

Office of the Auditor General
Performance Audit Report

COVID-19 Expenditures
State of Michigan

November 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

COVID-19 Expenditures

State of Michigan

Report Number:
000-2000-20F

Released:
November 2023

On March 10, 2020, Governor Gretchen Whitmer declared a state of emergency when the Michigan Department of Health and Human Services identified the first two presumptive positive cases of the novel coronavirus (COVID-19) respiratory illness. The Legislature enacted Public Acts 67, 123, 144, 146, 150, 166, and 257 of 2020 and Public Acts 2, 3, and 30 of 2021, appropriating supplemental funding for COVID-19. In addition, Section 704 (3), Public Act 53 of 2019 allows the Michigan Department of State Police to receive and expend money from local, State, federal, or private sources for the purpose of supporting emergency preparedness, response, recovery, and mitigation activity. As of June 30, 2021, supplemental appropriations for COVID-19 totaled \$8.6 billion. Public Act 67 of 2020 requires the Auditor General to audit the use of the funds appropriated for the COVID-19 emergency and report monthly until the funds are expended. Our report includes COVID-19 expenditures appropriated by all Public Acts. This is our sixth and final report.

Audit Objective			Conclusion
Objective 1: To determine the appropriateness of State agencies' COVID-19 expenditures through June 30, 2021.			Appropriate
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	
Exhibits Related to This Audit Objective			
<u>Exhibit 1</u> - Summary of Expenditures Sampled for Testing			
<u>Exhibit 2</u> - Summary of Exceptions and Pending Items			

Audit Objective			Conclusion
Objective 2: To report State agencies' COVID-19 expenditures.			Information provided
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	
Exhibits Related to This Audit Objective			
<u>Exhibit 3</u> - Vendors With Total Payments of \$5.5 Million or Greater			
<u>Exhibit 4</u> - Chart of COVID-19 Expenditures by Response Category for All Appropriations			

Exhibits Related to This Audit Objective (Continued)

Exhibit 5 - Expenditures by Department and Response Category for All Appropriations

Exhibit 6 - Expenditures by Response Category and Funding Source for All Appropriations

Exhibit 7 - Chart of COVID-19 Expenditures by Classification Category for All Appropriations

Exhibit 8 - Expenditures by Classification Category and Funding Source for All Appropriations

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Doug A. Ringler, CPA, CIA
Auditor General

November 8, 2023

The Honorable Gretchen Whitmer
Governor of Michigan
George W. Romney Building
Lansing, Michigan

Michelle Lange, Director
Department of Technology, Management,
and Budget
Elliott-Larsen Building
Lansing, Michigan

The Honorable Sarah Anthony, Chair
Senate Appropriations Committee
State Capitol Building
Lansing, Michigan

The Honorable Angela Witwer, Chair
House Appropriations Committee
State Capitol Building
Lansing, Michigan

The Honorable Jon Bumstead
Minority Vice Chair
Senate Appropriations Committee
Connie B. Binsfeld Building
Lansing, Michigan

The Honorable Sarah Lightner
Minority Vice Chair
House Appropriations Committee
Anderson House Office Building
Lansing, Michigan

Daniel Oberlin, Secretary
Michigan Senate
State Capitol Building
Lansing, Michigan

Richard J. Brown, Clerk
Michigan House of Representatives
State Capitol Building
Lansing, Michigan

Governor Whitmer, Director Lange, Senators Anthony and Bumstead, Representatives Witwer and Lightner, Secretary Oberlin, and Clerk Brown:

This is our performance audit report on the COVID-19 Expenditures, State of Michigan.

Section 204, Public Act 67 of 2020, effective March 30, 2020, requires the Office of the Auditor General to audit the use of funds appropriated for coronavirus public health emergency - health care capacity, coronavirus public health emergency, and coronavirus response fund and report to the chairs of the Senate and House Appropriations Committees at a minimum of every month on the appropriateness of the preceding month's expenditures until the funds are expended. In order to provide a more complete picture of the total spending on COVID-19, our audit scope includes all COVID-19 coded expenditures as of June 30, 2021. All sampled expenditures were audited by the end of our fieldwork.

The Act also requires the OAG to report the details of our services related to our review of the COVID-19 expenditures; details of findings of fraud, waste, and abuse; and recommendations for corrective actions by any governmental entity. We have included these details as of June 30, 2021. For informational purposes, we also included supplemental information for expenditures reported through June 30, 2023 in our exhibits.

This is our sixth and final report on the expenditure of these funds. Audits of the remaining COVID-19 funds will be subject to the scope of the annual Statewide Single Audit.

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

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

APPROPRIATENESS OF COVID-19 EXPENDITURES THROUGH JUNE 30, 2021

BACKGROUND

Public Act 67 of 2020 requires the Auditor General to conduct an audit of the use of funds appropriated for the Statewide coronavirus emergency and to continue to audit and report monthly on the use of these funds.

In addition, Public Act 53 of 2019; Public Acts 67, 123, 144, 146, 150, 166, and 257 of 2020; and Public Acts 2, 3, and 30 of 2021 provide for funding sources from General Fund, federal, Federal Emergency Management Agency (FEMA), and private donations related to COVID-19. State agencies were also directed to utilize operating budgets to the extent possible.

All sampled expenditures were audited by the end of our fieldwork.

AUDIT OBJECTIVE

To determine the appropriateness of State agencies' novel coronavirus* (COVID-19) expenditures through June 30, 2021.

CONCLUSION

Appropriate.

FACTORS IMPACTING CONCLUSION

- Reviewed supporting documentation for 1,391 (98%) of 1,420 transactions totaling \$2.1 billion and determined the COVID-19 expenditures were appropriate (see Exhibit 1).
- Reviewed 10 sample transactions and completed 2 analytical reviews totaling \$33.3 million and determined the documentation provided did not support \$18.6 million of the expenditures (see Exhibits 1 and 2).

* See glossary at end of report for definition.

STATE AGENCIES' COVID-19 EXPENDITURES THROUGH JUNE 30, 2023

BACKGROUND

The State Budget Office (SBO) prepares monthly reports on COVID-19 expenditures reported by State agencies. Due to timing differences, our report on the COVID-19 expenditures may not reflect the same amounts as reported in SBO's published reports.

AUDIT OBJECTIVE

To report State agencies' COVID-19 expenditures.

CONCLUSION

Information provided.

FACTORS IMPACTING CONCLUSION

- We reported the State agencies' COVID-19 expenditures through June 30, 2023 in the supplemental information section.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

COVID-19 EXPENDITURES State of Michigan

Summary of Expenditures Sampled for Testing
From March 10, 2020 Through June 30, 2021

COVID-19 Expenditure Sample					
	March 2020 Through November 2020 ¹	December 2020 Through March 2021	April 2021 Through June 2021	July 2021 Through June 2023 ²	Total
Total expenditures	\$ 3,522,897,065	\$ 1,503,764,407	\$ 1,260,775,023	\$ 11,821,384,538	\$18,108,821,034
Expenditures sampled	\$ 1,116,325,607	\$ 465,179,705	\$ 514,991,960	\$ -	\$ 2,096,497,272
Total number of sample items	944	286	190	0	1,420
Items reviewed and appropriate ³	924	279	188	0	1,391
Dollar amount appropriate	\$ 1,100,584,762	\$ 460,614,351	\$ 514,988,893	\$ -	\$ 2,076,188,007
Items still under review ⁴	0	0	0	0	0
Dollar amount of pending items	\$ -	\$ -	\$ -	\$ -	\$ -
Unable to assess appropriateness of items ⁵	0	0	0	0	0
Dollar amount of unassessed items	\$ -	\$ -	\$ -	\$ -	\$ -
Exceptions noted	20	7	2	0	29
Dollar amount of exceptions noted	\$ 15,740,845	\$ 4,565,353	\$ 3,067	\$ -	\$ 20,309,265

Sample Expenditures by Response Category

Response Category	Total
COVID Local Support	\$ 862,156,268
COVID Individual Assistance	389,899,773
COVID State Government Operations	331,531,703
COVID Laboratory Testing	131,742,072
COVID Business Assistance	114,366,488
COVID Other	108,407,717
COVID Health Care Response	90,254,428
COVID Supplemental Expenditure Credits	39,769,461
COVID Infection Control	28,369,362
Total	\$ 2,096,497,272

¹ Reporting periods are combined for exhibit purposes. The detail can be located as follows:

March Through April 2020: audgen.michigan.gov/wp-content/uploads/2020/06/r000200020-7689.pdf
May 2020: audgen.michigan.gov/wp-content/uploads/2020/09/r000200020B-3322.pdf
June Through August 2020: audgen.michigan.gov/wp-content/uploads/2021/01/r000200020C-0707.pdf
September Through November 2020: audgen.michigan.gov/wp-content/uploads/2021/06/r000200020D-4562.pdf
December Through March 2021: audgen.michigan.gov/wp-content/uploads/2021/10/r000200020E-8496.pdf

² Added for informational purposes. Federal expenditures during this period, totaling approximately \$11.7 million, were/will be subject to audit in the State of Michigan Single Audit.

³ Review of the appropriateness of the expenditures included, but is not limited to:

- Expenditure related to COVID-19 emergency
- Allowable under the appropriation charged
- Goods/services received
- Expenditure authorized
- Supporting calculations

Dollar amount includes the portion of the exception items that were appropriate.

⁴ Items are classified as still under review for the following reason: OAG still reviewing for appropriateness.

⁵ We were unable to assess appropriateness at the time of this report because sufficient documentation has not been provided or items are still in transit. If we receive additional documentation, we will reassess the categorization of the sample item for future reports.

Source: The OAG prepared this exhibit based on our review of expenditure transactions selected from the Statewide Integrated Governmental Management Applications* (SIGMA) and documentation provided by executive branch departments.

* See glossary at end of report for definition.

COVID-19 EXPENDITURES
State of Michigan
Summary of Exceptions and Pending Items
From March 10, 2020 Through June 30, 2021

Exceptions				
Vendor	Purpose of Transaction	Amount	Reason for Exception	Status
*Connect6 Group Inc	Masks	\$ 18,760	Insufficient documentation for receipt of 5,600 masks. Total order of 15,600 masks.	Closed
*Sanaz LLC	Masks & Gowns	24,896	Order cancelled.	Closed
*SpecBid Holdings, Inc	Masks	2,856,000	Insufficient documentation for receipt of 1.7 million masks. Total order of 5 million masks.	Closed
*DiaMedical USA Equipment, Inc.	Hospital Beds	63,750 95,000	Insufficient documentation for receipt of 91 beds. Total order of 250 beds.	Closed
*DiaMedical USA Equipment, Inc.	Masks	3,540	Insufficient documentation for receipt of 1,200 masks. Total order of 1,200 masks.	Closed
*Elegance	Gloves	642,500	Insufficient documentation for receipt of 6,425 boxes. Total order of 20,000 boxes.	Closed
*Dultimate LLC	Medical Gowns	2,290	Deemed a loss from a \$5.5 million order.	Closed
*Grand Valley State University (GVSU)	Grant to GVSU	321,750	Payment period 1st quarter of 2020, unrelated to COVID-19.	Agency corrected
*BlackPoint Distribution, LLC	Surgical Masks	50,400	Insufficient documentation for receipt of 105,000 masks. Total order of 105,000 masks.	Closed
*Troy Design & Manufacturing	Face Shields	1,073,600	Insufficient documentation for receipt of 268,000 face shields. Total order of 488,000 face shields.	Closed
*RACM, LLC	Cleaning Services	4,295,208 976,184	Payment made in error after contract was cancelled. Funds returned to State by vendor.	Closed
*Meijer, Inc	Financial Assistance	2,050	Vouchers provided to Midland County unrelated to COVID-19.	Agency corrected
*American Rental, Inc.	Tents & Accessories	6,031 6,369	Insufficient documentation for receipt of tents and accessories for testing site.	Closed
*Department of Labor and Economic Opportunity (LEO)	IT Costs	379 3,411	LEO inadvertently moved IT expenditures to a COVID-19 reporting code.	Agency corrected
Department of Labor and Economic Opportunity (LEO)	Payroll Expenditures ¹	41,751,506 ¹	Analytical review determined LEO inappropriately classified UIA payroll expenditures that were not related to the COVID-19 pandemic.	Agency corrected
Michigan Department of Corrections	Toilet Paper	220 [*] 220	Thumb Correctional Facility inappropriately classified toilet paper as a COVID-19 expenditure.	Agency corrected
Michigan Department of Corrections	Toilet Paper ¹	56,475 ¹	Analytical review determined various correctional facilities inappropriately classified toilet paper as a COVID-19 expenditure.	Agency corrected all fiscal year 2021 expenditures (\$30,603). Fiscal year 2020 expenditures (\$26,311) are uncorrected.
Wayne State University (WSU)	Grant to WSU	2,847	Inappropriately classified unallowable costs as COVID-19 expenditures.	Agency corrected
RACM, LLC	Cleaning Services	5,302,516	Overpayment for cleaning services at COVID-19 temporary field hospitals.	Closed
Cellex, Inc.	Rapid COVID-19 tests for hospitals.	1,500,000	All tests expired, then had a refrigeration malfunction rendering them unviable.	Closed
Comprehensive Testing Solutions LLC	Rapid COVID-19 tests for nursing home facilities.	1,161,022	Unable to find parties interested in utilizing the remaining tests.	Closed
AT&T Wireless Services	Mobile WiFi hotspots for remote learning.	1,891,998 8,324	Unable to find parties interested in utilizing the remaining devices.	Closed
Total Exceptions		\$ 62,117,246		

¹Exceptions confirmed from an analytical review of expenditures. Analytical reviews are not included in the sample item or exception totals in Exhibit 1.

^{*}Exception noted in prior report.

Source: The OAG prepared this exhibit based on our review of expenditure transactions selected from SIGMA and documentation provided by executive branch departments.

COVID-19 EXPENDITURES

State of Michigan

Vendors With Total Payments of \$5.5 Million or Greater
From March 10, 2020 Through June 30, 2023

Vendor Name	Amounts Paid	Types of Activities
Schools - Consolidated	\$ 4,904,399,777	CRF/Small Business Assistance/Child Nutrition Program Meal Reimbursements
Local Units - Consolidated	1,762,003,094	Financial Assistance
Conduent State & Local Solutions, Inc.	1,174,749,719	SNAP Payments - Disaster Relief (Food Assistance)
Fidelity National Information Services, Inc.	703,527,969	SNAP Payments - Disaster Relief (Food Assistance)
Michigan Employment Security Agency	255,778,851	Financial Assistance and Appropriation to Offset the Consequences of Fraudulent Activity During the Pandemic
Michigan Health & Hospital Association	234,690,497	Medical Staffing
Brogan & Partners Advertising Consultancy, Inc.	148,687,198	Media Campaign for Outreach and Education to the Public
Honu Management Group, LLC	148,272,127	COVID Testing
Protiviti Government Services	130,741,326	UIA Staffing
Gothams, LLC	119,217,854	COVID Testing
Michigan Public Health Institute	113,571,139	Medical Staffing
Local Opco LLCs - Consolidated	85,629,046	Elder, Rehabilitation, and Long-Term Care Facilities
Kleo, Inc.	84,800,554	Emergency Education Relief
State of Michigan	77,074,627	Interdepartmental Transfers
Abbott Rapid Dx North America, LLC	68,315,729	COVID Testing Kits
Michigan State Housing Development Authority	56,610,746	Rental Assistance
Medefis, Inc.	53,209,778	Medical Staffing
SpecBid Holdings, Inc.	49,644,224	PPE
Wayne Metropolitan Community Action Agency	39,005,859	Staffing and Monetary Assistance
MMGY Global, LLC	38,251,336	Tourism Advertising
Islamic Center of Detroit	35,141,631	Meals and Admin Expenses
Michigan Primary Care Association	34,935,043	Testing Sites
Fisher Scientific Company, LLC	32,488,750	COVID Testing
Bio-Reference Laboratories, Inc.	31,760,900	COVID Testing
Superior Business Forms, Inc.	30,790,300	PPE
Food Bank Council of Michigan	30,362,105	Food Cost and Transportation
Blackpoint Distribution, LLC	25,900,400	PPE
Henry Ford Health System	24,089,009	Payment to Hospital - Health Care Capacity
RACM, LLC ¹	22,703,923	Cleaning Services
Childtime Childcare, Inc.	21,022,599	Financial Assistance - Deliver/Admin Grants
McKinsey & Company, Inc.	20,990,000	Consulting Services
Spectrum Health Hospitals	20,637,056	COVID Testing
Knowledge Universe Education, LLC	19,430,864	Early Childhood Education
Meijer, Inc.	19,414,130	Food
Illinois Facilities Fund (IFF)	17,621,184	Financial Assistance
Midway Dental Supply, LLC	16,911,856	PPE and Sanitizing Wipes
Clinical ²	16,216,223	Michigan Department of Corrections' Employee Payroll
The Right Place, Inc.	16,107,901	Financial Assistance - Deliver/Admin Grants
J & B Medical Supply, Inc.	15,928,947	PPE
Detroit Economic Growth Association	15,545,450	Small Business Grants
Spectrum Health System	15,277,242	Hospital Patient Assistance
Team 84, LLC	15,258,610	PPE
BoCo Enterprises, Inc.	14,734,600	Hospital Expansion - Suburban Showplace
NxGen MDx, LLC	14,718,238	COVID Testing
Ann Arbor Spark	14,145,455	Financial Assistance - Deliver/Admin Grants
The Mega Company	13,499,200	COVID Testing
Tutor Time Learning Centers, LLC	13,458,778	Grant for COVID Expenses
Flint and Genesee Chamber Foundation	13,320,455	Financial Assistance - Deliver/Admin Grants
Southwest Michigan First	12,918,553	Financial Assistance - Deliver/Admin Grants
Troy Design & Manufacturing, LLC	12,800,000	PPE
Christman Company	12,507,124	Construction Services
Medical Choice Rx, LLC	12,394,000	PPE
R.R. Donnelley	11,768,482	PPE
William Beaumont Hospital	11,211,129	Payment to Hospital - Health Care Capacity
Michigan Municipal League Foundation	11,000,000	Financial Assistance - Deliver/Admin Grants
Hype Labs, LLC	11,000,000	PPE
RF Catalytic Capital, Inc.	10,901,477	Financial Assistance
VWR International Inc.	10,753,981	Laboratory Equipment and Maintenance
Kinder Care Learning Centers, LLC	10,473,652	Child Care Grants
Northwest Michigan Community Health Agency	10,346,255	Financial Assistance
Detroit Economic Growth Corporation	10,150,000	Small Business Grants
Area Agency On Aging 1-B	9,547,996	Elderly COVID Support Services
Detroit Regional Convention Facility Authority	9,377,447	TCF Center - Temporary Hospital
Lansing Economic Area Partnership, Inc.	9,302,455	Financial Assistance - Deliver/Admin Grants

This exhibit continued on next page.

COVID-19 EXPENDITURES
State of Michigan

Vendors With Total Payments of \$5.5 Million or Greater
From March 10, 2020 Through June 30, 2023

Vendor Name	Amounts Paid	Types of Activities
Michigan 211, Inc.	9,052,429	COVID Information Services
Accenture	9,031,185	Quality Assurance/Control Consulting
Oakwood Healthcare, Inc.	9,018,700	Healthcare Services
District Health Department No. 10	8,775,713	Grant for COVID Expenses
Optumserve Health Services, Inc.	8,732,648	COVID Testing
Bay Area Transportation Authority	8,459,095	Financial Assistance
Michigan Association of United Ways	8,216,500	Financial Assistance
Grand Rapids Metropolitan YMCA	8,216,013	Child Care
22nd Century Technologies, Inc.	8,004,681	Contact Tracing
Sumec International Technology ³	8,000,000	PPE
Favorite Healthcare Staffing, Inc.	7,831,581	Medical Staffing
Northwest Michigan Council of Governments	7,799,548	Financial Assistance - Deliver/Admin Grants
Bright Horizons Childrens Centers	7,676,035	Child Care
Invest Up	7,592,955	Financial Assistance - Deliver/Admin Grants
Guidehouse, LLP	7,072,058	Quality Assurance/Control Consulting - Administer All Areas of Afflicted Business Relief Grant Program
Home Depot U.S.A., Inc.	6,960,797	PPE
Hurley Medical Center	6,917,017	Medical Services - COVID Hospital Support
Edward W. Sparrow Hospital	6,850,243	COVID Testing
Samaritas	6,787,129	Transportation Services
Ascension St. John Hospital	6,737,584	Medical Services - COVID Hospital Support
Gleaners Community Food Bank	6,723,057	Child Nutrition Program Meal Reimbursements
Trinity Continuing Care Services	6,661,623	COVID Testing
Safeware, Inc.	6,593,250	PPE
Gen-Probe Sales & Service, Inc.	6,426,348	COVID Testing
VHS Childrens Hospital of Michigan, Inc.	6,358,042	Medical Services - COVID Hospital Support
Thompson Technologies, Inc.	6,160,283	COVID Testing
CCLA 9, LLC	6,119,853	Medical Staffing
Munson Medical Center	5,974,790	Medical Services - COVID Hospital Support
Milestones Child Development Center, LLC	5,897,380	Child Care
Saginaw Future, Inc.	5,895,455	Grant for COVID Expenses
Staples Contract & Commercial, Inc.	5,864,706	Cell Phones, Hand Sanitizer, Office Supplies, Portable Toilets, PPE, Sanitizing Cleaning Supplies, Telecommuting Supplies, and Technical Services.
Early Childhood Investment Corporation	5,846,396	Child Care
Central Michigan District Health Dept.	5,844,802	Financial Assistance
State of Ohio	5,837,507	PPE Use Tax Payment
Middle Michigan Development Corporation	5,767,494	Grant for COVID Expenses
Connected Nation, Inc.	5,752,792	Broadband Infrastructure Mapping
Fenton Development Group	5,747,325	Child Care and Admin Expenses
National Kidney Foundation of Michigan	5,726,480	Financial Assistance
Lakeshore Advantage Corporation	5,725,000	Grant for COVID Expenses
VHS Harper-Hutzel Hospital, Inc.	5,719,665	Medical Services - COVID Hospital Support
W.W. Grainger, Inc.	5,704,162	PPE
Michigan Center for Rural Health	5,668,734	Financial Assistance
Barry-Eaton District Health Dept.	5,667,537	Grant for COVID Expenses
Otsego County Economic Alliance, Inc.	5,625,000	Grant for COVID Expenses
Target Alpena Development Corporation	5,625,000	Grant for COVID Expenses
Corizon Health, Inc.	5,609,153	COVID Testing
Mid-Michigan District Health Dept.	5,544,950	Grant for COVID Expenses
Total	<u>\$ 11,324,863,542</u>	

¹Includes \$5,271,392 paid in error.

²Represents Michigan Department of Corrections' employee payroll for clinical staff.

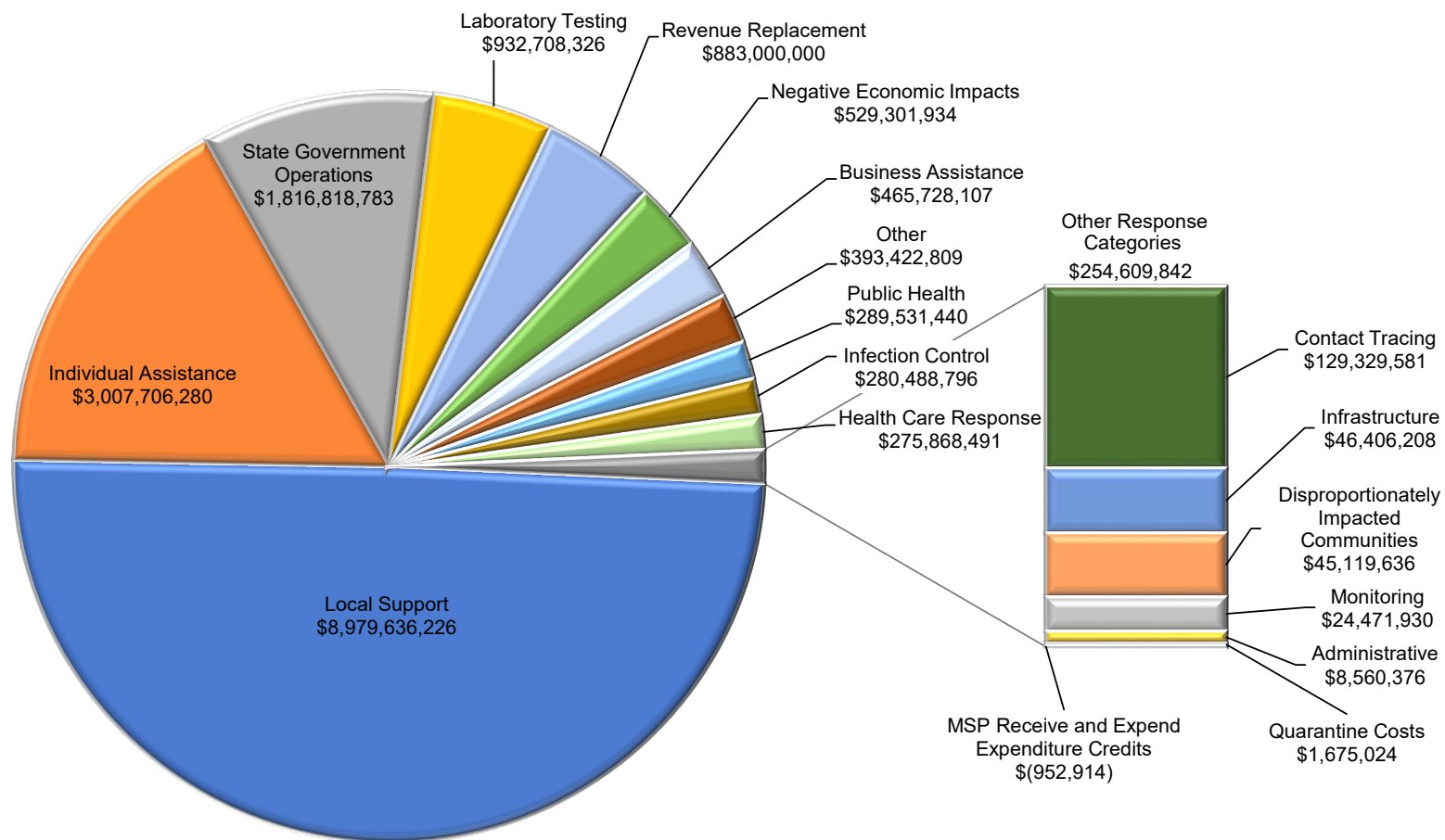
³Payments were recalled and funds were returned to the State of Michigan.

Note: This exhibit identifies vendors who received initial payments totaling \$5.5 million or more generally based on the use of a unique vendor ID in SIGMA. Local units, schools, and certain LLCs operating elder, rehabilitation, and long-term care facilities as part of larger healthcare organizations were consolidated for reporting purposes. The OAG added the type of activity as reported by the department or supporting documentation.

Source: The OAG prepared this exhibit based on information obtained from SIGMA and SBO.

COVID-19 EXPENDITURES
State of Michigan

Chart of COVID-19 Expenditures by Response Category for All Appropriations
From March 10, 2020 Through June 30, 2023



Source: The OAG prepared this exhibit based on information obtained from SIGMA and SBO.

COVID-19 EXPENDITURES
State of Michigan

Expenditures by Department and Response Category for All Appropriations
From March 10, 2020 Through June 30, 2023

Department	Administrative	Business Assistance	Contact Tracing	Disproportionately Impacted Communities	Health Care Response	Individual Assistance	Infection Control	Infrastructure
Agriculture and Rural Development	\$	\$ 1,515,729	\$	\$	\$	\$	\$	\$
Attorney General								
Civil Service Commission								
Community Colleges								
Corrections								
Education		114,910,789		44,905,194				
Environment, Great Lakes, and Energy								45,549,815
Gaming Control Board								
Health and Human Services			129,329,581		10,233,703	1,981,703,213	280,359,062	
Insurance and Financial Services								
Judiciary	150,000							
Labor and Economic Opportunity	284,108	11,089,251				888,200,897		817,584
Licensing and Regulatory Affairs								
Lottery								
Michigan Economic Development Corporation		6,625,359						
Michigan State Housing Development Authority								
Michigan Strategic Fund		210,177,792			10,000,000			
Michigan Veterans' Facility Authority							4,100	
Military and Veterans Affairs						223,414		
Natural Resources				214,442	208,718			
State								
State Building Authority								
State Land Bank Authority								
State Police								
Technology, Management, and Budget	8,126,268				255,426,069			
Transportation							125,633	38,809
Treasury		121,409,187				137,578,756		
Universities								
Total	\$ 8,560,376	\$ 465,728,107	\$ 129,329,581	\$ 45,119,636	\$ 275,868,491	\$ 3,007,706,280	\$ 280,488,796	\$ 46,406,208

This exhibit continued on next page.

COVID-19 EXPENDITURES
State of Michigan

Expenditures by Department and Response Category for All Appropriations
From March 10, 2020 Through June 30, 2023

Laboratory Testing	Local Support	Monitoring	MSP Receive and Expend Expenditure Credits ¹	Negative Economic Impacts	Other	Public Health	Quarantine Costs	Revenue Replacement	State Government Operations	Total
\$	\$	\$	\$ (153,003)	\$	\$ 450,767	\$	\$	\$	\$ 399,871	\$ 2,213,365
									112,001	112,001
									43,469	43,469
	36,273,400				14,600,000					50,873,400
			(8,260,847)					883,000,000	705,074,951	1,579,814,105
	6,389,183,474				91,207,227				4,322,871	6,644,529,556
	812,298				24,326				205,467	46,591,906
									54,426	54,426
932,708,326	897,225,955	24,471,911	(659,615,885)	321,250,603	39,566,058	285,746,143	1,675,024		244,485,316	4,489,139,012
	96,113	19			42,226				68,052	68,052
	3,980,879			150,886,044	165,186,660				412,558,141	1,633,003,564
			(90,779)						5,823,868	5,733,088
					31,967				53,529	85,497
					653,000					7,278,359
					60,000,000				105,828	60,105,828
	21,248,637			43,671,972						285,098,401
									7,667,105	7,671,205
			(3,947,503)						6,981,905	3,257,816
			(156,539)	13,491,417	879,446				1,700,479	16,337,963
					13,773,361				429,221	14,202,581
									278	278
									474	474
	27,631		931,470,380	1,898	9,042				359,991,576	1,291,500,526
			(260,004,853)		6,988,399	3,785,297			64,208,127	78,529,306
	447,751,313		(193,885)		10,170				2,064,303	449,796,343
	1,019,309,926				159				166,549	1,278,464,579
	163,726,600									163,726,600
<u>\$ 932,708,326</u>	<u>\$ 8,979,636,226</u>	<u>\$ 24,471,930</u>	<u>\$ (952,914)</u>	<u>\$ 529,301,934</u>	<u>\$ 393,422,809</u>	<u>\$ 289,531,440</u>	<u>\$ 1,675,024</u>	<u>\$ 883,000,000</u>	<u>\$ 1,816,818,783</u>	<u>\$ 18,108,821,034</u>

¹MSP Receive and Expend Expenditure Credits is used to move the originating expenditures incurred by State Departments for Health Care Response back to the Michigan Department of State Police, which was the original appropriated funding source in Public Act 53 of 2019.

Source: The OAG prepared this exhibit based on information obtained from SIGMA and SBO.

COVID-19 EXPENDITURES
State of Michigan

Expenditures by Response Category and Funding Source for All Appropriations
From March 10, 2020 Through June 30, 2023

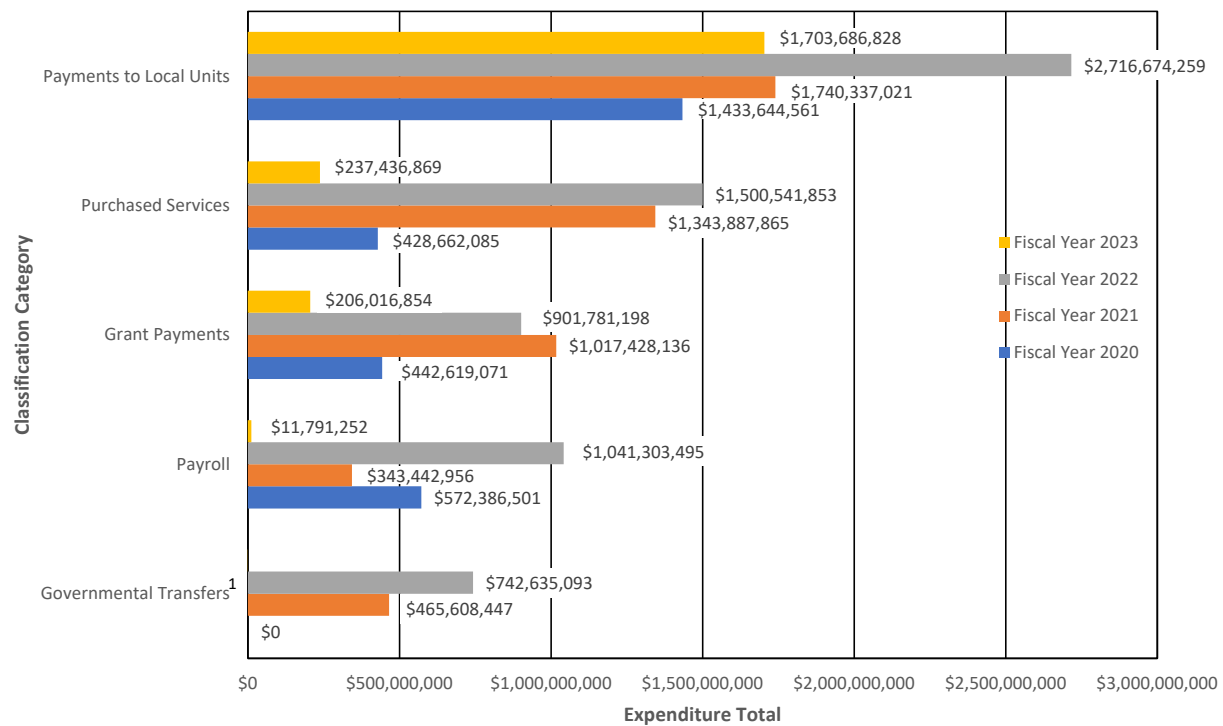
Response Category	Federal Funds	State General Fund	State Restricted Funds	Private Funds	Local Funds	Interdepartmental Grants and Transfers	Total
Administrative	\$ 8,560,376	\$	\$	\$	\$	\$	\$ 8,560,376
Business Assistance	375,559,381		90,168,726				465,728,107
Contact Tracing	129,329,580	1					129,329,581
Disproportionately Impacted Communities	45,119,636						45,119,636
Health Care Response	273,470,817	2,014,914	216,581	166,178			275,868,491
Individual Assistance	2,899,174,179	106,134,366	261,041	2,136,695			3,007,706,280
Infection Control	231,498,608	48,859,823	125,633			4,732	280,488,796
Infrastructure	46,406,208						46,406,208
Laboratory Testing	898,649,102	34,004,084		55,141			932,708,326
Local Support	8,831,314,655	143,487,835	833,736	4,000,000			8,979,636,226
Monitoring	24,466,088	5,787	55				24,471,930
MSP Receive and Expend Expenditure Credits ¹	(952,914)						(952,914)
Negative Economic Impacts	529,284,291		4,762	12,881			529,301,934
Other	388,834,164	3,714,932	855,175	6,616	11,837	84	393,422,809
Public Health	289,531,440						289,531,440
Quarantine Costs	1,675,024						1,675,024
Revenue Replacement	883,000,000						883,000,000
State Government Operations	1,775,218,511	29,144,067	3,387,086	6,874,520	1,532,983	661,616	1,816,818,783
Total	<u>\$ 17,630,139,148</u>	<u>\$ 367,365,807</u>	<u>\$ 95,852,795</u>	<u>\$ 13,252,031</u>	<u>\$ 1,544,820</u>	<u>\$ 666,432</u>	<u>\$ 18,108,821,034</u>

¹MSP Receive and Expend Expenditure Credits is used to move the originating expenditures incurred by State Departments for Health Care Response back to the Michigan Department of State Police, which was the original appropriated funding source in Public Act 53 of 2019.

Source: The OAG prepared this exhibit based on information obtained from SIGMA and SBO.

COVID-19 EXPENDITURES
State of Michigan

Chart of COVID-19 Expenditures by Classification Category for All Appropriations
From March 10, 2020 Through June 30, 2023

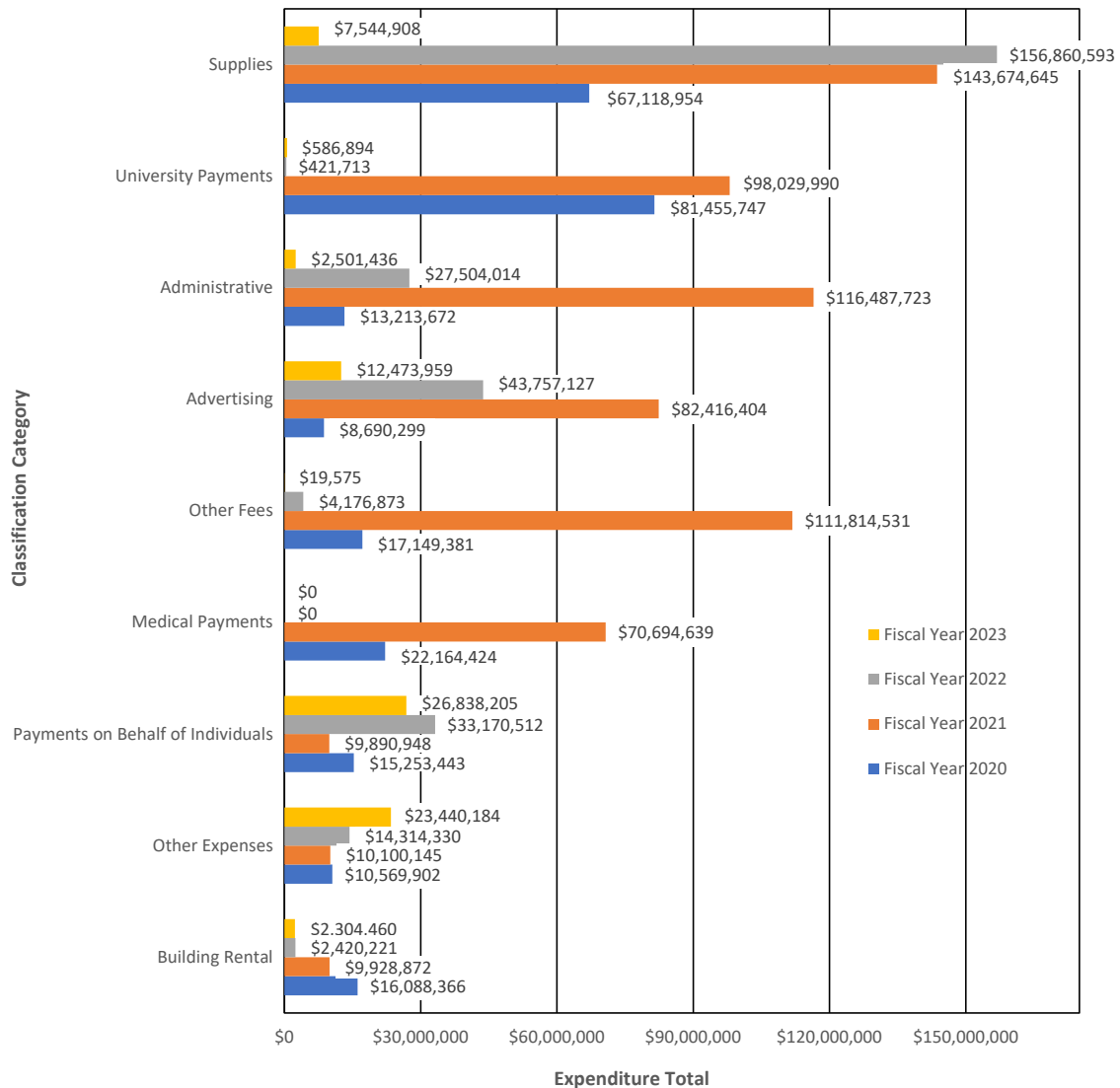


¹Governmental Transfers totaled (\$4,140,400) for fiscal year 2023 as of June 30, 2023. For presentation purposes, we did not include these in the chart.

This exhibit continued on next page.

COVID-19 EXPENDITURES
State of Michigan

Chart of COVID-19 Expenditures by Classification Category for All Appropriations
From March 10, 2020 Through June 30, 2023



Source: The OAG prepared this exhibit based on information obtained from SIGMA (general expenditure classifications based on SIGMA Object Codes) and SBO. Fiscal year 2023: October 1, 2022 Through June 30, 2023. Fiscal year 2022: October 1, 2021 Through September 30, 2022. Fiscal year 2021: October 1, 2020 Through September 30, 2021. Fiscal year 2020: March 10, 2020 Through September 30, 2020.

COVID-19 EXPENDITURES
State of Michigan

Expenditures by Classification Category and Funding Source for All Appropriations
From March 10, 2020 Through June 30, 2023

Classification Category	Federal Funds	State General Fund	State Restricted Funds	Private Funds	Local Funds	Interdepartmental Grants and Transfers	Total
Administrative	\$ 159,815,209	\$ (521,768)	\$ 339,478	\$ 25,193	\$ 10,031	\$ 38,702	\$ 159,706,845
Advertising	146,730,241	607,549					147,337,790
Building Rental	29,685,709	997,398	3,813	55,000			30,741,920
Governmental Transfers	1,204,103,140						1,204,103,140
Grant Payments	2,389,439,269	102,391,211	76,014,779				2,567,845,259
Medical Payments	65,516,595	27,318,770	23,698				92,859,063
Other Expenses	56,424,831	1,320,712	584,747	12,881	10,669	70,721	58,424,562
Other Fees	130,743,470	137,649	104,628	2,136,695		37,918	133,160,360
Payments on Behalf of Individuals	85,153,272	(164)					85,153,108
Payments to Local Units	7,563,993,196	12,037,158	14,156,064	4,156,251			7,594,342,669
Payroll	1,963,132,862	1,084,103	403,045		57,353	4,246,840	1,968,924,203
Purchased Services	3,320,115,714	190,130,628	2,263,499	293,816	1,453,680	(3,728,665)	3,510,528,672
Supplies	335,793,523	31,862,563	956,818	6,572,194	13,088	915	375,199,101
University Payments	179,492,117		1,002,226				180,494,343
Total	<u>\$ 17,630,139,148</u>	<u>\$ 367,365,807</u>	<u>\$ 95,852,795</u>	<u>\$ 13,252,031</u>	<u>\$ 1,544,820</u>	<u>\$ 666,432</u>	<u>\$ 18,108,821,034</u>

Source: The OAG prepared this exhibit based on information obtained from SIGMA and SBO.

DESCRIPTION

On March 10, 2020, Governor Gretchen Whitmer declared a state of emergency across the State of Michigan when the Michigan Department of Health and Human Services identified the first two presumptive positive cases of the COVID-19 respiratory illness. The Legislature enacted Public Acts 66 (reduced to \$0 in part 1 appropriations of Public Act 144 of 2020), 67, 123, 144, 146, 150, 166, and 257 of 2020 and Public Acts 2, 3, and 30 of 2021, appropriating supplemental funding for COVID-19. Also, Section 704 (3), Public Act 53 of 2019 allows the Michigan Department of State Police to receive and expend money from local, State, federal, or private sources for the purpose of supporting emergency preparedness, response, recovery, and mitigation activity.

Federal acts related to the COVID-19 emergency and recovery through June 30, 2021:

- Coronavirus Preparedness and Response Supplemental Appropriations Act 2020, effective March 6, 2020.
- Families First Coronavirus Response Act (FFCRA), effective March 18, 2020.
- Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, effective March 27, 2020.
 - Michigan was allocated a total of \$3.9 billion from the Coronavirus Relief Fund (CRF), \$800 million of which went directly to the local governmental units of the City of Detroit and Wayne, Macomb, Kent, and Oakland counties.
- Paycheck Protection Program and Health Care Enhancement Act, effective April 24, 2020.
- Coronavirus Response and Relief Supplemental Appropriations Act, effective December 27, 2020.
- American Rescue Plan Act of 2021, effective March 11, 2021.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To determine if the expenditures charged to the COVID-19 appropriations were appropriate and to report those expenditures. Our audit procedures were limited to expenditures reported by June 30, 2021; however, for informational purposes, we included supplemental information for expenditures reported through June 30, 2023 in our exhibits. 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.

All sampled expenditures were audited by the end of our fieldwork. We determined 1,391 sample expenditures were appropriate and serve as the basis for our conclusion to the first audit objective.

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 audit planning, audit fieldwork, report preparation, and quality assurance, generally covered March 10, 2020 through June 30, 2021. For informational purposes, we also included supplemental information for expenditures reported through June 30, 2023 in our exhibits.

METHODOLOGY

Pursuant to Public Act 67 of 2020, our audit objectives reflect the monthly reporting requirements to audit the appropriateness and report the Statewide COVID-19 expenditures.

During this audit, we:

- Reviewed all COVID-19 expenditures that overrode or bypassed SIGMA approvals from March 2020 through June 2021 for appropriateness.
- Reviewed the State's CRF Financial Report submitted to the U.S. Department of Treasury for the period ended June 30, 2021.
- Reviewed SBO guidance to State agencies on COVID-19 expenditures.

* See glossary at end of report for definition.

- Communicated with department staff to gain an understanding of the controls established over expenditures and reporting.
- Reviewed federal legislation impacting State funding for COVID-19 expenditures.
- Reviewed SBO reports to gain an understanding of expenditures reported by State departments.
- Reviewed and reconciled the federal budget authorizations uploaded in SIGMA and reported to the Legislature through July 7, 2020.

OBJECTIVE 1

To determine the appropriateness of State agencies' COVID-19 expenditures through June 30, 2021.

To accomplish this objective, we:

- Communicated with State departments to obtain an understanding of their reported expenditures, related purchasing processes, payment mechanisms, and monitoring activities.
- Reviewed source documentation supporting selected expenditures (see Exhibit 1). Our samples were randomly and judgmentally selected. Our random samples were selected to eliminate bias. Our judgmental samples were selected based on risk or to ensure representativeness and, therefore, we could not project the results to the overall populations.

OBJECTIVE 2

To report State agencies' COVID-19 expenditures.

To accomplish this objective, we:

- Validated the account coding used by State agencies for COVID-19 expenditures.
- Extracted the COVID-19 expenditures charged to the appropriations from SIGMA.

CONCLUSIONS

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

AGENCY RESPONSES

Not applicable.

* See glossary at end of report for definition.

**PRIOR AUDIT
FOLLOW-UP**

Following is the status of the reported findings from our January 2021 performance audit of the COVID-19 Expenditures, State of Michigan (000-2000-20C):

<u>Prior Audit Finding Number</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
2	Controls over payments to vendors.	Complied*	Not applicable

* The Department of Technology, Management, and Budget has updated its policies and procedures to address our finding recommendation. However, it has not used a wire transfer for a COVID-19 expenditure since November 2020, so we have been unable to evaluate its compliance with the updated policies and procedures.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits 1 through 8. Our audit was not directed toward expressing a conclusion on this information.

Information (such as amounts appropriated, funding allocations, total expenditures, or expenditures subject to review) may change between reports. In most instances, this is a result of agency coding changes, expenditure transfers, additional testing performed, or errors identified during our review. Exhibits are adjusted as we become aware of these changes and perform further audit procedures.

GLOSSARY OF ABBREVIATIONS AND TERMS

CRF	Coronavirus Relief Fund.
FEMA	Federal Emergency Management Agency.
ID	identification.
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.
IT	information technology.
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.
MSP	Michigan Department of State Police.
novel coronavirus (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 first learned of the new virus in December 2019.
observation	A commentary highlighting certain details or events that may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) presented in an audit finding.
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.

PPE

personal protective equipment.

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.

SBO

State Budget Office.

SNAP

Supplemental Nutrition Assistance Program.

**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.

UIA

Unemployment Insurance Agency.



Report Fraud/Waste/Abuse

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