

Office of the Auditor General
Performance Audit Report

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

Michigan Department of Health and Human Services

December 2025

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OAG

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Report Summary

Performance Audit

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

Michigan Department of Health and Human Services (MDHHS)

Report Number:
491-3302-25

Released:
December 2025

The PATH Program is a partnership between MDHHS and Workforce Development, Department of Labor and Economic Opportunity, with a primary purpose of identifying and overcoming barriers to obtaining employment and self-sufficiency. It connects 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, but are not limited to, Supplemental Security Income (SSI) eligibility for disability, aged individuals, caring for a disabled spouse or child, full-time employment, and the parent of a child under 2 months old. During the audit period, approximately 65,600 individuals received cash assistance. Of those, an average of 1,988 individuals per month (916 SSI-related and 1,072 non-SSI related) had a deferral from the PATH Program. During this same time period, payments related to individuals receiving cash assistance totaled \$59.3 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.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
We noted noncompliance with PATH Program guidelines for 28% and 9% of our sampled SSI and non-SSI deferrals, respectively. MDHHS did not ensure some deferrals applied for SSI benefits, were referred for a medical certification, provided support for the deferral, were coded properly, or were timely discontinued (Finding 1).		X	Agrees

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December 19, 2025

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. This performance audit is required by Section 400.57b(5) of the *Michigan Compiled Laws*.

Your agency provided the preliminary response to the recommendation at the end of our fieldwork. The *Michigan Compiled Laws* require an audited agency to develop a plan to comply with the recommendations and submit it to the State Budget Office (SBO) upon audit completion. State administrative procedures require the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to the Office of Internal Audit Services (OIAS), SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

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

	<u>Page</u>
Report Summary	1
Report Letter	3
Audit Objectives, Conclusions, Findings, and Observations	
SSI and Non-SSI Applicant Deferrals	8
Findings:	
1. Improved compliance with PATH Program guidelines is needed.	10
Program Description	13
Audit Scope, Methodology, and Other Information	14
Glossary of Abbreviations and Terms	17

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, aged individuals, 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 (SSA) to apply or appeal. MDHHS requires all local offices to ensure individuals meet application time requirements and provide required documentation during the SSI application and appeals process.

If the cash assistance client has a DDS verified disability lasting greater than 90 days, the client is deferred from the PATH Program work requirements until their claim is approved by SSA 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

Moderately effective.

**FACTORS
IMPACTING
CONCLUSION**

- For the SSI applicants:
 - MDHHS completed timely redeterminations to determine if individuals were required to participate in the PATH Program or continue to be deferred for 100% of applicable sampled cases.
 - MDHHS maintained sufficient documentation to support its SSI deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities for 92% of applicable sampled cases.
 - MDHHS properly determined PATH participation for all identified individuals aged 65 and older receiving cash assistance.
- For the non-SSI applicants:
 - MDHHS completed timely redeterminations to determine if individuals were required to participate in the PATH Program or continue to be deferred for 100% of applicable sampled cases.
 - MDHHS maintained sufficient documentation to support its non-SSI deferrals of work-eligible individuals from mandatory PATH participation or other employment-related activities for 94% of applicable sampled cases.
 - Reportable condition* related to not ensuring local offices consistently deferred work-eligible individuals from mandatory PATH participation or other employment-related activities in compliance with PATH Program guidelines (Finding 1).

* See glossary at end of report for definition.

FINDING 1

Improved compliance with PATH Program guidelines is needed.

MDHHS did not ensure local offices consistently deferred work-eligible individuals from mandatory PATH participation or other employment-related activities in compliance with PATH Program guidelines. This could result in improper deferrals, increase the risk that MDHHS overstates its WPR, and hinder individuals' progress toward achieving self-sufficiency.

Federal and State laws require work-eligible individuals to participate in PATH or other employment-related activity to obtain or maintain cash assistance, unless temporarily deferred or engaged in activities which meet participation requirements. Also, MDHHS policies and procedures include requiring local office staff to:

- Obtain the appropriate verification (support) prior to deferring the individual from the PATH Program.
- Determine the appropriate length of deferral.
- Ensure potentially SSI eligible individuals apply for SSI and refer them to DDS.
- Ensure individuals do not receive cash assistance and SSI payments concurrently.

We reviewed the records for 66 individuals deferred from mandatory participation while receiving cash benefits. The records included 40 unique SSI-related deferrals for 33 of these individuals, and the remaining 33 individuals were deferred for non-SSI related reasons. We also reviewed 7 of 555 individuals who potentially received SSI and cash assistance payments concurrently.

Our review noted at least one instance of noncompliance with PATH Program guidelines for 11 (28%) of 40 unique SSI deferrals and 1 (14%) of 7 individuals who received SSI and cash assistance payments concurrently. Specifically, MDHHS did not:

- a. Ensure 4 (16%) of 25 SSI-related deferrals claiming a disability lasting longer than 90 days applied for SSI benefits through SSA or refer these individuals to DDS for medical certification, as applicable. On average, these deferrals lasted 352 days, ranging from 88 to 761 days.
- b. Ensure 9 (64%) of 14 SSI-related deferrals claiming a disability lasting longer than 90 days were properly coded as establishing incapacity before coding them as incapacitated more than 90 days.

- c. Ensure 3 (8%) of 40 SSI-related deferrals had adequate support when deferring the individual from the PATH Program. We noted:

SSI-Related Deferrals		
Deferral Reason	Number (Percentage) With No Support for Deferral	Average Number of Days Deferred With No Support
Incapacitated more than 90 days	2 (5%)	45
Incapacitated 90 days or less	1 (3%)	29
Total SSI-related deferrals	3 (8%)	40

- d. Terminate Family Independence Program (FIP) benefits in a timely manner for 1 (14%) individual who received SSI and cash assistance payments concurrently. MDHHS indicated the concurrent payments occurred because of an issue within its Bridges Integrated Automated Eligibility Determination System* (Bridges) that precluded it from properly coding a deferral status to terminate FIP benefits. Although MDHHS submitted a help desk ticket in November 2024 to address the system issue, MDHHS indicated it did not initiate a manual override to terminate the cash assistance at that time because of the potential negative impact on other benefits received by the individual. MDHHS paid \$1,336 in cash assistance between December 2024 and July 2025 while the individual concurrently received \$4,846 in SSI payments. We informed MDHHS of these payments in July 2025 and it initiated recoupment efforts in September 2025 for the over-issuance of cash assistance.

Our review also noted at least one instance of noncompliance with PATH Program guidelines for 3 (9%) of 33 individuals deferred for non-SSI related reasons. Specifically, MDHHS did not ensure deferrals for 3 (9%) individuals coded as problem pregnancies were appropriate. MDHHS initiated deferrals for three individuals 2, 3, and 4 months after case notes or other documentation indicated the pregnancies had already ended. MDHHS did not obtain medical verification to support two individuals were eligible for a problem pregnancy deferral during the pregnancies.

It is important for MDHHS to ensure SSI and non-SSI related deferrals comply with PATH Program guidelines because MDHHS excludes the associated individuals and case records of select deferral reasons from the federal Temporary Assistance for Needy Families (TANF) WPR calculation.

The excluded deferral reasons include establishing incapacity, incapacitated more than 90 days, caring for a disabled child/spouse, and caring for a newborn child. In addition,

* See glossary at end of report for definition.

noncompliance with guidelines could negatively impact MDHHS's ability to carry out the PATH Program's primary purpose. We noted similar conditions in our November 2024 performance audit* of PATH Program Deferrals (491-3302-24). In response to that audit, MDHHS indicated it would develop additional trainings on properly supporting deferrals with adequate documentation and verification, appropriate coding to establish incapacity prior to coding as incapacitated, and continue to communicate to the local offices the importance of properly supporting deferrals. It also indicated it would meet with local offices to determine technical improvements needed to enhance tracking of PATH deferrals to ensure a more standardized process.

RECOMMENDATION

We again recommend MDHHS ensure local offices consistently defer work-eligible individuals from mandatory PATH participation or other employment-related activities in compliance with PATH Program guidelines.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees there are always opportunities for improvement to ensure that local offices consistently defer work-eligible individuals from mandatory PATH participation or other employment-related activities in compliance with PATH Program guidelines.

To strengthen oversight and improve compliance related to deferrals, the Economic Stability Administration (ESA) and TANF program policy will implement an updated mandatory training focused on deferrals in February 2026. Program policy will incorporate a review of temporary deferrals as part of the existing second-level review of work participation rate case reads. Any identified issues will be addressed with local office staff during monthly meetings with Employment and Training (E&T) Coordinators. Prior to the audit, local office staff identified the system issue causing the overlapping payments and submitted a help desk ticket for resolution. A recoupment referral was submitted and processed in accordance with established procedures.

ESA will also initiate a mandatory review of an existing ad-hoc report that identifies current participants of the TANF program and their deferrals status. Enhancements to this report will include additional data points to improve accuracy and timeliness in identifying and resolving deferral-related issues. A collaborative process will be established to ensure local office specialists and E&T Coordinators work together to provide necessary case action as needed.

* See glossary at end of report for definition.

PROGRAM DESCRIPTION

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

The PATH Program is a partnership between MDHHS and LEO's Workforce Development with a primary purpose of identifying and overcoming barriers preventing participants from obtaining employment and self-sufficiency. It connects 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. 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 April 1, 2024 through April 30, 2025, MDHHS reported there were, on average, 11,820 active cases (approximately 65,637 individuals) receiving cash assistance at any given time. On average, 1,988 (17%) active cases had at least one individual who was deferred from the PATH work requirements (916 SSI-related and 1,072 non-SSI related). We calculated the average deferrals based on weekly reports from Bridges, which showed an ongoing count of deferrals and reasons for deferrals. Payments related to individuals receiving cash assistance totaled \$59.3 million.

In addition, MDHHS annually contracted with LEO to administer the PATH Program for \$63.7 million for the fiscal years covering our audit period. Of that amount, \$60.4 million was allocated to MWAs for direct client services and the remaining \$3.3 million for other PATH administrative expenses.

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, analysis of agency responses, and quality assurance, generally covered April 1, 2024 through April 30, 2025.

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 7 of 555 instances in which individuals appeared to receive both cash benefits and SSI at some point from April 1, 2024 through April 30, 2025 to determine whether MDHHS terminated cash benefits in a timely manner because the individuals were already receiving SSI. We judgmentally selected the 7 instances because the payments appeared to overlap 24 months or more.
- Analyzed the population of individuals receiving cash assistance at some point from April 1, 2024 through April 30, 2025 to determine whether benefits were terminated in a timely manner because of being aged and potentially eligible for SSI.
- Randomly sampled 33 of 2,674 FIP cases with SSI deferrals and reviewed 40 related deferrals from April 1, 2024 through April 30, 2025. 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.
 - MDHHS ensured clients applied for SSI through SSA, as applicable.
 - MDHHS referred clients to DDS for a medical certification, as applicable.
 - MDHHS timely terminated FIP benefits for individuals receiving SSI.
 - MDHHS assigned appropriate deferral codes to clients within Bridges, as 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 33 randomly selected individuals who were deferred for a reason other than disability from a population of approximately 5,145 deferrals granted from April 1, 2024 through April 30, 2025.

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.

We selected our random samples to eliminate any bias and enable us to project our testing results to the respective populations. We selected other samples judgmentally to ensure representativeness or based on risk and could not project those results to the respective populations.

CONCLUSIONS

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

AGENCY RESPONSES

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

The agency preliminary response following the recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* requires an audited agency to develop a plan to comply with the recommendations and submit it to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported finding from our November 2024 performance audit of the Partnership. Accountability. Training. Hope. (PATH) Program Deferrals, Michigan Department of Health and Human Services (491-3302-24):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Improved compliance with PATH Program guidelines is needed.	Repeated*	1

* 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.
FIP	Family Independence Program.
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, in the auditor's judgment, which 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.
OIAS	Office of Internal Audit Services.
PATH	Partnership. Accountability. Training. Hope.

performance audit	An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
repeated	The wording of the current recommendation remains essentially the same as the prior audit recommendation.
reportable condition	A matter, in the auditor's judgment, 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.
SSA	Social Security Administration.
SSI	Supplemental Security Income.
TANF	Temporary Assistance for Needy Families.
WPR	work participation rate.



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