

Office of the Auditor General
Performance Audit Report

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

October 2023

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

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

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Performance Audit

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

Michigan Department of Health and Human Services (MDHHS)

Report Number:
431-3302-23

Released:
October 2023

The PATH Program is a partnership between MDHHS and Workforce Development, Department of Labor and Economic Opportunity, to connect clients who receive cash assistance with the types of jobs, education, and training opportunities to help them achieve self-sufficiency and meet the workforce and skill needs of Michigan businesses. MDHHS requires all work-eligible individuals seeking or receiving cash benefits to participate in the PATH Program, unless deferred or engaged in other employment-related activities. Reasons for deferrals may include Supplemental Security Income (SSI) eligibility for disability, caring for a disabled spouse or child, full-time employment, and the parent of a child under 2 months old. During the audit period, approximately 88,000 individuals received cash assistance. Of those, an average of 1,700 individuals per month (700 SSI-related and 1,000 non-SSI related) had a deferral from the PATH Program. During this same time period, payments related to individuals receiving cash assistance totaled \$111.7 million.

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

Audit Objective			Conclusion
Objective: To assess the effectiveness of MDHHS's processes to defer SSI and non-SSI applicants from the PATH Program.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

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October 20, 2023

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

Director Hertel:

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

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

Sincerely,

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

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

SSI AND NON-SSI APPLICANT DEFERRALS

BACKGROUND

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

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

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

If the cash assistance client has a DDS verified disability lasting greater than 90 days, the client is deferred from the PATH Program work requirements until their claim is approved by the Social Security Administration and begins to receive SSI.

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

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

* See glossary at end of report for definition.

AUDIT OBJECTIVE

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

CONCLUSION

Effective.

**FACTORS
IMPACTING
CONCLUSION**

- For the SSI applicants:
 - MDHHS maintained sufficient documentation to support its SSI deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities for 100% of sampled deferrals.
 - MDHHS ensured that aged individuals, potentially eligible for SSI, were appropriately not receiving cash assistance.
 - None of the individuals with a PATH Program deferral receiving cash assistance payments were receiving SSI.
- For the non-SSI applicants:
 - For 100% of sampled deferrals, MDHHS timely completed redeterminations to determine if individuals were required to participate in the PATH Program or continue to be deferred.
 - For 97% of cash assistance recipients, MDHHS maintained sufficient documentation to support its deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities.

* See glossary at end of report for definition.

PROGRAM DESCRIPTION

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

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

From June 1, 2021 through May 31, 2023, on average, there were 11,736 active cash assistance cases at any given time, and approximately 1,690 (14%) cases had at least one individual who was deferred from the PATH work requirements. Payments related to individuals receiving cash assistance totaled \$111.7 million.

During the audit period, the number of individuals receiving cash assistance totaled approximately 88,000. Of those, an average of 1,700 individuals per month (700 SSI-related and 1,000 non-SSI related) had a deferral from the PATH Program. We calculated the average deferrals based on a selection of 1 weekly report per month from Bridges Integrated Automated Eligibility Determination System* (Bridges), which showed an ongoing count of deferrals and reasons for deferrals.

In addition, MDHHS annually contracted with LEO to administer the PATH Program for \$63.7 million, on average, during our audit period. Of that amount, \$60.1 million, on average, was allocated to MWAs for direct client services and the remaining \$3.6 million for other PATH administrative expenses.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

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

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

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, and quality assurance, generally covered June 1, 2021 through May 31, 2023.

METHODOLOGY

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

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

OBJECTIVE

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

To accomplish this objective for SSI applicants, we:

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

* See glossary at end of report for definition.

- Reviewed the SSI interface screen within Bridges of a population of approximately 25,200 instances of individuals receiving cash benefits at some point from June 1, 2021 through May 31, 2023 to determine whether benefits were terminated in a timely manner because of individuals receiving SSI.
- Analyzed the population of individuals receiving cash assistance at some point from June 1, 2021 through May 31, 2023 to determine whether benefits were terminated in a timely manner because of being aged and potentially eligible for SSI.
- Reviewed 51 PATH deferrals from a population of approximately 17,215 deferrals because of disability from June 1, 2021 through May 31, 2023. Our sample was randomly selected to eliminate bias and enable us to project the results to this population. We performed tests to determine whether:
 - Adequate documentation existed to support the deferral.
 - The deferral time period was appropriate.
 - MDHHS performed a timely redetermination to refer clients back to the PATH Program when applicable.

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

- Analyzed applicable sections of the *Code of Federal Regulations, Michigan Compiled Laws*, and policies and procedures within MDHHS's Bridges Eligibility Manual to identify those with significant PATH Program impact for medical deferrals.
- Reviewed PATH deferrals for 40 individuals who were deferred for a reason other than disability from a population of approximately 26,600 deferrals granted from June 1, 2021 through May 31, 2023. Our sample was randomly selected to eliminate bias and enable us to project the results to this population. We performed tests to determine whether:
 - Adequate documentation existed to support the deferral.
 - The deferral time period was appropriate.
 - MDHHS performed a timely redetermination to refer clients back to the PATH Program when applicable.

CONCLUSIONS

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

AGENCY RESPONSES

Not applicable.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported findings from our January 2022 performance audit of the Partnership. Accountability. Training. Hope. (PATH) Program Deferrals, Michigan Department of Health and Human Services (431-3302-21):

<u>Prior Audit Finding Number</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
1	Support for Deferrals	Complied	Not applicable

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system for Michigan's cash assistance, medical assistance, food assistance, child care assistance, and emergency assistance programs.
certified group members	Members of the group whose non-financial and financial factors are considered in determining cash assistance eligibility.
DDS	Disability Determination Services.
effectiveness	Success in achieving mission and goals.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
LEO	Department of Labor and Economic Opportunity.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MWA	Michigan Works! Agency.
PATH	Partnership. Accountability. Training. Hope.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and

operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

reportable condition

A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.

SSI

Supplemental Security Income.

TANF

Temporary Assistance for Needy Families.

WPR

work participation rate.



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