.

Anticipated Completion Date

- a. Completed
- b. Completed
- c.1. Completed
- c.2. September 1, 2023
- c.3. July 11, 2023
- d. September 30, 2023
- e.1. July 15, 2023
- e.2. July 15, 2023
- f. September 30, 2023

Responsible Individual(s)

- a. Brandon McAndrew, OFM
- b. Tim Johnson, Treasury
- c.1. Carol O'Callaghan, MDHHS
- c.2. Sara Gross and Kimberly Maniez, MDHHS
- c.3. Len Uller, Char Terry, Alison Wright Von-Buchwald, and Aarti Dave, MDHHS
- d. Andrea Mowry, Ashley Grizzell, and Maddie Schmitt, MDOT
Erik Eklund, Dan Lord, Kirk Lapham, and Ben Gutierrez, DNR
- e.1. Rose Zuker, MDE
- e.2. Philip Boone, MDE
- f. Adam Feldpausch, MDOT

Finding 5

Access limitations for confidential information in SIGMA

Management Views

Treasury and OFM agree that access to confidential information in SIGMA should be limited to appropriate users and implemented corrective action in February 2023.

Planned Corrective Action

Treasury worked with SOS and OFM to create new security roles to sufficiently limit access to confidential information in SIGMA to only appropriate users.

Anticipated Completion Date

Completed

Responsible Individual(s)
Suzie Nichols, Treasury

Finding 6
Treasury system user access controls

Management Views

Treasury and OFM agree user access controls over Treasury's information systems should be improved.

Planned Corrective Action

For part a.1., Treasury's Unclaimed Property Section conducted a user access review in late January 2023. A second review for fiscal year 2023 has been scheduled and will be conducted prior to September 30, 2023. User access reviews will be conducted, as required by State of Michigan (SOM) Technical Standard 1340.00.020.01 (Access Control Standard), in subsequent fiscal years.

For part a.2., Treasury's Unclaimed Property Section and Financial Services Division conducted the required user access reviews, as required by SOM Technical Standard 1340.00.020.01. Treasury developed and implemented a complete review process to ensure all SOM technical standards were adhered to.

For part b., Treasury's Financial Services Division will continue to work with their vendors to implement automatic disabling of accounts after 60 days of inactivity. Until the vendor can make the changes, effective in April 2023, Financial Services Division performs a manual review every 60 days to ensure user accounts are disabled after 60 days of inactivity.

Anticipated Completion Date

a.1. September 30, 2023

a.2. Completed

b. Completed

Responsible Individual(s)

a.1. Terry Stanton, Treasury

a.2. Terry Stanton and Jennifer Ruttman, Treasury

b. Jennifer Ruttman, Treasury

Finding 7
MiCARS internal control improvements

Management Views

State agencies and OFM agree MiCARS internal control should continue to be improved. The Michigan Department of State Police (MSP) implemented significant compensating controls for MiCARS transactions prior to fiscal year 2022 and will fully implement the final step in its corrective action plan related to deposits in fiscal year 2023. DNR, the Department of Environment, Great Lakes, and Energy (EGLE), the Michigan Department of Agriculture and Rural Development (MDARD), and MDOT are continuing to work with the Office of Internal Audit Services (OIAS) to design and implement cost effective controls where needed.

Planned Corrective Action

MSP improved its compensating controls related to deposits in October 2022 by preparing the Cash Deposit Validation procedure and increasing the monitoring of the validation of cash deposits.

The MDOT ASD provides accounting services to DNR, EGLE, MDARD and MDOT. DNR, EGLE, MDARD, and MDOT are working with OIAS and OFM on a comprehensive review in order to design and implement new processes where needed to improve MiCARS internal control.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Julie Eisinger, MSP

Andrea Mowry, MDOT

Finding 8

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's (DTMB) information technology (IT) related capital assets recorded in SIGMA include aged equipment, similar to the sampled items, which have a zero-book value. DTMB will continue its efforts to complete an inventory of fully depreciated equipment to determine if assets should be disposed in SIGMA by leveraging reports and processes and pulling asset status and disposal data from online repositories. DTMB will expand its efforts to establish processes to ensure equipment is being removed timely by adding a year-end review of asset disposals to the DTMB closing schedule. The year-end review of asset disposals will include a review of disposal reports to ensure that everything that has been disposed of is properly written off in SIGMA.

EGLE will review and implement additional tiers of supervisory review including random in-person site inspections to assure verification process is being conducted accurately.

MDOT will implement a more detailed supervisory review of the information on the annual impairment report and by confirming all transactions are made in SIGMA.

For part b.1., DNR will review the SBI MI-PRJ-0001 Fixed Asset-Construction in Progress Review Report on a quarterly basis and implement process improvements for updating in-service dates to ensure construction in progress (CIP) amounts are timely reclassified to depreciable assets.

MDOT will update its internal procedures and implement a more detailed supervisory review for confirmed closed projects and verifying their asset reclassifications to final in SIGMA.

DTMB has enhanced its procedures and expanded its efforts to establish more effective controls to mitigate errors related to capital assets.

Specifically, for DTMB's capital outlay related capital assets, procedures are being expanded to include a quarterly review of the Certificate of Tentability (COT) date, which includes reaching out to the State Building Authority (SBA) or DTMB project director to confirm a COT date. Furthermore, a step is being added to the procedure to reach out to the applicable agency to inquire if an asset will be recorded within their capital assets at the completion of CIP and how to complete the applicable entries, if necessary.

For DTMB's IT related capital assets, DTMB will enhance processes to review all in progress capitalized software projects by contacting project managers to determine what project phases went into production during the fiscal year.

For part b.2., DTMB has enhanced its procedures and expanded its efforts to establish more effective controls to mitigate errors related to capital assets. Procedures were expanded to include a quarterly review of the COT date, which includes reaching out to SBA or the DTMB project director to confirm a COT date. Furthermore, a step was added to the procedure to reach out to the applicable agency to inquire if an asset will be recorded within their capital assets at the completion of the project and how to complete the applicable entries, if necessary.

For part b.3., MDOT will update internal procedures and implement a more detailed supervisory review, including a review of the index rates being used for each road type category.

For part b.4., OFM will provide additional guidance and/or training to departments reinforcing how to identify and report non-lease components. OFM will request that departments review the guidance and provide certification stating:

- Existing leases have been reviewed and non-lease components have been treated appropriately (either were already appropriate or reported to OFM and corrected).
- Guidance will be applied moving forward when reviewing new leases and contract modifications.

For part c., DTMB has enhanced its procedures to include a review of software in process assets to identify any software components that have gone into production during the fiscal year and how to make the necessary entries to reclassify software in process assets to software assets, if needed. DTMB will contact project managers annually for a review of project deployments to ensure assets are properly reclassified.

For part d., OFM will update internal review procedures to ensure a more thorough review of all lease schedule adjustments.

Anticipated Completion Date

- a. September 30, 2023
- b.1. September 30, 2023
- b.2. Completed
- b.3. September 30, 2023
- b.4. September 30, 2023
- c. Completed
- d. July 3, 2023

Responsible Individual(s)

- a. Jennifer Gibson and Rachel Hodge, DTMB
Adam Feldpausch, MDOT
Andrea Mowry, MDOT

- Paul McDonald, EGLE
b.1. Andrea Mowry, MDOT
Erik Eklund, DNR
Adam Feldpausch, MDOT
Jennifer Gibson, Rachel Hodge, and Latissa Dozier, DTMB
b.2. Latissa Dozier, DTMB
b.3. Adam Feldpausch, MDOT
b.4. Heather Boyd, OFM
Andrea Mowry, MDOT
Erik Simmer, DTMB
Rose Zuker, MDE
Chad Bassett, Michigan Department of State (MDOS)
Andrew Easton, MDHHS
c. Jennifer Gibson and Rachel Hodge, DTMB
d. Tony Thelen, OFM

Finding 9
Third party service organization monitoring

Management Views

State agencies and OFM agree that agency oversight of third party service organizations (TPSO) should continue to be enhanced, and OIAS and OFM agree that TPSO related guidance to State agencies should continue to be improved. Regarding part a.2.a., DTMB disagrees that DTMB did not receive the System and Organization Controls (SOC) report timely. Since the vendor is an IT Service Organization (not a Financial Services Organization), the contract only requires a SOC 2 report. Although the vendor is not contractually required to provide a SOC 1 report, the vendor provided a SOC 1 report upon request to DTMB within 50 State business days, keeping with the spirit of the SOC 2 delivery timeframes contained in the vendor's contract.

Planned Corrective Action

For part a.1.a., MDOS provided additional training to better document the rationale for not receiving a SOC report for a subservice vendor subservice provider when it is concluded that it is not necessary to obtain one.

Treasury will document whether the subservice organization is relevant to Michigan to determine when subservice organization SOC reports are required. If relevant, Treasury will work with the primary vendor to determine if adequate controls are in place to monitor the subservice organization. If Treasury determines a SOC report for the subservice organization is needed, Treasury will work with the primary vendor to obtain this report.

MDHHS has reviewed the Financial Management Guide (FMG) SOC report review requirements as they relate to the identified SOC reports and will document the need for obtaining subservice provider's SOC reports that are material to the MDHHS control environment on the required OIAS template. If a SOC report is not required to be obtained and reviewed for the subservice provider, MDHHS will document that conclusion and reasoning as well. In addition, MDHHS determined that one contract needed modifications to require subservice SOC report details are provided and those changes were effective August 2022.

MDHHS will work with other State agencies to identify best practices and document a centralized process to monitor the completion of SOC report reviews that materially impact the financial statements. MDHHS will work with OIAS to provide training as necessary.

For part a.1.b., MDHHS has reviewed the FMG SOC report review requirements specific to reviewing control weaknesses identified by the service auditor. MDHHS will document the review of control weaknesses noted by the service auditor, as required by the FMG, on the required OIAS template.

MDHHS will work with other State agencies to identify best practices and document a centralized process to monitor the completion of SOC report reviews that materially impact the financial statements. MDHHS will work with OIAS to provide training as necessary.

For part a.1.c, Treasury's review process will be performed in coordination with Treasury Privacy and Security which will allow for complete and consistent review and reporting of complimentary user-entity control information.

SOS, referenced as DTMB in the finding, determined that the issue in the finding was an isolated instance of access not being revoked timely, which was associated with the complementary user-entity controls. SOS verified the instance was isolated and reviewed all applicable systems for the relevant timeframe and confirmed that the access was not used. SOS developed and implemented a formal employee and contractor off-boarding process which ensures access is removed timely and captures supporting documentation.

MDHHS has reviewed the FMG SOC report requirements specific to reviewing complementary user-entity controls and will continue to enhance documentation of the complementary user-entity control review, as required by the FMG, on the required OIAS template.

MDHHS will work with other State agencies to identify best practices and document a centralized process to monitor the completion of SOC report reviews that materially impact the financial statements. MDHHS will work with OIAS to provide training as necessary.

For part a.2.a., Treasury worked with its contractors to determine the reason for the delay in providing the SOC reports and established timelines with the contractors for receipt of future reports. New reports for both vendors have been received within the 60-day period.

DTMB disagrees with the finding and does not intend to take further action.

For part a.2.b., MDHHS will annually obtain and review the SOC reports for providers that perform key control activities on behalf of MDHHS. In May 2023, MDHHS reviewed the FMG SOC report review requirements and after further evaluation determined that SOC report reviews are not needed for two of the providers identified in the finding, which will be documented on the required OIAS review template for future SOC report reviews. The review of the SOC reports for the remaining two providers is now primarily conducted by the MDHHS Compliance Division.

MDHHS will work with other State agencies to identify best practices and document a centralized process to monitor the completion of SOC report reviews that materially impact the financial statements. MDHHS will work with OIAS to provide training as necessary.

For part a.2.c., Treasury's review process will be performed in coordination with Treasury Privacy and Security and, as a result of Privacy and Security committing a dedicated staff to the process, the SOC reports will be reviewed and approved timely.

For part a.3.a., MDOS performed additional procedures during the period not addressed in the report. MDOS has compensating controls in place to mitigate the financial risks associated with this service organization. MDOS will evaluate the need to work with the vendor to obtain a bridge letter in addition to providing additional documentation of the compensating controls that currently mitigate the financial risk.

For part a.3.b., MDHHS has reviewed the FMG bridge report requirements and will ensure that required bridge letters are obtained timely. In May 2023, MDHHS determined that one of the bridge letters identified in the finding is for a provider's SOC report that is not required to be obtained and this will be documented on the required OIAS review template for future SOC report reviews. Therefore, that specific bridge letter will also not need to be obtained in future years.

MDHHS will work with other State agencies to identify best practices and document a centralized process to monitor the completion of SOC report reviews that materially impact the financial statements. MDHHS will work with OIAS to provide training as necessary.

For part b.1., OIAS will update the SOC report review template so that the template recommends that agencies review all controls exceptions regardless of the opinion expressed.

For part b.2., OIAS will modify the annual SOC report request to clarify review requirements and delineate between the FMG requirements and the SOMACFR request. By modifying the annual request, OIAS will ensure the guidance is not conflicting regarding the requirement to submit to OIAS within 30 days of report receipt.

For part b.2., OIAS will continue its efforts to support agencies by consulting with agencies and providing training and guidance on the importance of their SOC report review.

Anticipated Completion Date

a.1.a. MDOS: Completed

Treasury: August 31, 2023

MDHHS plans to document the centralized process by August 31, 2023 and implement additional monitoring of SOC report reviews by September 30, 2023.

a.1.b. MDHHS plans to document the centralized process by August 31, 2023 and implement additional monitoring of SOC report reviews by September 30, 2023.

a.1.c. Treasury: June 30, 2023

SOS: Completed

MDHHS plans to document the centralized process by August 31, 2023 and implement additional monitoring of SOC report reviews by September 30, 2023.

a.2.a. Treasury: Completed

a.2.b. MDHHS plans to document the centralized process by August 31, 2023 and implement additional monitoring of SOC report reviews by September 30, 2023.

a.2.c. June 30, 2023

a.3.a. Completed

a.3.b. MDHHS plans to document the centralized process by August 31, 2023 and implement additional monitoring of SOC report reviews by September 30, 2023.

b.1. June 30, 2023

b.2. September 30, 2023

b.3. Ongoing

Responsible Individual(s)

a.1.a. Andrea McGhee, MDOS

Bruce Hanes, Jennifer Ruttman, Terry Stanton, and Karen Stout, Treasury
Trish Bouck, Michael Melvin, Stephanie Brooks, Pratin Trivedi, and
Burt Parsons, MDHHS

a.1.b. Trish Bouck, Michael Melvin, and Stephanie Brooks, MDHHS

a.1.c. Bruce Hanes, Terry Stanton, and Jennifer Ruttman, Treasury
Trish Bouck, Michael Melvin, Stephanie Brooks, Pratin Trivedi, and
Burt Parsons, MDHHS

Ruth Schwartz, Lisa Evani, Melanie Oudsema, and Allison Mikulec, SOS

a.2.a. Bruce Hanes and Karen Stout, Treasury

a.2.b. Andrew Piper and Jim Bowen, MDHHS

a.2.c. Karen Stout and Jennifer Ruttman, Treasury

a.3.a. Andrea McGhee, MDOS

a.3.b. Andrew Piper, MDHHS

b. Mike Williams, OIAS

Findings Related to Federal Awards

Finding 2022-001

Confidential Information in SIGMA

Management Views

The Department of Military and Veterans Affairs (DMVA) and MSP disagree that confidential information was included in SIGMA. Follow-up with DTMB confirmed that user ID is not considered confidential data at the DTMB enterprise level.

Planned Corrective Action

DTMB revised DTMB Administrative Policy 900.01 effective June 16, 2023.

Anticipated Completion Date

Completed

Responsible Individual(s)

Christine Apostol, DMVA

Amanda Baker, MSP

Finding 2022-002

SIGMA High-Risk Activity Monitoring

Management Views

DTMB agrees with the finding.

Planned Corrective Action

DTMB immediately, after the issue was identified in August 2022, reinstated processes to review transactions that have been bypassed and overridden in SIGMA and perform tasks according to the requirements. Furthermore, DTMB will continue to review their self-imposed

limit for the number of users that have access to perform authorized bypass and override actions in SIGMA for DMVA and MSP.

Anticipated Completion Date

Completed

Responsible Individual(s)

Brenda Sprunger, DTMB

Finding 2022-003

Bridges Interface Controls

Management Views

DTMB disagrees with part a. of the finding. MDHHS agrees with part b. of the finding.

For part a., DTMB disagrees the interface over the Bridges Integrated Automated Eligibility Determination System (Bridges) data exchanges is not operating as needed. For one interface, the auditors sampled 27 different daily batches, including 9,945 records, and only four records (0.04 percent) were cited by the auditors as having inconsistencies. DTMB reviewed these four records and determined they were processed in accordance with business rules and the reporting inconsistency identified did not impact the accuracy of the reconciliation. Additionally, the auditors did not identify inconsistencies in the other eight interfaces sampled across multiple days, which totaled more than 2.95 million records. Therefore, the interface controls are effective and reasonably ensure that data transferred from a source system to a receiving system is processed accurately, completely, and timely.

Planned Corrective Action

For part a., DTMB disagrees with the finding and does not intend to take further action.

For part b., MDHHS, in collaboration with the business program area, will work to establish all missing agreements.

Anticipated Completion Date

a. Not applicable

b. September 30, 2023

Responsible Individual(s)

a. Heather Frick and Nathan Buckwalter, DTMB

b. James Bowen and Candy Calvert, MDHHS

Finding 2022-004

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., although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB

cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

For parts a., d., and e., MDHHS will implement the Database Security Application (DSA) Bridges form which establishes a method to document user access request approval electronically and includes a semi-annual review of privileged users and an annual review of all users that is required to prevent automatic removal of access.

For part b., MDHHS will prioritize updates to Bridges that will require the local office security coordinator (LOSC) to document security monitoring reports within Bridges alerts and generate 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 developed an organization-wide framework for database security configuration management.

For part f., MDHHS's Economic Stability Administration (ESA) issued a revised memo on October 3, 2022, to Business Service Centers (BSCs) and local offices to reiterate the need for reviewing, documenting, and completing the required high-risk transaction reports timely.

For part g., during February 2022, MDHHS's Bridges Resource Center (BRC) revised their reconciliation process of high-risk transactions to comply with the changed policy requirements and ensure separate reviews are performed for each type of high-risk transaction.

MDHHS's ESA issued a revised memo on July 11, 2022, to address changes made for non-BRC Central Office staff transactions to reiterate the need for reviewing, documenting, and completing the required high-risk transactions timely. Also, an email reminder is sent out two days prior to the high-risk transaction report due date to help ensure timeliness of the reviews.

Anticipated Completion Date

a, d., and e. MDHHS anticipates the first phase of the DSA Bridges form will be implemented by October 2023 as a pilot and then roll out statewide with full automation by September 2024. Semi-annual and annual reviews will begin 6 months and 12 months, respectively, from the time each DSA Bridges form is implemented for each respective user.

b. August 2024

c. DTMB anticipates having compliance documentation by September 30, 2023.

f. Completed with ongoing monitoring.

g. Completed

Responsible Individual(s)

a., b., d., and e. Deon Nelson, MDHHS

c. Nathan Buckwalter, DTMB

f. MDHHS ESA and BSC Directors

g. Todd Gore and Russell Gruber, MDHHS

Finding 2022-005
Bridges Change Management Process

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For Bridges releases that do not have field testers performing post-implementation validation, MDHHS will document an alternate validation approval following the release. MDHHS will send a communication within three business days after each release that validates the changes to Bridges were applied as expected and this validation will be documented as part of the release close-out process.

Anticipated Completion Date

Completed

Responsible Individual(s)

Holly Roderick, MDHHS

Finding 2022-006
Income Eligibility and Verification System

Management Views

MDHHS and DTMB agree with parts c., d., e., and g. of the finding. MDHHS and DTMB disagree with parts a., b., and f. of the finding.

For parts a. and b., MDHHS agrees with the recommendations. However, MDHHS disagrees with the exceptions identified for 1 of the 6 cited interfaces. For one interface, that impacted three cases, the interface updated appropriately, as designed, where needed. The interface did not need to update the case for citizenship and worker action was not required because citizenship was verified appropriately using another method and citizenship was not in question.

For part f., MDHHS disagrees that Income Eligibility 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 parts a., b., and c., 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 developing and prioritizing a technical solution that will ensure the IEVS information is being addressed timely and used correctly in eligibility determinations.

For part d., MDHHS is collaborating with other work areas to facilitate the match process for the IEVS interfaces for recipients funded by Temporary Assistance for Needy Families adoption subsidies.

For part e., DTMB will review the process of how it receives the Public Assistance Reporting Information System (PARIS) file from their partners and transmits it to MDHHS Bridges. DTMB will investigate potential process improvements to limit the likelihood of the PARIS file not being transmitted.

For part f., MDHHS disagrees with the finding and does not intend to take further action.

For part g., MDHHS, with U.S. Department of Agriculture (USDA) Food and Nutrition Service guidance, will explore opportunities with Treasury, Tribal partners, and independent casinos to determine the feasibility of a gaming data match.

Anticipated Completion Date

a., b., and c. Training and policy support is ongoing. MDHHS anticipates that the technical solution will be completed by December 31, 2023.

d. September 30, 2024

e. DTMB anticipates the process improvements will be implemented by September 30, 2023.

f. Not applicable

g. September 30 2024

Responsible Individual(s)

a., b., c., and g. Dawn Sweeney, MDHHS

d. Kathonya Rice, MDHHS

e. Nathan Buckwalter, DTMB

f. Logan Dreasky, MDHHS

Finding 2022-007

ADP Security Program

Management Views

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

For part b., for the first system identified, although DTMB did not proactively schedule an annual disaster recovery test, DTMB successfully performed an actual failover and supporting documentation was provided to the auditors. The actual failover demonstrated that the disaster recovery plan (DRP) worked, was complete, and no delays were experienced in restoring the critical system, therefore DTMB did not perform additional testing activities and it was unnecessary to perform a separate review or update. For the second system identified, the DRP was tested in accordance with the SOM Standard and DTMB provided the auditors with supporting documentation that updates were made to the DRP within the SOM DRP repository. The State's environment and data centers leverage an infrastructure that is comprised of fully redundant load balanced systems at alternate sites, data mirroring, and data replication to help ensure high availability.

For part c, although MDHHS agrees that system security plans were not updated timely for the systems cited, MDHHS disagrees that effective controls were not implemented to ensure confidentiality, integrity, and availability of its automated data processing (ADP) information systems. MDHHS also disagrees that the security of critical systems was at risk by failing to mitigate potential vulnerabilities as described above.

MDHHS has compensating controls in place to ensure confidentiality, integrity, and availability of its ADP information systems in addition to mitigating potential vulnerabilities. MDHHS monitors remediation of Plans of Actions and Milestones for all information systems even after expiration of the authority to operate. In addition, MDHHS is required to audit a portion of these systems (Community Health Automated Medicaid Processing System (CHAMPS), Bridges, Enterprise Common Controls) as part of responsibilities related to the Affordable Care Act and the Medicaid Expansion marketplace. Those audits are conducted to show compliance with federal information security and privacy requirements related to the data stored in those systems. In addition, 2 of the 3 ADP systems cited for not having an updated risk assessment are reviewed biennially through the Internal Control Evaluation process where control evidence is updated to demonstrate effectiveness of controls.

Planned Corrective Action

For part a., MDHHS will add the missing elements identified to the business continuity plan (BCP) and perform annual reviewing and testing of the BCP.

For parts b. and c., MDHHS and DTMB disagree with the finding and do not intend to take further action.

Anticipated Completion Date

- a. December 31, 2023
- b. and c. Not applicable

Responsible Individual(s)

Jim Bowen, MDHHS
Nathan Buckwalter, DTMB
Heather Frick, DTMB
Alana Lowe, MDHHS
Jennifer Tate, MDHHS

Finding 2022-008

MiSACWIS Security Management and Access Controls

Management Views

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

For part c., although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

For parts a. and e., MDHHS will continue to provide training for LOSCs via quarterly webinars to emphasize the proper procedures for granting access and how to review and compare access to DSA approved requests.

For part b., MDHHS will add an Incompatible Role form into the DSA Michigan Statewide Automated Child Welfare Information System (MiSACWIS) request with automated routing for appropriate approval. This would ensure that documentation was maintained, and appropriate approvals secured in all situations.

For part c., DTMB developed an organization-wide framework for database security configuration management.

For part d., MDHHS has implemented a quarterly report in MiSACWIS that will identify any financial authorization that was approved by the same person that created the authorization.

Anticipated Completion Date

- a. and e. Corrective action is ongoing.
- b. MDHHS has not yet determined an anticipated completion date because implementation is dependent on funding, approval, and prioritization of proposed system changes.
- c. DTMB anticipates having compliance documentation by September 30, 2023.
- d. MDHHS will receive the first quarterly report on September 30, 2023, and will perform a review of the transactions identified on that report during October 2023.

Responsible Individual(s)

- a., b., and e. Alana Lowe and Deon Nelson, MDHHS
- c. Heather Frick and Nathan Buckwalter, DTMB
- d. Alana Lowe, MDHHS

Finding 2022-009

CHAMPS General Controls

Management Views

Although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

DTMB developed an organization-wide framework for database security configuration management.

Anticipated Completion Date

DTMB anticipates having compliance documentation by September 30, 2023.

Responsible Individual(s)

Nathan Buckwalter, DTMB

Finding 2022-010
MARS User Access

Management Views

The Department of Labor and Economic Opportunity (LEO) agrees with the finding. LEO Administrative Services continues to experience challenges related to staffing shortages and competing priorities but recognizes the importance of maintaining sound access controls over the Michigan Administrative Review System (MARS). Accordingly, within LEO Administrative Services, the LEO Internal Controls Unit will assist the LEO Finance Unit in the interim with implementing corrective action until a permanent assignment is made.

Planned Corrective Action

LEO Administrative Services will continue to work with LEO Workforce Development to correct these exceptions. LEO will establish and fully implement a policy, procedure, and routine that addresses the following:

- a. Ensuring that LEO reviews MARS user access semiannually for privileged accounts or annually for all other accounts.
- b. Ensuring timely disabling of inactive user accounts (those not accessed in over 60 days).

Anticipated Completion Date
September 30, 2023

Responsible Individual(s)
Lora MacKay, LEO
Allen Williams, LEO

Finding 2022-011
MATT 2.0 Security Management and Access Controls

Management Views

The Michigan State Housing Development Authority (MSHDA) agrees with the finding.

Planned Corrective Action

For parts, a., b., and c., as of November 30, 2022, MSHDA implemented system security processes and procedures to review active generic and test accounts and to review and disable user accounts inactive for 60 days. In addition, MSHDA implemented a monitoring process that includes semiannual review of privileged accounts and annual review of all other accounts.

For part d., MSHDA provided additional training to the user who did not properly approve and document a system access form.

Anticipated Completion Date
Completed

Responsible Individual(s)
Mark Whitaker, MSHDA
SaVille Hill, MSHDA

Finding 2022-012
MATT 2.0 Change Management Process

Management Views

MSHDA agrees with the finding.

Corrective Action

MSHDA completed the improvement of the existing change management process for the MSHDA Activity Tracking Tool (MATT) 2.0 in November of 2021, which includes requiring electronically documented approval before any production changes can be made. The remaining record that did not have documented support was a training issue that has already been addressed.

Anticipated Completion Date

Completed

Responsible Individual(s)

Mark Whitaker, MSHDA
SaVille Hill, MSHDA

Finding 2022-013
MDE, Security Management and Access Controls

Management Views

MDE agrees with the finding.

Planned Corrective Action

For part a.1., MDE has reviewed the security authorization process for the Grant Electronic Monitoring System (GEMS)/MARS with staff who can approve and modify user accounts. MDE also provided the same staff with training in April 2023 to review the correct procedure to help ensure appropriate documentation is maintained. MDE no longer used the functionality to directly replace a user with another user at the beginning of fiscal year 2023 and the functionality was removed entirely in April of 2023.

For part a.2., MDE has reviewed its established policies and procedures over the granting of access to the Next Generation Grant, Application and Cash Management System (NexSys) with staff and will continue to work to appropriately process forms according to policy guidelines and minimize human error.

For part b., MDE will notify program office directors during the collection of the Semi-Annual Reviews of Privileged Users that failure to return the certification will result in deactivation of program office users. The next collection of the Semi-Annual Reviews of Privileged Users will be completed by June 30, 2023.

For part c., as part of the Annual Certification of Non-Privileged users, MDE now requests all entities to review and update all active users in the Michigan Electronic Grants System Plus (MEGS+), NexSys, GEMS/MARS and Michigan Nutrition Data (MiND). Entities can then submit the certification indicating they have either reviewed their system users or that they do not have any users in the listed system. MDE implemented the first Annual Certification of Non-Privileged users on March 23, 2023 and the certification will be released again in late 2023.

For part d., MDE received an exception from the DTMB Enterprise Technical Review Board for the control that would have required MDE to deactivate users after 60 days of inactivity. The exception was issued in November 2023 and now allows MDE to keep inactive users up to 18 months.

Anticipated Completion Date

- a.1. Completed
- a.2. Ongoing
- b. June 30, 2023
- c. Completed
- d. Completed

Responsible Individual(s)

Aimee Alaniz, MDE
David Judd, MDE
Spencer Simmons, MDE

Finding 2022-014

MDE, Change Management Process

Management Views

MDE agrees with the finding.

Planned Corrective Action

Beginning March 15, 2023, MDE performs monthly reviews on the status of resolved MiND change order requests to verify that the tickets are closed in a timely manner and documented accordingly.

MDE will review the change management processes with NexSys staff to ensure they understand and complete the required change management process steps to document testing results and to close and document the completion of change order requests.

Anticipated Completion Date

July 31, 2023

Responsible Individual(s)

Monica Butler, MDE
Peter Cyril Jones, MDE

Finding 2022-015

MDHHS, PACAP - Inappropriate PACAP Allocation

Management Views

MDHHS agrees with the finding. However, the comprehensive set of quality control measures in place during fiscal year 2022 were, and continue to be, effective in detecting errors as designed. For each quarterly cost allocation run, statistical values varying greater than 5.00 percent of the total for that statistical group from the previous quarter are reviewed for accuracy and none of the errors cited in the finding fell outside of this range. Questioned costs from these errors is \$426,682 out of \$1,635,146,559 allocated in fiscal year 2022 (0.03 percent of all fiscal year 2022 allocated funds by MDHHS).

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/Building Occupancy and Departmentwide Administration are allocated across the entire department. The auditor's review included all related statistical records within each statistical 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.

Planned Corrective Action

MDHHS implemented additional quality control analysis in comparing statistical values from the current quality control tracking file to the configuration file before loading any files into SIGMA. Any values that do not match will be analyzed and reconciled by MDHHS staff. This ensures that no values are overwritten and that any updated statistical values are reviewed in accordance with the existing quality control policies. Additional analysis steps have also been utilized for the Participants Random Moment Time Study (PRMTS) statistics to add a manual calculation column rather than submitting summarized data. For the Random Moment Time Study (RMTS) statistics, MDHHS has worked with the vendor and the vendor will add a verification check column to ensure that total responses and all adjustments are reconciled. MDHHS will verify completion upon receipt.

Anticipated Completion Date

MDHHS has implemented the additional quality control analysis to compare statistical values and new steps in analyzing the PRMTS statistics group. MDHHS will be incorporating the new vendor quality control steps related to the RMTS statistics effective July 2023.

Responsible Individual(s)

Suzanne Kyes, MDHHS
Matthew McCool, MDHHS

Finding 2022-016

MDE - FFATA Reporting

Management Views

MDE agrees with the finding.

Planned Corrective Action

With current capacity, MDE is unable to devote additional resources to submitting a new report each month. MDE is coordinating with the program offices to improve the Federal Funding Accountability and Transparency Act (FFATA) reporting process in order to submit subaward information in accordance with FFATA and federal guidance either by the program office staff or by securing additional resources.

Anticipated Completion Date

The enhanced process is anticipated to begin with October 1, 2024 grants.

Responsible Individual(s)

Spencer Simmons, MDE

Finding 2022-017
MDHHS - FFATA Reporting

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has submitted all outstanding FFATA reports. MDHHS provided additional instruction to the individuals responsible for providing account code and funding source information related to FFATA submissions.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jeanette Hensler, MDHHS

Chad Dzingleski, MDHHS

Finding 2022-018
MDE - Subaward Information

Management Views

MDE agrees with the finding.

For part a., MEGS+ automatically generates Grant Award Notifications (GAN) upon approval of the application. At the time the applications were originally approved, a complete GAN would have been available for the subrecipient that included all subaward information as required by the Uniform Guidance. However, an error occurred when MDE updated the letterhead template in the MEGS+ system, disrupting the appropriate generation of the GANs for those applications that included multiple funding sources.

For part b., prior to fiscal year 2022, the Great Start Readiness Program (GSRP) appropriation was composed of State funding only. Program office oversight of the GSRP grant includes a complex grant application reliant on multiple data points connected to budget submissions. As such, the grant management system could not be restructured to accommodate federal funding for GSRP including systematic issuance of GANs within a reasonable timeframe for fiscal year 2022. This necessitated GANs be created and issued via a manual process. The MDE program office was unable to determine the federal award identification number (FAIN) or closeout terms and conditions prior to issuance.

Planned Corrective Action

For part a., MDE corrected the error that caused GANs to generate without all required subaward information in MEGS+ on April 28, 2023. All GANs are available in MEGS+ and can be generated when requested in the system.

For part b., MDE fully corrected this issue for fiscal year 2023. MDE now has the appropriate details and beginning in fiscal year 2023, GANs are issued systemically with all required FAIN or closeout terms and conditions via the new grant management system. All federal funding GANs for fiscal year 2023 were issued upon approval of grantee budgets beginning January 30, 2023, with the final approval and GAN issued May 18, 2023.

Anticipated Completion Date
Completed

Responsible Individual(s)
Spencer Simmons, MDE
Richard Lower, MDE

Finding 2022-019
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 continues to pursue other data sources for income verification and other system enhancements so that all case data is available to all reviewers.

MDHHS conducts mandated training for local office caseworkers. In addition, MDHHS will continue to determine 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.

Lastly, 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 being correctly routed. MDHHS expects that all existing cases will be updated during the 14-month period following the May 11, 2023 end of the PHE, as allowed by the Centers for Medicare and Medicaid Services.

Anticipated Completion Date
MDHHS continues to pursue other data sources for income verification and other system enhancements, in addition to determining where training is needed, on an ongoing basis. MDHHS expects to have all existing cases updated by June 2024.

Responsible Individual(s)
Logan Dreasky, MDHHS
Brant Cole, MDHHS
Mariah Schaefer, MDHHS

Finding 2022-020
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 the 14-month period following the May 11, 2023 end date of the PHE, as MDHHS completes renewals for existing cases. MDHHS could not 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 the Children's Health Insurance Program 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

July 31, 2024

Responsible Individual(s)

Logan Dreasky, MDHHS
Brant Cole, MDHHS
Erin Emerson, MDHHS

Finding 2022-021

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

Bridges is the system of record for eligibility and produces reports with potential duplicate records for local office staff to review. In addition, CHAMPS is currently designed to reject potential duplicate records to prevent duplicate payments for the same individuals that already exist in CHAMPS and places these records on a CHAMPS report for review. These two reports could potentially contain the same duplicate records identified by both CHAMPS and Bridges. MDHHS central office will develop a process to reconcile the rejected records identified on the CHAMPS and Bridges reports and ensure that MDHHS is appropriately reviewing those records and making any necessary corrections.

Anticipated Completion Date

December 2023

Responsible Individual(s)

Jamy Hengesbach, MDHHS
Mariah Schaefer, MDHHS

Finding 2022-022

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

MDHHS will amend the managed care contracts to require that signatures are obtained on the Provider Screening Information Collection Tool (PSICT) forms when contracts and waivers are renewed and extended. Annually, MDHHS will send a reminder to the managed care entities to report any change in ownership to MDHHS within 35 days.

In addition, MDHHS has incorporated a review of provider agreements as part of their monitoring process conducted for all MI Choice Waiver Program (MI Choice) entities.

Anticipated Completion Date

MDHHS will send the annual reminder to managed care entities beginning August 2023. MDHHS anticipates that signatures will be obtained on the PSICTs effective October 2023 for the fiscal year 2024 contract cycle.

MDHHS expects to complete its current review of provider agreements for MI Choice entities by July 2023 and reviews will be ongoing.

Responsible Individual(s)

Elizabeth Gallagher, MDHHS
Latina McCausey, MDHHS

Finding 2022-023

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

For parts a., b., d., and e., CHAMPS enhancements were implemented into production during fiscal year 2023 to correct the reporting of quarterly expenditures. MDHHS is currently finalizing updates to rules within CHAMPS.

MDHHS is currently working with the Adult Services Authorized Payments (ASAP) system vendor to correct the reports used for the preparation of the quarterly statement of expenditures report (CMS-64) report.

For part c., MDHHS will explore system enhancements to identify overpayments returned late and to calculate the corresponding interest due to the Centers for Medicare and Medicaid Services.

Anticipated Completion Date

a., b., d., and e. MDHHS expects CHAMPS updates to be finalized by June 30, 2023, and ASAP reports to be corrected by July 31, 2023.

c. MDHHS does not yet have an estimated completion date for the system enhancements related to the calculation of interest.

Responsible Individual(s)

Gina Fleury, MDHHS
Carol O'Callaghan, MDHHS

Darryl Walker, MDHHS

Finding 2022-024

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 2022-025

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 formally added the Encounter Data Validation (EDV) protocol to its External Quality Review Organization contracts as of October 1, 2022. EDV activities are currently underway and a final report outlining the results of the review will be posted to the website once available.

Anticipated Completion Date

MDHHS anticipates the first review will be completed and posted to the website by September 30, 2023.

Responsible Individual(s)

Brad Barron, MDHHS

Jackie Sproat, MDHHS

Matthew Seager, MDHHS

Finding 2022-026

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), ALN 93.323 and Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036 - Long-Term Care (LTC) Facility COVID-19 Testing Reimbursements

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will enhance written procedures to reflect the process in place to ensure that LTC facility COVID-19 testing reimbursement requests are reasonable and appropriate. MDHHS will also improve documentation of the procedures performed as part of the current process.

Anticipated Completion Date

MDHHS expects completion of the written procedures and improved documentation going forward by June 15, 2023. MDHHS expects to process all remaining payments for costs incurred during the PHE by September 30, 2023.

Responsible Individual(s)

Shannah Havens, MDHHS

Finding 2022-027

SNAP Cluster, ALN 10.551 and 10.561 - System and Organization Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will annually obtain and review the SOC reports for providers that perform key control activities on behalf of MDHHS. In May 2023, MDHHS reviewed the FMG SOC report review requirements and, after further evaluation, determined that a review is not needed for 1 of the 2 SOC reports identified in part b. and both of the SOC reports identified in part c. because they did not perform key control activities on behalf of MDHHS, which will be documented on the required OIAS review template for future SOC report reviews. The review of the SOC reports for the remaining providers is now primarily conducted by the MDHHS Compliance Division.

MDHHS will work with other State agencies to identify best practices and document a centralized process to monitor the completion of SOC report reviews. MDHHS will work with OIAS to provide training as necessary.

Anticipated Completion Date

MDHHS plans to document the centralized process by August 31, 2023 and implement additional monitoring of SOC report reviews by September 30, 2023.

Responsible Individual(s)

Jim Bowen, MDHHS

Andrew Piper, MDHHS

Finding 2022-028

SNAP Cluster, ALN 10.551 and 10.561 - EBT Reconciliations

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has been working with the vendor and DTMB data warehouse technical staff to update and correct the Benefit Issuer Food Stamp Report (BT-90) so that it includes recipients who received Supplemental Nutrition Assistance Program (SNAP) benefits under the expanded

COVID-19 eligibility requirements. The BT-90 is used to help ensure the client information in Bridges is accurate and does not have an impact on the federal draw.

Anticipated Completion Date

December 31, 2023

Responsible Individual(s)

Sara Gross, MDHHS

Finding 2022-029

SNAP Cluster, ALN 10.551 and 10.561 - EBT Card Security

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS switched to a new electronic benefits transfer (EBT) contractor beginning November 2021. MDHHS requires that the contractor provide monthly reports to support that physical inventories were conducted and all reports from November 2021 through September 2022 were provided.

Anticipated Completion Date

Completed

Responsible Individual(s)

Andrew Piper, MDHHS

Dani Wager, MDHHS

Finding 2022-030

Food Distribution Cluster, ALN 10.565, 10.568, and 10.569 - Accountability for USDA Foods

Management Views

MDE agrees with the finding. During fiscal year 2022, MDE determined that The Emergency Food Assistance Program (TEFAP) State Plan was inefficient and discontinued reviewing eligible recipient agencies (ERA) as outlined in the plan. MDE modified its TEFAP State Plan for fiscal year 2023 to be more reflective of TEFAP inventory movement and still meet the requirements of federal regulation 7 *CFR* 251.10(e).

Planned Corrective Action

MDE revised the fiscal year 2023 Michigan TEFAP State Plan, effective October 2022, to require MDE to review ERAs that are considered “subdistributing agencies” onsite annually and all TEFAP ERAs to submit inventory records and TEFAP foods documentation to MDE as requested twice a year. The change was announced to TEFAP ERAs during the annual All Agency Meetings at the end of August 2022 and through follow up emails and communications.

Anticipated Completion Date

MDE has already completed the majority of fiscal year 2023 desk and on-site reviews under the revised process and will have completed all of the required fiscal year 2023 inventory reviews by July 31, 2023.

Responsible Individual(s)

Aimee Alaniz, MDE

Finding 2022-031

Pandemic EBT Food Benefits, ALN 10.542 - Overpayment of Benefits

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

During the school year, the two students in the identified case were enrolled in GSRP and issued benefits on January 28, 2022, based on the school file. These students enrolled in early childhood before the end of the school year, so they were also identified in the childcare group and were subsequently issued duplicate benefits as part of the Summer Pandemic EBT issuance on August 24, 2022. A technical solution is currently being evaluated to identify additional steps that may be implemented that cross references students across eligibility groups to ensure that duplicate payments are not issued.

Anticipated Completion Date

MDHHS expects to determine additional steps for a technical solution by September 30, 2023.

Responsible Individual(s)

Kathy Cornell, MDHHS

Finding 2022-032

Pandemic EBT Food Benefits, ALN 10.542 - Report of Disaster Supplemental Nutrition Assistance Benefit Issuance

Management Views

MDHHS disagrees that federal regulations require MDHHS to maintain copies or screenshots of the Report of Disaster Food Stamp Benefit Issuance (FNS-292B) information reported on the federal website. MDHHS normally has the ability to access the information on the federal system. However, during audit fieldwork, the FNS-292B information that MDHHS submitted on the federal website was not viewable to the auditors because the reports were under federal review. MDHHS did not retain a copy or screen prints of the submitted reports; however, MDHHS did maintain the underlying reports used to compile the submitted FNS-292B reports and this was provided to the auditors during fieldwork.

Planned Corrective Action

Although MDHHS disagrees that federal regulations require MDHHS to maintain copies or screenshots of FNS-292B information reported on the federal website, MDHHS will maintain screenshots of the report submission going forward.

Anticipated Completion Date

Completed

Responsible Individual(s)

Dawn Sweeney, MDHHS

Finding 2022-033**National Guard Military Operations & Maintenance (O&M) Projects, ALN 12.401 - Timeliness of Cash Draws****Management Views**

DMVA agrees with the finding.

Planned Corrective Action

For part a., DMVA changed the process for Air National Guard federal billings effective January 24, 2023. Expenditure reports will be sent to the program manager monthly for review and approval prior to generating reimbursement requests. Items in dispute will be discussed and either corrected or billed once a determination is made.

For part b., DMVA implemented a new process effective June 1, 2023, to document when federal account coding is received from the federal Construction and Facilities Management Office (CFMO) for project expenditures. After the federal account coding is received, DMVA will prepare the Request for Advance or Reimbursement (SF-270) and send to the CFMO for final approval within 60 days.

For part c., DMVA has communicated the importance of timely completion of fiscal year-end closing activities to staff to ensure final year end expenditure reports are generated within the acceptable timeframe. DMVA has established a deadline of January 5, 2024 to have fiscal year 2023 final expenditure reports (FER) prepared and distributed to federal program areas.

Anticipated Completion Date

- a. Completed
- b. Completed
- c. January 5, 2024

Responsible Individual(s)

Christine Apostol, DMVA

Finding 2022-034**Community Development Block Grants/State's Program, ALN 14.228 - Timeliness of Performance Reporting****Management Views**

MSHDA agrees with the finding.

Planned Corrective Action

To ensure timely submission of the Consolidated Annual Performance and Evaluation Report (CAPER), MSHDA will develop a multi-agency (MSHDA, MSF, MEDC, and MDHHS) Microsoft Teams schedule of action steps to ensure that the reporting deadline is met. This action step calendar will be created in a Microsoft Teams shared workspace. Each agency will be assigned tasks to complete in advance of the deadline, to ensure that the submission deadline is met. The action step schedule will include all items necessary to meet the reporting timeline of September 30 of each year.

Action steps will begin the first week of July, with a draft CAPER due for public comment period in mid-August, and the public comment period occurring thereafter. Per the U.S. Department of

Housing and Urban Development regulations, and MSHDA's citizen participation plan, the public comment period is required for at least 15 days before the final CAPER is submitted. A final copy of the CAPER will be submitted within the Integrated Disbursement and Information System one week prior to the due date to ensure no delays occur.

Anticipated Completion Date

The Microsoft Teams action step calendar will be implemented by July 7, 2023.

Responsible Individual(s)

Tonya Joy, MSHDA

Finding 2022-035

Community Development Block Grants/State's Program, ALN 14.228 - FFATA Reporting

Management Views

MSF agrees with the finding.

Planned Corrective Action

MSF subsequently reported the two Community Development Block Grant subawards noted in the finding, and potential grantees are now required to have a Unique Entity Identifier as part of the grant application process. MSF also routinely reconciles the data that is reported in the Federal Subaward Reporting System to its financial and program reporting systems to ensure accuracy. MSF Financial Services will update existing procedures to ensure ongoing compliance with FFATA reporting requirements. In addition, MSF Financial Services will conduct supervisory oversight of the process, including a monthly comparison to the information reported on USASpending.gov to the monthly data upload file obtained from the MSF program reporting system to ensure accuracy, completeness, and timely submission.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Alex Fox, MSF
Paul Onan, MSF

Finding 2022-036

Crime Victim Assistance, ALN 16.575 - Subrecipient Eligibility

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS Division of Victim Services (DVS) has distributed a comprehensive checklist to all Victims of Crime Act (VOCA) grant applicants that will require certification of eligibility for funding by the applicant and DVS prior to awarding funds. This checklist has been incorporated into the rollover application for fiscal year 2024.

Anticipated Completion Date

The checklist will be certified by all grant applicants and DVS by October 1, 2023, for the fiscal year 2024 award period.

Responsible Individual(s)
Twanisha Glass, MDHHS
Patsy Baker, MDHHS

Finding 2022-037

Crime Victim Assistance, ALN 16.575 - Risk Assessment and During-the-Award Monitoring

Management Views
MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS included the grant agreement identified in the fiscal year 2023 monitoring plan. MDHHS will evaluate current monitoring procedures and make updates, if necessary, to improve documentation of monitoring activity. For the grantees identified that only receive an administrative portion of VOCA funds, MDHHS has initiated the process to provide the grantees with access to the U.S. Department of Justice (DOJ) Office for Victims of Crime (OVC) reporting website. MDHHS is working with DOJ OVC to determine reporting elements for the administrative awards and will work with grantees to implement the required reporting elements.

For part b., MDHHS will revise risk assessment and monitoring plan procedures to include all awards issued during the fiscal year.

Anticipated Completion Date

- a. December 30, 2023
- b. October 1, 2023

Responsible Individual(s)

- a. Twanisha Glass and Patsy Baker, MDHHS
- b. Tonya Avery, MDHHS

Finding 2022-038

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

Management Views
LEO agrees with the finding.

Planned Corrective Action

LEO Finance will implement a tracking log to record FFATA reporting deadlines and will send reminders to staff on upcoming deadlines. In addition, LEO Finance will establish a timeline with staff responsible for FFATA reporting that allows ample time for supervisory review and approval prior to submission.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Lora MacKay, LEO

Finding 2022-039

Formula Grants for Rural Areas and Tribal Transit Program, ALN 20.509 - PTMS Security Management and Access Controls

Management Views

MDOT agrees with the finding.

Planned Corrective Action

MDOT's Office of Enterprise Information Management (EIM) and Office of Passenger Transportation (OPT) will collaborate and provide oversight to ensure there is properly approved access for Public Transportation Management System (PTMS) users and that PTMS user access is reviewed semiannually for privileged accounts and/or annually for all other accounts. MDOT EIM and OPT will do this by reviewing security management and access control procedures and making any necessary updates, providing training on the process and documentation requirements, and designating a PTMS system security administrator(s) and back-up(s) as needed.

Anticipated Completion Date

August 1, 2023

Responsible Individual(s)

Kyle Nelson, MDOT

Andy Esch, MDOT

OPT Business area system administrator(s)

Finding 2022-040

Formula Grants for Rural Areas and Tribal Transit Program, ALN 20.509 - Subrecipient Audits

Management Views

MDOT agrees with the finding.

Planned Corrective Action

MDOT will update and implement its procedures to include management decision letter timelines that are consistent with the Uniform Guidance related to subrecipient report review.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Adam Feldpausch, MDOT

Dave Wearsch, MDOT

Finding 2022-041

Homeowner Assistance Fund, ALN 21.026 - Eligibility Determinations

Management Views

MSHDA agrees with the finding.

Planned Corrective Action

For parts a. and b., MSHDA will implement further training of both Case Managers and Case Manager Assistants to address the cited items. This will include additional training on documentation of the homeowner's hardship and detailing calculations in the case notes.

For part c., MSHDA will provide additional training to staff making sure that all fields on the checklist are answered correctly. The checklist now has a system failsafe that all fields must have an answer prior to allowing the file to be conditionally approved in the online application portal.

Anticipated Completion Date

Completed

Responsible Individual(s)

Dawn Hengesbach, MSHDA
Glenn Ross, MSHDA
Raul Escobedo, MSHDA
Krysta Smith, MSHDA

Finding 2022-042

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

Management Views

For part a., MDE partially agrees with the finding. MDE acknowledges that it did not complete any reviews of the FERs submitted during fiscal year 2022. However, the Uniform Guidance does not specify a timeframe for the review of FERs for the Education Stabilization Funds (ESF) and the ESF program is inherently more flexible than other federal programs in this regard. Although GANs originally required ESF subrecipients to submit a FER by August 29, 2022, MDE communicated to ESF subrecipients after the initial GANs that the August 29, 2022 due date was subject to change due to the continuously changing rules and requirements around this funding, including extension possibilities such as late liquidation. ESF FERs were due either within 60 days of full draw of the funds or within 60 days of the end of the award period, which could have been during the State's fiscal year 2022 or well after September 30, 2022. For this reason, under Uniform Guidance, MDE had the authority to delay the review of FERs until closer to the end date of the award. In the case of late liquidation, the U.S. Department of Education provided notification that extended the award period as far as 14 months beyond the original end date of the award.

For part b., MDE partially agrees with the finding. MDE acknowledges that subrecipient desk reviews were not finalized; however, the majority of the subrecipient monitoring was complete. The Uniform Guidance does not specify a timeframe for ESF subrecipient monitoring to occur and no requirement or expectation was made that monitoring would be finalized by MDE management by September 30, 2022. While the MDE contractor was not tracking completion against the date of September 30, 2022, documentation was and is still available, upon request from the OAG, to demonstrate the substantial ongoing monitoring activities, such as desk reviews and review of amendments, as of the end of the State's fiscal year 2022. The Compliance Team was in regular contact with MDE throughout the monitoring process. The Compliance Team provided regular updates leading up to September 30, 2022 and shared comprehensive preliminary results with the department soon after September 30, 2022.

Planned Corrective Action

For part a., MDE will evaluate the process for reviewing FERs to determine the appropriate timeframe for FER review of these ESF funds in light of federal liquidation extensions. MDE and subrecipients were notified of a one-time, Coronavirus Aid, Relief, and Economic Security Act reopening drawdown opportunity during the spring of 2023, which again reopened the possibility for subrecipients to submit FERs. MDE will begin interim reviews of a sample of submitted FERs by September 30, 2023.

For part b., MDE's contractor provided MDE with the final results of its school year 2021 monitoring that was finalized during the summer of 2022 on January 5, 2023. MDE and its contractor have since followed up with subrecipients to recommend necessary or reasonable corrective action in March 2023. School year 2022 monitoring is ongoing and anticipated to be completed by September 30, 2023.

Anticipated Completion Date

September 30, 2023

Responsible Individual(s)

Spencer Simmons, MDE

Finding 2022-043

Aging Cluster, ALN 93.044, 93.045, and 93.053 - AIS FIRST User Access

Management Views

Although MDHHS thoroughly reviewed the access forms, MDHHS agrees that the final approval was not documented.

Planned Corrective Action

MDHHS has instructed staff that all forms must either contain a handwritten or electronic signature. MDHHS will also develop and implement an internal process for staff to ensure all future security forms contain the required approvals.

Anticipated Completion Date

July 1, 2023

Responsible Individual(s)

Jen Hunt, MDHHS

Cindy Masterson, MDHHS

Finding 2022-044

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 and BSC staff by providing guidance on MDE policies and processes. ESA will inform the local office and BSC staff of policy changes or noted trends during PAO's Bridges Bits and Bytes communications sessions.

ESA's Payment Accuracy Unit completed case reads in December 2022 and, as a result, ESA and MDE finalized a checklist on May 9, 2023, for use by local office staff to help ensure required documentation that supports eligibility is obtained. Also, MDE launched a Child Development and Care case review SharePoint site on May 1, 2023, to share information with MDE and MDHHS staff, reduce errors and promote integrity efforts for the program.

Anticipated Completion Date

MDHHS assistance and guidance for local office and BSC staff is ongoing.

Responsible Individual(s)

Mariah Schaefer, MDHHS

Gayle Vail, MDHHS

Lisa Brewer-Walraven, MDE

Finding 2022-045

CCDF Cluster, ALN 93.575 and 93.596 - Child Care Stabilization Grants

Management Views

MDE agrees with the finding. MDE's written procedures for the fall 2021 grant round required manual verification of the number of subsidy eligible children, increasing the risk for human error in documenting the appropriate number of subsidy eligible children on the provider's application. The exceptions noted by the auditors were found in the fall 2021 grant round before procedures were modified in the spring of 2022.

Planned Corrective Action

MDE revised procedures in March 2022 for the spring 2022 grant round to prepopulate applications based on the number of subsidy eligible children directly from Bridges for specified pay periods, also allowing the providers to dispute the number of subsidy eligible children included in the prepopulated application.

Anticipated Completion Date

Completed

Responsible Individual(s)

Lisa Brewer-Walraven, MDE

Finding 2022-046

CCDF Cluster, ALN 93.575 and 93.596 - Provider Health and Safety Requirements

Management Views

MDE and the Department of Licensing and Regulatory Affairs (LARA) agree with the finding.

Planned Corrective Action

For part a., the Child Care Licensing Bureau (CCLB) within LARA has updated its internal policies to clarify how it manages workflow operations, while ensuring CCLB meets federal compliance requirements. In June 2022, the Child Care Organizations Act was amended and the language in Michigan Compiled Law 722.113h was changed to allow for inspections to be conducted in accordance with the State plan. The State plan specifies the annual licensing inspection requirement, at 45 *CFR* 98.42(b)(2)(i)(B) for unannounced inspections, must be

performed “not less than annually.” According to guidance from the Federal Office of Child Care Region V, this does not mean that inspections must be performed at exact 12-month intervals; therefore, the lead agency has flexibility to schedule the inspections within each calendar year.

CCLB has subsequently completed the annually required renewal and/or interim inspections for the licenses identified in the audit sample. The applicable health and safety requirements were reviewed during the inspections conducted.

For part b., CCLB is currently creating a new licensing system that will automate letters being sent to licensed child care providers. The new system will generate and store inspection reports directly in the system instead of creating the report in a separate location and then manually moving it to other locations (network drive, SharePoint). This allows the inspection reports to be maintained digitally and be accessible at a later date, while ensuring proper documentation to support renewal inspections is maintained.

For part c., in June 2022, CCLB implemented a new process to save all extension letters mailed in PDF format and stored in the current system to be accessed and available upon request. In addition, CCLB will incorporate refresher trainings regarding documentation and storage of inspection reports at its biannual all-staff trainings. The current process of documentation creation and storage will be phased out after the new licensing system is implemented and processes are no longer manually done by CCLB staff.

Anticipated Completion Date

- a. Completed
- b. October 1, 2023
- c. October 1, 2023

Responsible Individual(s)

Emily Laidlaw, LARA
Lisa Brewer-Walraven, MDE

Finding 2022-047

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 implemented a system solution to identify out of sync records between CHAMPS and Bridges and retrigger updates to CHAMPS. MDHHS is also developing a prior report review process to ensure impacted records that do not get corrected with the CHAMPS retrigger are addressed.

Anticipated Completion Date

The system solution was implemented as of August 31, 2022. The prior report review process will be implemented by September 30, 2023, and reviews will be ongoing.

Responsible Individual(s)

Jamy Hengesbach, MDHHS

Finding 2022-048

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Ineligible HHP Payments

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS made improvements to the monthly hospitalization reports to help capture all facility stays for Home Help Clients. MDHHS is now pulling reports by billing date instead of hospitalization dates to capture inpatient stays that are billed late. MDHHS also implemented a new policy on February 1, 2023, that allows payment for Home Help Program (HHP) services on the day an individual is admitted to the hospital.

MDHHS changed the HHP payment process to an automated process during April 2022, tying payments to services on the Electronic Service 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.

MDHHS provided a recoupment calculator and training for HHP staff to ensure the correct amount is recouped using the revised policy and procedure.

Anticipated Completion Date

Completed

Responsible Individual(s)

Elaina Brown-Mingo, MDHHS
Michelle Martin, MDHHS

Finding 2022-049

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Home Help Payment Oversight

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

Beginning in April 2022, MDHHS automated the payment methodology for ESV to ensure that payments to individual providers using ESV are based on tasks authorized and completed, and compared to approved authorizations before payment is issued.

Also, individual caregiver verifications currently in ESV and Paper Service Verification (PSV) will be replaced with Electronic Visit Verification (EVV), which will help ensure payments are reflective of the services provided. MDHHS will continue to manually review PSVs until EVV is implemented.

Anticipated Completion Date

December 2024

Responsible Individual(s)

Elaina Brown-Mingo, MDHHS
Michelle Martin, MDHHS

Finding 2022-050**Medicaid Cluster, ALN 93.775, 93.777 and 93.778 - Practitioner Reimbursement****Management Views**

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has determined the primary remaining source of overlaps between fee-for-service and capitation payments is retroactive removal of Medicaid eligibility within Bridges. 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. An interface fix is being implemented in December 2023 that will address several existing issues. This upgraded interface will remove existing limitations to mitigate the occurrence of retroactive disenrollment. In addition, 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 interface fix will be implemented by December 31, 2023, and evaluation of whether additional process and system changes are needed to further mitigate the occurrence of overlapping payments is ongoing.

Responsible Individual(s)

Alexis Bond, MDHHS

Latina McCausey, MDHHS

Finding 2022-051**Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - MARIS General Controls****Management Views**

Although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

DTMB developed an organization-wide framework for database security configuration management.

Anticipated Completion Date

DTMB anticipates having compliance documentation by September 30, 2023.

Responsible Individual(s)

Nathan Buckwalter, DTMB

Finding 2022-052**Immunization Cooperative Agreements, ALN 93.268 - MCIR General Controls****Management Views**

Although MDHHS and DTMB had not fully documented all database specific configuration standards until after the audit period, DTMB disagrees that during the audit period the system contained potentially vulnerable database configurations and disagrees that DTMB cannot ensure the security of the data. DTMB has been and continues to implement the manufacturer's recommendations regarding security configurations. In addition, the databases reside in restricted trusted internal security zones, protected by firewalls, which are specific to each application and database, in conjunction with intrusion protection, antivirus software, and SOM standard security safeguards.

Planned Corrective Action

DTMB developed an organization-wide framework for database security configuration management.

Anticipated Completion Date

DTMB anticipates having compliance documentation by September 30, 2023.

Responsible Individual(s)

Nathan Buckwalter, DTMB

Finding 2022-053**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. 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

MDHHS informed all site visit reviewers of CDC's requirement to return to full compliance of site visit requirements beginning with the new cycle from July 1, 2022 through June 30, 2023. This was relayed verbally on monthly calls, in writing, and through online training sessions.

Anticipated Completion Date

MDHHS anticipates that all site visits will be completed by June 30, 2023.

Responsible Individual(s)

Heather Barnes, MDHHS
Heidi Loynes, MDHHS
Terri Adams, MDHHS

Finding 2022-054

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 local offices. ESA leadership will reach out to the managers of the individual specialists regarding the issues identified and provide additional guidance.

Anticipated Completion Date

Training will be ongoing. ESA will issue the memorandum and address the specific issues with local office management and specialists by August 31, 2023.

Responsible Individual(s)

Kenton Schulze, MDHHS
Lana Karadsheh, MDHHS
Brian Sanborn, MDHHS

Finding 2022-055

Temporary Assistance for Needy Families, ALN 93.558 - Accuracy of Financial Reports

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will revise the financial reports for the quarters ending September 30, 2022, and December 31, 2022, and submit to the U.S. Department of Health and Human Services Administration for Children and Families by May 15, 2023. MDHHS will also evaluate the internal control approval process and determine if any changes are needed.

Anticipated Completion Date

MDHHS will complete its evaluation of the internal control approval process by September 30, 2023, and will then develop a timeline for implementing changes identified during the evaluation, if applicable.

Responsible Individual(s)

Rebecca Jones, MDHHS
Tiffany Clarke, MDHHS
Emiliza Noel, MDHHS

Finding 2022-056

Low-Income Home Energy Assistance, ALN 93.568 - Recertification of Clearance Patterns

Management Views

Treasury agrees with the finding. Unforeseen reorganizational efforts and staffing turnover in fiscal year 2022 resulted in a disruption to the continuity of the Cash Management

Improvement Act program. Corrective action implemented to address prior audit findings enabled newly appointed staff to replicate queries for most of the programs that required clearing pattern review. As a result, the number of programs exhibiting significant deficiencies in their clearance pattern review decreased compared to fiscal year 2021.

Planned Corrective Action

Treasury will continue updating the procedures pertaining to the verification processes of clearing patterns and will prioritize the examination of queries from SBI to ensure that Treasury data includes all required clearing patterns for review. Clearing Pattern Recertification is mandated by the federal government every five years. Internally, annual reviews of clearing patterns will be conducted to ensure adherence to the program's objectives. State agencies will continue to provide the necessary coding and date range information for the development of clearing patterns.

Anticipated Completion Date

Treasury will make updates to the procedures and complete the clearing pattern review by September 2023.

Responsible Individual(s)

Andrew Silva, Treasury

Finding 2022-057

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to communicate with BSCs and local offices regarding the requirements to obtain adequate verification and maintain sufficient documentation to support State Emergency Relief (SER) processing. MDHHS will also continue to provide direct SER guidance and clarification through the SER mailbox.

Beginning in fiscal year 2023, MDHHS implemented quarterly case reads and during April 2023, MDHHS began monthly meetings with BSCs to discuss the results of quarterly SER case reads.

In addition, MDHHS will update SER policy to include additional verification sources.

Anticipated Completion Date

MDHHS will update policy by September 30, 2023. All other corrective action is ongoing.

Responsible Individual(s)

Nicole Denson-Sogbaka, MDHHS
Kent Schulze, MDHHS

Finding 2022-058

Low Income Home Energy Assistance, ALN 93.568 - Annual Report on Households Assisted by LIHEAP

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS and DTMB plan to improve communication with Treasury to help ensure that accurate data is received prior to the report submission. MDHHS will also evaluate the Interagency Agreement and determine if changes are needed. In addition, DTMB is currently evaluating the cause of query inaccuracies and plans to make necessary changes to the query.

Anticipated Completion Date

MDHHS and DTMB will coordinate with Treasury to clarify when the data is needed for the report by July 31, 2023. MDHHS will evaluate and make changes to the fiscal year 2024 Interagency Agreement by September 30, 2023. DTMB will make necessary changes to the query by December 1, 2023.

Responsible Individual(s)

Denise Hawkins, DTMB
Julie McLaughlin, MDHHS

Finding 2022-059

Social Services Block Grant, ALN 93.667 - Post-Expenditure Report

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS revised its methodology to include Independent Living Services recipients in the Social Services Block Grant (SSBG) Post-Expenditure Report. In addition, MDHHS revised and re-submitted the fiscal year 2022 SSBG Post-Expenditure Report with the correct recipient counts.

Anticipated Completion Date

Completed

Responsible Individual(s)

Emiliza Noel, MDHHS
Tiffany Clarke, MDHHS
Rebecca Jones, MDHHS

Finding 2022-060

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

Management Views

MSP agrees with the finding. The fiscal year 2022 exceptions identified in the audit finding occurred prior to the implementation of corrective action for the fiscal year 2021 finding.

Planned Corrective Action

MSP has hired a Department Technician whose responsibilities will include the task of FFATA reporting. MSP will review the procedure for FFATA reporting for additional efficiencies to

ensure timeliness. In addition, MSP is implementing a grants management system that will include FFATA reporting functionality.

Anticipated Completion Date

MSP will make any needed updates to the procedure and anticipates having the grants management system implemented by September 30, 2023.

Responsible Individual(s)

Penny Burger, MSP

Finding 2022-061

Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036 - Subrecipient Audits

Management Views

MSP agrees with the finding.

Planned Corrective Action

MSP will improve monitoring by reconciling expenditures by program to ensure that all subrecipients are included on the single audit tracking sheet for review. In addition, MSP will transition to each division having the responsibility for the completion of their own single audit reviews beginning October 1, 2023.

Anticipated Completion Date

MSP will reconcile expenditures by program by October 1, 2023, and each division will have their single audit reviews completed by September 30, 2024.

Responsible Individual(s)

Matt Opsommer, MSP

Findings Identified by Other Auditors

Finding 2022-062

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, 2022, Corrective Action Plan, Finding 2022-001.

Finding 2022-063

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, 2022, Corrective Action Plan, Finding 2022-002.

Finding 2022-064

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, 2022, Corrective Action Plan, Finding 2022-003.

Finding 2022-065

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, 2022, Corrective Action Plan, Finding 2022-001.

GLOSSARY

LIST OF ABBREVIATIONS

ACF	Administration for Children and Families.	ERA	eligible recipient agency.
ACH	Automated Clearinghouse.	ESF	Education Stabilization Fund.
ADP	automated data processing.	ESV	Electronic Service Verifications.
AIS	Aging Information System.	FAA	Federal Aviation Administration.
ALN	Assistance Listing Number.	FAC	Federal Audit Clearinghouse.
ARRA	American Recovery and Reinvestment Act of 2009.	FAIN	Federal Award Identification Number.
ASM	Adult Services Manual.	FEMA	Federal Emergency Management Agency.
ATO	authority to operate.	FER	final expenditure report.
BCP	business continuity plan.	FFATA	Federal Funding Accountability and Transparency Act.
Bridges	Bridges Integrated Automated Eligibility Determination System.	FFEL	Federal Family Education Loans.
CARES	Coronavirus Aid, Relief, and Economic Security.	FFS	fee-for-service.
CCDF	Child Care and Development Fund.	FIP	Family Independence Program.
CDBG	Community Development Block Grant.	FIRST	Financial Information Reporting System Technology.
CDC	Centers for Disease Control and Prevention.	FISCAM	Federal Information System Controls Audit Manual.
CFMO	Construction and Facilities Management Officer.	FMG	Financial Management Guide.
CFR	<i>Code of Federal Regulations.</i>	FNS	Food and Nutrition Service.
CHAMPS	Community Health Automated Medicaid Processing System.	FPRS	Food Program Reporting System.
CHIP	Children's Health Insurance Program.	FSRS	FFATA Subaward Reporting System.
CMIA	Cash Management Improvement Act.	GAO	U.S. Government Accountability Office.
CMS	Centers for Medicare and Medicaid Services.	GEMS/MARS	Grant Electronic Monitoring System/Michigan Administrative Review System.
COVID-19	coronavirus disease of 2019.	HAF	Homeowner Assistance Fund.
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act of 2021.	HAP	housing assistance payment.
DMVA	Department of Military and Veterans Affairs.	HHP	Home Help Program.
DRP	disaster recovery plan.	HHS	U.S. Department of Health and Human Services.
DTMB	Department of Technology, Management, and Budget.	HUD	U.S. Department of Housing and Urban Development.
EBT	electronic benefits transfer.	ICE	Internal Control Evaluation.
ELC	Epidemiology and Laboratory Capacity for Infectious Diseases.	ID	identification.
		IDEA	Individuals with Disabilities Education Act.

IEVS	Income Eligibility and Verification System.
ILS	Independent Living Services.
IT	information technology.
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.
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.
MLR	medical loss ratio.
MSF	Michigan Strategic Fund.
MSHDA	Michigan State Housing Development Authority.
MSP	Michigan Department of State Police.

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.
PBM	Pharmacy Benefits Manager.
P-EBT	Pandemic Electronic Benefits Transfer.
PIHP	Prepaid Inpatient Health Plan.
POAMS	Plans of Actions and Milestones.
PSV	Paper Service Verifications.
PTMS	Public Transportation Management System.
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.
SOM	State of Michigan.
SSBG	Social Services Block Grant.
TANF	Temporary Assistance for Needy Families.
TEFAP	The Emergency Food Assistance Program.
Treasury	Michigan Department of Treasury.
TSA	Treasury State Agreement.
UIA	Unemployment Insurance Agency.
USC	<i>United States Code.</i>
USDOE	U.S. Department of Education.
VFC	Vaccines for Children.

GLOSSARY OF TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
adverse opinion	A type of modified opinion in which the auditor states that the audited entity did not comply, in all material respects, with the cited compliance requirements that are applicable to each major federal program.
American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009.
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.
Assistance Listings	Descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards.
auditor's comments to management views	Comments the OAG includes in a single audit to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's management views when they are inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the management views, they should explain in the report their reasons for disagreement.
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.
cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of the Uniform Guidance.
Code of Federal Regulations (CFR)	The codification of the general and permanent rules published by the departments and agencies of the federal government.
confidentiality	Protection of data from unauthorized disclosure.

configuration	The way a system is set up. Configuration can refer to either hardware or software or the combination of both.
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.
general controls	The structure, policies, and procedures that apply to an entity's overall computer operations. These controls include an entitywide security program, access controls, application development and change controls, segregation of duties, system software controls, and service continuity controls.
in-relation-to opinion	An opinion expressed by the auditor on supplementary information based on auditing procedures applied in the audit of the basic financial statements and certain additional procedures and considering materiality of the basic financial statements as a whole.
integrity	Accuracy, completeness, and timeliness of data in an information system.

internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
known questioned costs	Questioned costs that are specifically identified by the auditor.
low-risk auditee	As provided for in the Uniform Guidance, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results.
material misstatement	A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on basic financial statement and/or financial schedule amounts.
material weakness in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.
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.
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.

**Statewide Integrated
Governmental
Management
Applications (SIGMA)**

The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.

subrecipient

A nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.

**System and
Organization Controls
(SOC) report**

Designed to help organizations that provide services to user entities build trust and confidence in their delivery processes and controls through a report by an independent certified public accountant (CPA). Each type of SOC report is designed to meet specific user needs:

- SOC 1 (Report on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting) - Intended for user entities and the CPAs auditing their financial statements in evaluating the effect of the service organization's controls on the user entities' financial statements.
- SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy) - Intended for a broad range of users that need information and assurance about a service organization's controls relevant to any combination of the five predefined control principles.

There are two types of SOC 1 and SOC 2 reports:

- Type 1 - Reports on the fairness of management's description of a service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description, as of a specified date.
- Type 2 - Includes the information in a type 1 report and also addresses the operating effectiveness of the controls to achieve the related control objectives included in the description, throughout a specified period.
- SOC 3 (Trust Services Report for a Service Organization) - Intended for those needing assurance about a service organization's controls that affect the security, availability, or processing integrity of the systems a service organization employs to process user entities' information, or the confidentiality or privacy of that information, but do not have the need for or the knowledge necessary to make effective use of a SOC 2 report.

- SOC for Cybersecurity - Intended to communicate relevant information about the effectiveness of an organization's cybersecurity risk management programs.

Uniform Guidance

Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Uniform Guidance, which was officially implemented in December 2014 by the Council on Financial Assistance Reform, establishes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance supersedes guidance from earlier OMB circulars.

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- a. The basic financial statements or financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- b. The audited entity complied, in all material respects, with the cited compliance requirements that are applicable to each major federal program.

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