

Office of the Auditor General

**State of Michigan
Single Audit Report**

Fiscal Year Ended September 30, 2025

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



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Office of the Auditor General

Report Summary

Single Audit Report

State of Michigan

Fiscal Year Ended September 30, 2025

**Report Number:
000-0100-26**

**Released:
June 2026**

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 for all opinion units except for the governmental activities and the General Fund, which were modified.	Internal Control Over Financial Reporting		No instances of noncompliance or other matters required to be reported.
	1 material weakness	4 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.
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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
\$37.1 billion	8 programs	13 programs	1 program	\$12,466,082	16	48
Number of findings repeated from the prior audit					9	26

*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	Qualified	Undeterminable	2025-002 2025-003 2025-004 (M) 2025-005 (M) 2025-006 2025-012
10.646	Summer Electronic Benefit Transfer Program for Children	Unmodified	\$0	2025-002 2025-003 2025-004 (M) 2025-012
20.218 and 20.237	FMCSA Cluster	Unmodified	\$0	Not Applicable
21.027	Coronavirus State and Local Fiscal Recovery Funds, including COVID-19	Unmodified	\$0	2025-001 2025-002 2025-009 2025-010 2025-021 2025-022 2025-023 2025-024 2025-025 2025-026 2025-027 2025-028 2025-029 2025-030 2025-031
93.575 and 93.596	CCDF Cluster, including COVID-19	Unmodified	\$431	2025-001 2025-002 2025-003 2025-004 (M) 2025-009 2025-010 2025-032 2025-033 2025-034 2025-035
93.775, 93.777, and 93.778	Medicaid Cluster, including COVID-19	Qualified	\$12,408,623 known plus an undeterminable amount	2025-002 2025-003 2025-004 (M) 2025-005 (M) 2025-006 2025-008 2025-011 (M) 2025-013 (M) 2025-014 2025-015 2025-016 2025-017 2025-018 2025-019 2025-036 2025-037 2025-038 2025-039 2025-040 2025-041 2025-042

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
93.558	Temporary Assistance for Needy Families	Qualified	\$1,072 known plus an undeterminable amount	2025-002 2025-003 2025-004 (M) 2025-005 (M) 2025-007 2025-011 (M) 2025-043 2025-044 2025-045 2025-046
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Qualified	\$1,163	2025-002 2025-003 2025-004 (M) 2025-008 2025-047 2025-048 (M) 2025-049 (M) 2025-050 (M)
93.568	Low-Income Home Energy Assistance	Qualified	\$2,071	2025-002 2025-003 2025-004 (M) 2025-011 (M) 2025-051 (M) 2025-052
93.658	Foster Care Title IV-E, including COVID-19	Qualified	\$0	2025-002 2025-007 2025-011 (M) 2025-020
93.659	Adoption Assistance, including COVID-19	Unmodified	\$49,026	2025-002 2025-007 2025-020 2025-053 2025-054
93.667	Social Services Block Grant	Qualified	\$0	2025-002 2025-007 2025-011 (M) 2025-055 (M)
93.767	Children's Health Insurance Program, including COVID-19	Adverse	\$3,719 known plus an undeterminable amount	2025-002 2025-003 2025-004 (M) 2025-005 (M) 2025-008 2025-011 (M) 2025-013 (M) 2025-014 2025-015 2025-016 2025-017 2025-018 2025-019

Major Federal Programs Audited by Others

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion	Questioned Costs	Audit Finding Number(s)
10.558	Child and Adult Care Food Program	Qualified	\$0	2025-062 (M)
17.207 and 17.801	Employment Service Cluster	Unmodified	\$0	Not Applicable
17.258, 17.259, and 17.278	WIOA Cluster	Unmodified	\$0	2025-056
17.225	Unemployment Insurance, including COVID-19	Qualified	Undeterminable	2025-064 (M) 2025-065 (M) 2025-066 (M) 2025-067 (M)
20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, including COVID-19	Qualified	\$0	2025-057 (M) 2025-058 (M) 2025-059 (M)
21.029	Coronavirus Capital Projects Fund, including COVID-19	Qualified	\$0	2025-060 (M)
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified	\$0	2025-063
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	Qualified	\$0	2025-061 (M)
93.959	Block Grants for Prevention and Treatment of Substance Abuse, including COVID-19	Qualified	\$0	2025-061 (M)

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Doug A. Ringler, CPA, CIA
Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

June 25, 2026

Jennifer L. Flood, State Budget Director
State Budget Office
George W. Romney Building
Lansing, Michigan

Director Flood:

This is our single audit report for the State of Michigan for the fiscal year ended September 30, 2025.

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* 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

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SUPPLEMENTAL FINANCIAL SCHEDULE

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025

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	10.551			\$ 3,113,336,190	\$	\$	\$ 3,113,336,190
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			178,183,068	32,341,565		210,524,633
Total SNAP Cluster				\$ 3,291,519,258	\$ 32,341,565	\$ 0	\$ 3,323,860,823
Child Nutrition Cluster:							
School Breakfast Program	10.553			\$ 56,621	\$ 181,271,102	\$	\$ 181,327,723
National School Lunch Program	10.555			120,354	476,951,530		477,071,884
National School Lunch Program (Note 6)	10.555			3,029	66,852,809		66,855,838
Total 10.555				\$ 123,383	\$ 543,804,339	\$ 0	\$ 543,927,722
Special Milk Program for Children	10.556			\$	\$ 117,677	\$	\$ 117,677
Summer Food Service Program for Children	10.559			100,211	38,253,106		38,353,317
Summer Food Service Program for Children (Note 6)	10.559				117,405		117,405
Total 10.559				\$ 100,211	\$ 38,370,511	\$ 0	\$ 38,470,722
Fresh Fruit and Vegetable Program	10.582			\$ 733,647	\$ 5,358,891	\$	\$ 6,092,538
Total Child Nutrition Cluster				\$ 1,013,862	\$ 768,922,520	\$ 0	\$ 769,936,382
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565			\$ 262,243	\$ 6,656,296	\$	\$ 6,918,539
Commodity Supplemental Food Program (Note 6)	10.565				25,072,132		25,072,132
Total 10.565				\$ 262,243	\$ 31,728,428	\$ 0	\$ 31,990,671
Emergency Food Assistance Program (Administrative Costs)	10.568			\$ 88,381	\$ 6,647,779	\$	\$ 6,736,160
Emergency Food Assistance Program (Food Commodities) (Note 6)	10.569				49,292,242		49,292,242
Total Food Distribution Cluster				\$ 350,624	\$ 87,668,449	\$ 0	\$ 88,019,073
Schools and Roads Cluster:							
Schools and Roads - Grants to States	10.665			\$ 44,391	\$ 2,426,101	\$	\$ 2,470,492
Total Schools and Roads Cluster				\$ 44,391	\$ 2,426,101	\$ 0	\$ 2,470,492
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 1,512,251	\$ 268,527	\$	\$ 1,780,778
Voluntary Public Access and Habitat Incentive Program	10.093			293,702			293,702
Market Protection and Promotion	10.163			1,644,157			1,644,157
Specialty Crop Block Grant Program - Farm Bill	10.170			136,708	1,968,535		2,105,243
COVID-19 - Specialty Crop Block Grant Program - Farm Bill	10.170			20,377	159,507		179,884
Total 10.170				\$ 157,085	\$ 2,128,042	\$ 0	\$ 2,285,127
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182			\$ 73,622	\$ 8,476,871	\$	\$ 8,550,493
The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds	10.187				635,236		635,236

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Agriculture (Continued)							
Resilient Food System Infrastructure Program	10.190			\$ 123,826			\$ 123,826
Commodity Credit Corporation (CCC) Funding to Alleviate Emergency Supply Chain Disruption in the Commodity Supplemental Food Program (CSFP)	10.194				3,165,199		3,165,199
Agriculture and Food Research Initiative (AFRI)	10.310	Corporation for a Skilled Workforce	2021-67037-34302	20,606			20,606
Food Safety Cooperative Agreements	10.479			246,851			246,851
SNAP Fraud Framework Implementation Grant	10.535			4,217			4,217
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537			12,207			12,207
Child Nutrition-Technology Innovation Grant	10.541			2,596,841			2,596,841
COVID-19 - Pandemic EBT Food Benefits	10.542			2,624,488			2,624,488
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			147,658,444	49,777,426		197,435,870
COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			451,209			451,209
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Food Research & Action Center, Inc	238DC000M2003	63,825			63,825
Total 10.557				\$ 148,173,478	\$ 49,777,426	\$ 0	\$ 197,950,904
Child and Adult Care Food Program	10.558			\$ 1,329,255	\$ 74,382,798		\$ 75,712,053
State Administrative Expenses for Child Nutrition	10.560			9,783,708			9,783,708
WIC Farmers' Market Nutrition Program (FMNP)	10.572			100,631	(1)		100,630
Team Nutrition Grants	10.574			200,941	117,783		318,724
Senior Farmers Market Nutrition Program	10.576			294,744			294,744
COVID-19 - Senior Farmers Market Nutrition Program	10.576			476,828			476,828
Total 10.576				\$ 771,572	\$ 0	\$ 0	\$ 771,572
SNAP Partnership Grant	10.577			\$ 1,006,721			\$ 1,006,721
WIC Grants To States (WGS)	10.578			10,528			10,528
Child Nutrition Discretionary Grants Limited Availability	10.579			44,706	709,372		754,078
COVID-19 - Child Nutrition Discretionary Grants Limited Availability	10.579			93,140	7,500		100,640
Total 10.579				\$ 137,846	\$ 716,872	\$ 0	\$ 854,718
COVID-19 - Farm to School State Formula Grant	10.645			\$ 299,345			\$ 299,345
Summer Electronic Benefit Transfer Program for Children	10.646			90,711,454			90,711,454
Cooperative Forestry Assistance	10.664			377,762	194,567		572,329
Wood Utilization Assistance	10.674			120,395			120,395
Urban and Community Forestry Program	10.675			456,182	206,455		662,637
Forest Legacy Program	10.676				24,162		24,162
Forest Stewardship Program	10.678			397,091	54,467		451,558
Forest Stewardship Program	10.678	National Fish & Wildlife Foundation	22-DG-11094200-214	11,033	211,099		222,132
Total 10.678				\$ 408,124	\$ 265,566	\$ 0	\$ 673,690

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Agriculture (Continued)							
Forest Health Protection	10.680			\$ 219,458			\$ 219,458
Good Neighbor Authority	10.691			5,248,950			5,248,950
State & Private Forestry Hazardous Fuel Reduction Program	10.697			254,930	182		255,112
State & Private Forestry Cooperative Fire Assistance	10.698			1,292,475	493,421		1,785,896
Partnership Agreements	10.699			6,774			6,774
Research Joint Venture and Cost Reimbursable Agreements	10.707			12,749			12,749
Infrastructure Investment and Jobs Act Restoration/Revegetation	10.717			138,293			138,293
Infrastructure Investment and Jobs Act Community Wildfire Defense Grants	10.720			110,112			110,112
Infrastructure Investment and Jobs Act Temporary Bridge Program	10.721				284,102		284,102
Inflation Reduction Act Urban & Community Forestry Program	10.727			484,945	808,337		1,293,282
Inflation Reduction Act Landscape Scale Restoration	10.731			5,864	169,539		175,403
Inflation Reduction Act - Forest Legacy Program	10.734			375,039			375,039
Rural Energy for America Program	10.868				18,628		18,628
Soil and Water Conservation	10.902				231,675		231,675
Soil and Water Conservation	10.902	The Corps Network	NR243A750018C001	16,573	89,522		106,095
Total 10.902				\$ 16,573	\$ 321,197	\$ 0	\$ 337,770
Environmental Quality Incentives Program	10.912				560,041		560,041
Regional Conservation Partnership Program	10.932			12,294	343,884		356,178
Wetland Mitigation Banking Program	10.933			42,704			42,704
Partnerships for Climate-Smart Commodities	10.937	Corn Marketing Program of Michigan	NR233A750004G003	21,004	149,433		170,437
Total U.S. Department of Agriculture				\$ 3,564,368,094	\$ 1,034,866,902	\$ 0	\$ 4,599,234,996
U.S. Department of Commerce							
Economic Development Cluster:							
Economic Adjustment Assistance	11.307			\$ 256,940	\$ 1,669,233		\$ 1,926,173
COVID-19 - Economic Adjustment Assistance	11.307				159,575		159,575
Total Economic Development Cluster				\$ 256,940	\$ 1,828,808	\$ 0	\$ 2,085,748
State Digital Equity Planning and Capacity Grant	11.032			\$ 388,805	\$ 272,604		\$ 661,409
Broadband Equity, Access, and Deployment Program	11.035			7,025,007			7,025,007
Interjurisdictional Fisheries Act of 1986 (Note 15)	11.407				15,862		15,862
Coastal Zone Management Administration Awards	11.419			2,712,699	637,414		3,350,113
Unallied Management Projects	11.454			61,310			61,310
Habitat Conservation	11.463	Great Lakes Fishery Commission	NA22NMF4630144	1,125,237	118,496		1,243,733
Office for Coastal Management	11.473			42,621	65,496		108,117
Office for Coastal Management	11.473	National Fish & Wildlife Foundation	NA22NOS4730114; NA23NOS4730330	40,219			40,219
Total 11.473				\$ 82,840	\$ 65,496	\$ 0	\$ 148,336
Total U.S. Department of Commerce				\$ 11,652,838	\$ 2,938,680	\$ 0	\$ 14,591,518
U.S. Department of Defense							
STARBASE Program	12.020				\$ 1,842,186		\$ 1,842,186
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			481,202			481,202

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Defense (Continued)							
Military Construction, National Guard	12.400			\$ 182,248	\$	\$	\$ 182,248
National Guard Military Operations and Maintenance (O&M) Projects (Note 13)	12.401			80,778,800		4,615,642	85,394,442
National Guard ChalleNGe Program	12.404			7,163,006			7,163,006
Economic Adjustment Assistance for State Governments	12.617			826,246	316,989		1,143,235
Total U.S. Department of Defense				\$ 89,431,502	\$ 2,159,175	\$ 4,615,642	\$ 96,206,319
U.S. Department of Housing and Urban Development							
Section 8 Project-Based Cluster:							
Project-Based Rental Assistance (PBRA)	14.195			\$ 474,031,170	\$	\$	\$ 474,031,170
Total Section 8 Project-Based Cluster				\$ 474,031,170	\$ 0	\$ 0	\$ 474,031,170
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871			\$ 301,784,680	\$	\$	\$ 301,784,680
COVID-19 - Section 8 Housing Choice Vouchers	14.871			7,347,422			7,347,422
Total 14.871				\$ 309,132,102	\$ 0	\$ 0	\$ 309,132,102
Mainstream Vouchers	14.879			\$ 1,548,516	\$	\$	\$ 1,548,516
Total Housing Voucher Cluster				\$ 310,680,618	\$ 0	\$ 0	\$ 310,680,618
Housing Counseling Assistance Program	14.169			\$	\$ 1,152,054	\$	\$ 1,152,054
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			1,795,615	20,190,144		21,985,759
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			291,227	21,506,581		21,797,808
Total 14.228				\$ 2,086,842	\$ 41,696,725	\$ 0	\$ 43,783,567
Emergency Solutions Grant Program	14.231			\$	\$ 6,027,849	\$	\$ 6,027,849
COVID-19 - Emergency Solutions Grant Program	14.231				(74,046)		(74,046)
Total 14.231				\$ 0	\$ 5,953,803	\$ 0	\$ 5,953,803
Home Investment Partnerships Program	14.239			\$ 9,113,757	\$	\$	\$ 9,113,757
COVID-19 - Home Investment Partnerships Program	14.239			2,863,306	2,874,180		5,737,486
Total 14.239				\$ 11,977,063	\$ 2,874,180	\$ 0	\$ 14,851,243
Housing Opportunities for Persons with AIDS	14.241			\$	\$ 2,524,701	\$	\$ 2,524,701
Neighborhood Stabilization Program (Recovery Act Funded)	14.256			964,200			964,200
Continuum of Care Program	14.267			146,987	9,890,080		10,037,067
Housing Trust Fund	14.275			15,403,992			15,403,992
Project Rental Assistance Program of the Section 811 Supportive Housing for Persons with Disabilities (811 PRA)	14.326			20,000	1,359,740		1,379,740
Performance Based Contract Administrator Program	14.327			15,934,143			15,934,143
Fair Housing Assistance Program	14.401			895,638			895,638
Family Self-Sufficiency Program	14.896			1,463,382			1,463,382
Lead Hazard Reduction Grant Program	14.900			1,725,831			1,725,831
Total U.S. Department of Housing and Urban Development				\$ 835,329,866	\$ 65,451,283	\$ 0	\$ 900,781,149

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(Continued)

Federal Agency/Program or Cluster	Assistance Listing Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of the Interior							
Fish and Wildlife Cluster:							
Sport Fish Restoration	15.605			\$ 13,055,160	\$ 56,646	\$	\$ 13,111,806
Wildlife Restoration and Basic Hunter Education and Safety (Note 15)	15.611			26,683,324			26,683,324
Enhanced Hunter Education and Safety	15.626			235,343			235,343
Total Fish and Wildlife Cluster				\$ 39,973,827	\$ 56,646	\$ 0	\$ 40,030,473
Energy Community Revitalization Program (ECRP)	15.018			\$ 2,916,497			\$ 2,916,497
Fish and Aquatic Conservation - Aquatic Invasive Species	15.608			485,933	242,918		728,851
Fish and Aquatic Conservation - Aquatic Invasive Species (Note 15)	15.608	University of Wisconsin Milwaukee	F23AP02697	602			602
Total 15.608				\$ 486,535	\$ 242,918	\$ 0	\$ 729,453
Cooperative Endangered Species Conservation Fund	15.615			\$ 64,631	\$ 5,715		\$ 70,346
Clean Vessel Act	15.616			70,338	58,715		129,053
Sportfishing and Boating Safety Act	15.622			394,615			394,615
Multistate Conservation Grant	15.628				718		718
Coastal	15.630			9,499			9,499
State Wildlife Grants (Note 15)	15.634			1,551,966	292,160		1,844,126
Migratory Bird Joint Ventures	15.637			24,663			24,663
Natural Resource Damage Assessment and Restoration	15.658			99,938			99,938
Great Lakes Restoration	15.662			1,179,562	712,392		1,891,954
Collaborative Landscape Conservation	15.669	National Fish & Wildlife Foundation	F22AC03364; NFWF77578	13,933	885,062		898,995
White-nose Syndrome National Response Implementation	15.684			31,208			31,208
National Fish Habitat Partnership	15.686			60,271			60,271
U.S. Geological Survey Research and Data Collection	15.808			107,016			107,016
Historic Preservation Fund Grants-In-Aid	15.904			1,295,884	600,691		1,896,575
Outdoor Recreation Acquisition, Development and Planning	15.916			4,949,506	5,943,182		10,892,688
National Ground-Water Monitoring Network	15.980			46,463			46,463
Total U.S. Department of the Interior				\$ 53,276,352	\$ 8,798,199	\$ 0	\$ 62,074,551
U.S. Department of Justice							
Sexual Assault Services Formula Program	16.017				\$ 1,256,393		\$ 1,256,393
Justice Systems Response to Families	16.021			3,749	189,000		192,749
Antiterrorism Emergency Reserve	16.321			3,562,458	672,719		4,235,177
Juvenile Justice and Delinquency Prevention	16.540			602,308	330,447		932,755
Missing Children's Assistance	16.543			798,724			798,724
National Criminal History Improvement Program (NCHIP)	16.554			2,019,988	170,023		2,190,011
Crime Victim Assistance	16.575			(2,262,744)	43,892,364		41,629,620
Crime Victim Compensation	16.576			2,688,877			2,688,877
Crime Victim Assistance/Discretionary Grants	16.582			(1,647)	(5,001)		(6,648)
Violence Against Women Formula Grants	16.588			485,055	4,421,659		4,906,714
Residential Substance Abuse Treatment for State Prisoners	16.593			8,581	482,501		491,082
Bulletproof Vest Partnership Program	16.607			8,761	1,432		10,193
Project Safe Neighborhoods	16.609	Black Family Development	15PBJA-24-GG-04003-GUNP	16,504			16,504
Public Safety Partnership and Community Policing Grants	16.710			845,612			845,612
PREA Program: Strategic Support for PREA Implementation	16.735			265,858			265,858
Edward Byrne Memorial Justice Assistance Grant Program	16.738			2,644,944	5,524,144		8,169,088

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Justice (Continued)							
DNA Backlog Reduction Program	16.741			\$ 2,310,095	\$	\$	\$ 2,310,095
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			296,048	52,496		348,544
Support for Adam Walsh Act Implementation Grant Program	16.750			233,089			233,089
Edward Byrne Memorial Competitive Grant Program	16.751			7,420			7,420
Congressionally Recommended Awards	16.753			220,305	2,315,689		2,535,994
Emergency Law Enforcement Assistance Grant	16.824				74,797		74,797
Justice Reinvestment Initiative	16.827			417,038			417,038
National Sexual Assault Kit Initiative	16.833			56,125	436,884		493,009
Domestic Trafficking Victim Program	16.834			96,477	190,664		287,141
Body Worn Camera Policy and Implementation	16.835			5,815			5,815
Indigent Defense	16.836			234,499			234,499
Comprehensive Opioid, Stimulant, and Substance Use Program	16.838			252,526	3,274,416		3,526,942
STOP School Violence	16.839			522,460	123,525		645,985
Opioid Affected Youth Initiative	16.842			79,354	27,276		106,630
Equitable Sharing Program	16.922			198,379			198,379
Safe Trails Task Force	16.*			200,603			200,603
Violent Crimes Task Force	16.*			20,555			20,555
Detroit Major Crimes Task Force (DMCTF)	16.*			9,002			9,002
Joint Terrorism Task Force	16.*			79,149			79,149
Child Exploitation Task Force	16.*			21,464			21,464
Safe Streets Task Force	16.*			4,591			4,591
USMS Eastern District Fugitive Apprehensive Task Force	16.*			243,611			243,611
ATF	16.25-DET-078-AFF*			132,101			132,101
DEA - Tactical Diversion Task Force	16.281C-DE-2730568-MOU*			84,518			84,518
OCDETF	16.GL-ILN-0988*			14,695			14,695
OCDETF	16.GL-MIE-0640*			140,901			140,901
OCDETF	16.GL-MIW-0184*			25,391			25,391
USMS Western District Fugitive Apprehensive Task Force	16.MMO-M-25-D40-O-000024*			91,947			91,947
USMS Western District Fugitive Apprehensive Task Force	16.MMO-M-25-D40-O-000027*			30,986			30,986
Total U.S. Department of Justice				\$ 17,716,172	\$ 63,431,428	\$ 0	\$ 81,147,600
U.S. Department of Labor							
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207			\$ 7,909,647	\$ 14,436,386	\$	\$ 22,346,033
Jobs for Veterans State Grants	17.801			4,023,424	282,648		4,306,072
Total Employment Service Cluster				\$ 11,933,071	\$ 14,719,034	\$ 0	\$ 26,652,105
WIOA Cluster:							
WIOA Adult Program	17.258			\$ 2,266,741	\$ 32,486,081	\$	\$ 34,752,822
WIOA Youth Activities	17.259			2,435,097	29,903,318		32,338,415
WIOA Dislocated Worker Formula Grants	17.278			2,914,526	22,776,041		25,690,567
Total WIOA Cluster				\$ 7,616,364	\$ 85,165,440	\$ 0	\$ 92,781,804
Labor Force Statistics	17.002			\$ 2,036,232	\$	\$	\$ 2,036,232
Compensation and Working Conditions	17.005			256,310			256,310

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(Continued)

Federal Agency/Program or Cluster	Assistance Listing Number	Pass-Through Entity	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	In-Kind Assistance (Note 13)	Total Expended, Distributed, and In-Kind Assistance
U.S. Department of Labor (Continued)							
Unemployment Insurance	17.225			\$ 1,120,656,728	\$ 7,672,042	\$	\$ 1,128,328,770
COVID-19 - Unemployment Insurance	17.225			16,269,000			16,269,000
ARRA - Unemployment Insurance	17.225			(143,089)			(143,089)
Total 17.225				\$ 1,136,782,639	\$ 7,672,042	\$ 0	\$ 1,144,454,681
Senior Community Service Employment Program	17.235			\$ 39,453	\$ 2,303,580	\$	\$ 2,343,033
Trade Adjustment Assistance	17.245			1,128,325	265,899		1,394,224
National Farmworker Jobs Program	17.264			137,120	475,908		613,028
H-1B Job Training Grants	17.268			179,913	290,997		470,910
Reentry Employment Opportunities	17.270			980,622	553,645		1,534,267
Work Opportunity Tax Credit Program (WOTC)	17.271			674,009			674,009
Temporary Labor Certification for Foreign Workers	17.273			801,902			801,902
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			12,610	538,761		551,371
Registered Apprenticeship	17.285			1,623,429	5,739,122		7,362,551
Community Project Funding/Congressionally Directed Spending	17.289			891,840			891,840
Occupational Safety and Health State Program	17.503			11,220,700			11,220,700
Consultation Agreements	17.504			1,662,800			1,662,800
Total U.S. Department of Labor				\$ 1,177,977,339	\$ 117,724,428	\$ 0	\$ 1,295,701,767
U.S. Department of Transportation							
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218			\$ 13,625,193	\$ 727,598	\$	\$ 14,352,791
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237			537,240			537,240
Total FMCSA Cluster				\$ 14,162,433	\$ 727,598	\$ 0	\$ 14,890,031
Transit Services Programs Cluster:							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			\$	\$ 6,203,726	\$	\$ 6,203,726
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			\$	38,010	\$	38,010
Total Transit Services Programs Cluster				\$ 0	\$ 6,241,736	\$ 0	\$ 6,241,736
Federal Transit Cluster:							
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526			\$	\$ 11,114,433	\$	\$ 11,114,433
Total Federal Transit Cluster				\$ 0	\$ 11,114,433	\$ 0	\$ 11,114,433
Highway Safety Cluster:							
State and Community Highway Safety	20.600			\$ 4,399,625	\$ 4,099,230	\$	\$ 8,498,855
National Priority Safety Programs	20.616			6,587,073	1,826,211		8,413,284
Total Highway Safety Cluster				\$ 10,986,698	\$ 5,925,441	\$ 0	\$ 16,912,139
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs (Note 7)	20.106			\$ 27,485,021	\$	\$	\$ 27,485,021
COVID-19 - Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs (Note 7)	20.106			794,980			794,980
Total 20.106				\$ 28,280,001	\$ 0	\$ 0	\$ 28,280,001

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Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Transportation (Continued)							
Highway Research and Development Program (Note 15)	20.200			\$ 1,856,211	\$ 183,241	\$	\$ 2,039,452
Highway Planning and Construction (Note 15)	20.205			1,604,063,768	29,045,998		1,633,109,766
COVID-19 - Highway Planning and Construction	20.205			45,490,134			45,490,134
Total 20.205				\$ 1,649,553,902	\$ 29,045,998	\$ 0	\$ 1,678,599,900
Highway Training and Education	20.215			\$	\$ 199,283	\$	\$ 199,283
Recreational Trails Program	20.219			2,161,118			2,161,118
Federal Lands Access Program	20.224			2,983,699			2,983,699
Commercial Driver's License Program Implementation Grant	20.232			253,514			253,514
Consolidated Rail Infrastructure and Safety Improvements	20.325			17,632,093			17,632,093
Federal-State Partnership for Intercity Passenger Rail	20.326			9,479,461			9,479,461
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505				5,803,855		5,803,855
Formula Grants for Rural Areas and Tribal Transit Program	20.509			3,616,224	35,073,037		38,689,261
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509			574,604	1,389,464		1,964,068
Total 20.509				\$ 4,190,828	\$ 36,462,501	\$ 0	\$ 40,653,329
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			\$ 319,200	\$	\$	\$ 319,200
Public Transportation Innovation	20.530			115,012			115,012
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608			447,358			447,358
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614			235,935			235,935
Pipeline Safety Program State Base Grant	20.700			1,790,863			1,790,863
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			476,581	156,321		632,902
State Damage Prevention Program Grants	20.720			97,001			97,001
PHMSA Pipeline Safety Program One Call Grant	20.721			46,899			46,899
PHMSA Pipeline Safety Underground Natural Gas Storage Grant	20.725			104,192			104,192
National Infrastructure Investments	20.933			3,778,047	2,144,801		5,922,848
Nationally Significant Freight and Highway Projects	20.934			14,939,766			14,939,766
Rural Surface Transportation Grant Program	20.938			13,245,777			13,245,777
Strengthening Mobility and Revolutionizing Transportation (SMART) Grants Program	20.941			1,438,681			1,438,681
Asset Concessions and Innovative Finance Assistance	20.945			120,815			120,815
Total U.S. Department of Transportation				\$ 1,778,696,085	\$ 98,005,208	\$ 0	\$ 1,876,701,293
U.S. Department of the Treasury							
COVID-19 - Coronavirus Relief Fund	21.019			\$ (168,404)	\$ (1,158)	\$	\$ (169,562)
COVID-19 - Emergency Rental Assistance Program	21.023			41,452,227	5,800,543		47,252,770
COVID-19 - Homeowner Assistance Fund	21.026			(114,617)			(114,617)
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027			562,489,716	906,923,184		1,469,412,900
COVID-19 - Coronavirus Capital Projects Fund	21.029			1,351,164	52,675,296		54,026,460

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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 (Continued)							
State Small Business Credit Initiative Technical Assistance Grant Program	21.031			\$ 94,759	\$ 1,994,680	\$	\$ 2,089,439
State Small Business Credit Initiative Competitive Technical Assistance Program	21.034			2,420			2,420
Total U.S. Department of the Treasury				\$ 605,107,265	\$ 967,392,545	\$ 0	\$ 1,572,499,810
Equal Employment Opportunity Commission							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002			\$ 1,098,375		\$	\$ 1,098,375
Total Equal Employment Opportunity Commission				\$ 1,098,375	\$ 0	\$ 0	\$ 1,098,375
General Services Administration							
Donation of Federal Surplus Personal Property (Notes 6 and 8)	39.003				\$ 62,110	\$	\$ 62,110
Total General Services Administration				\$ 0	\$ 62,110	\$ 0	\$ 62,110
National Endowment for the Arts							
Promotion of the Arts Partnership Agreements	45.025				\$ 999,125	\$	\$ 999,125
Total National Endowment for the Arts				\$ 0	\$ 999,125	\$ 0	\$ 999,125
National Endowment for the Humanities							
Promotion of the Humanities Challenge Grants	45.130			\$ 1,958		\$	\$ 1,958
Total National Endowment for the Humanities				\$ 1,958	\$ 0	\$ 0	\$ 1,958
Institute of Museum and Library Services							
Museums for America	45.301			\$ 44,301		\$	\$ 44,301
Grants to States	45.310			4,548,639	311,908		4,860,547
Total Institute of Museum and Library Services				\$ 4,592,940	\$ 311,908	\$ 0	\$ 4,904,848
Small Business Administration							
State Trade Expansion	59.061			\$ 48,511	\$ 681,434	\$	\$ 729,945
Total Small Business Administration				\$ 48,511	\$ 681,434	\$ 0	\$ 729,945
U.S. Department of Veterans Affairs							
Grants to States for Construction of State Home Facilities	64.005			\$ (2,385,306)		\$	\$ (2,385,306)
Veterans State Domiciliary Care	64.014			44,038			44,038
Veterans State Nursing Home Care	64.015			37,373,679			37,373,679
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055			530,225			530,225
Veterans Information and Assistance	64.115			650,953			650,953
Total U.S. Department of Veterans Affairs				\$ 36,213,589	\$ 0	\$ 0	\$ 36,213,589

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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. Environmental Protection Agency							
Air Pollution Control Program Support (Note 13)	66.001			\$ 5,199,637		\$ 22,118	\$ 5,221,755
State and Tribal Indoor Radon Grants	66.032			219,669	78,000		297,669
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			2,406,529	79,121		2,485,650
Climate Pollution Reduction Grants	66.046			617,878	242,228		860,106
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			239,329			239,329
State Public Water System Supervision	66.432			4,537,130			4,537,130
State Underground Water Source Protection	66.433			104,000			104,000
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	66.442			37,893	13,004,259		13,042,152
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444			678,058	53,765		731,823
Sewer Overflow and Stormwater Reuse Municipal Grant Program	66.447			8,061	498,720		506,781
Water Quality Management Planning	66.454			392,882	717,873		1,110,755
Clean Water State Revolving Fund	66.458			2,587,271	199,220,556		201,807,827
Nonpoint Source Implementation Grants	66.460				2,901,577		2,901,577
Regional Wetland Program Development Grants	66.461			274,964	80,000		354,964
Drinking Water State Revolving Fund	66.468			5,896,450	73,018,697		78,915,147
Geographic Programs - Great Lakes Restoration Initiative (Note 15)	66.469			10,197,961	2,404,489		12,602,450
Geographic Programs - Great Lakes Restoration Initiative	66.469	Central Michigan University	GL00E02956	12,288			12,288
Total 66.469				\$ 10,210,249	\$ 2,404,489	\$ 0	\$ 12,614,738
Beach Monitoring and Notification Program Implementation Grants	66.472			\$ 47,683	\$ 318,502		\$ 366,185
Underground Injection Control Program Grants: Class VI Carbon Sequestration Wells	66.486			43,959			43,959
Performance Partnership Grants	66.605			12,323,799	25,000		12,348,799
Pollution Prevention Grants Program	66.708			5,891	49,447		55,338
Hazardous Waste Management State Program Support (Note 13)	66.801			2,388,626		162,623	2,551,249
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			1,543,213	100,262		1,643,475
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804			551,673			551,673
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			1,736,121			1,736,121
State and Tribal Response Program Grants	66.817			1,640,000			1,640,000
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818			188,570			188,570
State Programs for Control of Coal Combustion Residuals	66.820			7,374			7,374
Solid Waste Infrastructure for Recycling Infrastructure Grants	66.920			214,236			214,236
Greenhouse Gas Reduction Fund: Solar for All	66.959			1,169,640			1,169,640
Total U.S. Environmental Protection Agency				\$ 55,270,785	\$ 292,792,496	\$ 184,741	\$ 348,248,022
U.S. Department of Energy							
State Energy Program	81.041			\$ 8,886,340	\$ 4,118,896		\$ 13,005,236
Weatherization Assistance for Low-Income Persons	81.042			5,885,686	26,397,210		32,282,896
Fossil Energy Research and Development	81.089			44,793			44,793

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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 Energy (Continued)							
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	Michigan State University	DE-SE0001013	\$ 4,002	\$	\$	\$ 4,002
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128			30,575	1,859,565		1,890,140
State Heating Oil and Propane Program	81.138			6,485			6,485
Grid Infrastructure Deployment and Resilience	81.254			139,525	1,572,207		1,711,732
Total U.S. Department of Energy				\$ 14,997,406	\$ 33,947,878	\$ 0	\$ 48,945,284
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			374,303			374,303
Total Student Financial Assistance Cluster				\$ 401,488	\$ 0	\$ 0	\$ 401,488
Special Education Cluster (IDEA):							
Special Education Grants to States	84.027A			\$ 21,818,019	\$ 471,448,258	\$	\$ 493,266,277
Special Education Preschool Grants	84.173A			718,348	13,088,340		13,806,688
Total Special Education Cluster (IDEA)				\$ 22,536,367	\$ 484,536,598	\$ 0	\$ 507,072,965
Adult Education - Basic Grants to States	84.002A			\$ 2,851,452	\$ 13,573,322	\$	\$ 16,424,774
Title I Grants to Local Educational Agencies	84.010A			6,367,734	523,258,736		529,626,470
Migrant Education State Grant Program	84.011A			623,403	5,803,928		6,427,331
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A			643,741			643,741
Federal Family Education Loans - Guaranty Agency (Notes 9 and 10)	84.032G			47,755,601			47,755,601
Federal Family Education Loans - Guaranty Agency (Notes 6, 9, and 10)	84.032G			234,441,737			234,441,737
Total 84.032G				\$ 282,197,338	\$ 0	\$ 0	\$ 282,197,338
Federal Family Education Loans - Lender (Notes 9 and 11)	84.032L			\$ 1,116,765	\$	\$	\$ 1,116,765
Federal Family Education Loans - Lender (Notes 6, 9, and 11)	84.032L			112,516,315			112,516,315
Total 84.032L				\$ 113,633,080	\$ 0	\$ 0	\$ 113,633,080
Total 84.032				\$ 395,830,418	\$ 0	\$ 0	\$ 395,830,418
Career and Technical Education -- Basic Grants to States	84.048A			\$ 4,621,205	\$ 39,633,603	\$	\$ 44,254,808
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126A			146,984,929	40,415		147,025,344
Migrant Education Coordination Program	84.144F			42,405			42,405
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177B			1,222,895			1,222,895
Special Education-Grants for Infants and Families	84.181A			991,521	13,857,803		14,849,324
COVID-19 - Special Education-Grants for Infants and Families	84.181X			3,100			3,100
Total 84.181				\$ 994,621	\$ 13,857,803	\$ 0	\$ 14,852,424
School Safety National Activities	84.184X			\$ 720,211	\$	\$	\$ 720,211
Education for Homeless Children and Youth	84.196A			599,757	3,220,176		3,819,933
Charter Schools	84.282A			941,716			941,716
Twenty-First Century Community Learning Centers	84.287C			1,120,411	37,972,667		39,093,078
Special Education - State Personnel Development	84.323A				1,354,104		1,354,104

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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 Education (Continued)							
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S			\$ 772,063	\$ 3,451,351	\$	\$ 4,223,414
Credit Enhancement for Charter School Facilities	84.354A			6,831,344			6,831,344
Rural Education	84.358B			72,224	1,511,084		1,583,308
English Language Acquisition State Grants	84.365A			661,099	12,575,602		13,236,701
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A			4,055,318	61,882,839		65,938,157
Grants for State Assessments and Related Activities	84.369A			9,095,198			9,095,198
Comprehensive Literacy Development	84.371C			153,876	3,918,622		4,072,498
Statewide Longitudinal Data Systems	84.372A			1,358,915	102,909		1,461,824
Disability Innovation Fund (DIF)	84.421C			2,444,955	(41,862)		2,403,093
Student Support and Academic Enrichment Program	84.424A			1,493,772	39,757,517		41,251,289
Student Support and Academic Enrichment Program	84.424F			94,967	5,950,570		6,045,537
Student Support and Academic Enrichment Program	84.424H			35,436			35,436
Total 84.424				<u>\$ 1,624,175</u>	<u>\$ 45,708,087</u>	<u>\$ 0</u>	<u>\$ 47,332,262</u>
COVID-19 - Education Stabilization Fund	84.425D			\$ 1,652,477	\$ 1,710,083	\$	\$ 3,362,560
COVID-19 - Education Stabilization Fund	84.425U			1,598,643	266,517,527		268,116,170
COVID-19 - Education Stabilization Fund	84.425V			3,149,870	10,473,763		13,623,633
COVID-19 - Education Stabilization Fund	84.425W			58,579	7,191,397		7,249,976
Total 84.425				<u>\$ 6,459,569</u>	<u>\$ 285,892,770</u>	<u>\$ 0</u>	<u>\$ 292,352,339</u>
Total U.S. Department of Education				<u>\$ 620,031,489</u>	<u>\$ 1,538,252,754</u>	<u>\$ 0</u>	<u>\$ 2,158,284,243</u>
National Archives and Records Administration							
National Historical Publications and Records Grants	89.003			\$ 31,935			\$ 31,935
Total National Archives and Records Administration				<u>\$ 31,935</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,935</u>
U.S. Election Assistance Commission							
HAVA Election Security Grants	90.404			\$ 2,887,679	\$ 1,036,102	\$	\$ 3,923,781
Total U.S. Election Assistance Commission				<u>\$ 2,887,679</u>	<u>\$ 1,036,102</u>	<u>\$ 0</u>	<u>\$ 3,923,781</u>
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			\$ 502,859	\$ 12,618,027	\$	\$ 13,120,886
COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			94,430	3,381,503		3,475,933
Total 93.044				<u>\$ 597,289</u>	<u>\$ 15,999,530</u>	<u>\$ 0</u>	<u>\$ 16,596,819</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			\$ 1,217,260	\$ 25,117,840	\$	\$ 26,335,100
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			112,922	4,167,673		4,280,595
Total 93.045				<u>\$ 1,330,182</u>	<u>\$ 29,285,513</u>	<u>\$ 0</u>	<u>\$ 30,615,695</u>
Nutrition Services Incentive Program	93.053			\$	\$ 4,835,714	\$	\$ 4,835,714
Total Aging Cluster				<u>\$ 1,927,471</u>	<u>\$ 50,120,757</u>	<u>\$ 0</u>	<u>\$ 52,048,228</u>

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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 Health and Human Services (Continued)							
CCDF Cluster:							
Child Care and Development Block Grant (Notes 12 and 17)	93.575			\$ 425,518,520	\$ 2,356,225	\$	\$ 427,874,745
COVID-19 - Child Care and Development Block Grant (Note 17)	93.575			5,260,821			5,260,821
Total 93.575				\$ 430,779,341	\$ 2,356,225	\$ 0	\$ 433,135,566
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 17)	93.596			\$ 104,233,638	\$ (927,697)	\$	\$ 103,305,941
Total CCDF Cluster				\$ 535,012,979	\$ 1,428,528	\$ 0	\$ 536,441,507
Head Start Cluster:							
Head Start	93.600			\$ 163,606	\$	\$	\$ 163,606
Total Head Start Cluster				\$ 163,606	\$ 0	\$ 0	\$ 163,606
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775			\$ 5,096,409	\$	\$	\$ 5,096,409
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			14,229,886			14,229,886
Grants to States for Medicaid	93.778			19,981,387,499	60,955,593		20,042,343,092
COVID-19 - Grants to States for Medicaid	93.778			(12,853,546)			(12,853,546)
Total 93.778				\$ 19,968,533,953	\$ 60,955,593	\$ 0	\$ 20,029,489,546
Total Medicaid Cluster				\$ 19,987,860,248	\$ 60,955,593	\$ 0	\$ 20,048,815,841
COVID-19 - Medical Reserve Corps Small Grant Program	93.008			\$ 109,463	\$ 207,247	\$	\$ 316,710
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041				158,310		158,310
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			8,809	526,976		535,785
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042				52,548		52,548
Total 93.042				\$ 8,809	\$ 579,524	\$ 0	\$ 588,333
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043			\$	\$ 719,024	\$	\$ 719,024
COVID-19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				396,699		396,699
Total 93.043				\$ 0	\$ 1,115,723	\$ 0	\$ 1,115,723
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			\$ 8,916	\$	\$	\$ 8,916
National Family Caregiver Support, Title III, Part E	93.052			254,747	4,850,302		5,105,049
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052			22,525	1,064,557		1,087,082
Total 93.052				\$ 277,272	\$ 5,914,859	\$ 0	\$ 6,192,131
Public Health Emergency Preparedness	93.069			\$ 7,139,233	\$ 8,425,662	\$	\$ 15,564,895
Environmental Public Health and Emergency Response	93.070			3,350,383	14,000		3,364,383
Medicare Enrollment Assistance Program	93.071			217,252	1,150,956		1,368,208

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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 Health and Human Services (Continued)							
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			\$ 649,976		\$	\$ 649,976
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	National Foundation for the Centers for Disease Control and Prevention	9005		27,000		27,000
Total 93.073				\$ 649,976	\$ 27,000	\$ 0	\$ 676,976
Cooperative Agreements to Promote Adolescent Health through School-Based Surveillance and Risk Behavior Reduction	93.079			\$ 103,041		\$	\$ 103,041
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	Regents of the University of Michigan	SUBK00012957	33,939			33,939
Guardianship Assistance	93.090			3,760,124			3,760,124
COVID-19 - Guardianship Assistance	93.090			(883)			(883)
Total 93.090				\$ 3,759,241	\$ 0	\$ 0	\$ 3,759,241
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			\$ 368,571	\$ 1,021,555	\$	\$ 1,390,126
Food and Drug Administration Research	93.103			2,487,278	188,119		2,675,397
Special Projects of Regional and National Significance	93.110			970,096	1,655,146		2,625,242
Special Projects of Regional and National Significance (Note 15)	93.110	Wayne State University	WSU18013		52,000		52,000
Total 93.110				\$ 970,096	\$ 1,707,146	\$ 0	\$ 2,677,242
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			\$ 722,809	\$ 307,328	\$	\$ 1,030,137
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (Note 6)	93.116			1,290			1,290
Total 93.116				\$ 724,099	\$ 307,328	\$ 0	\$ 1,031,427
Emergency Medical Services for Children	93.127			\$ 179,792		\$	\$ 179,792
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			238,747			238,747
Injury Prevention and Control Research and State and Community Based Programs	93.136			4,152,440	2,833,236		6,985,676
Projects for Assistance in Transition from Homelessness (PATH)	93.150			129,654	2,157,363		2,287,017
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			190,549	1,176,245		1,366,794
COVID-19 - Grants to States for Loan Repayment	93.165			1,263,482			1,263,482
Disabilities Prevention	93.184			247,237	301,135		548,372
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197			796,555	14,428		810,983
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	38,153			38,153
Total 93.197				\$ 834,708	\$ 14,428	\$ 0	\$ 849,136
Family Planning Services	93.217			\$ 1,140,622	\$ 6,587,240	\$	\$ 7,727,862
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235			596,361	986,818		1,583,179

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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 Health and Human Services (Continued)							
Grants to States to Support Oral Health Workforce Activities	93.236			\$ 109,616	\$ 128,707	\$	\$ 238,323
State Capacity Building	93.240			360,157			360,157
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			5,544,640	5,280,829		10,825,469
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Black Family Development	REV23-99255	19,772			19,772
Total 93.243				\$ 5,564,412	\$ 5,280,829	\$ 0	\$ 10,845,241
Early Hearing Detection and Intervention	93.251			\$ 164,305	\$ 27,308	\$	\$ 191,613
Occupational Safety and Health Program	93.262	Michigan State University	RC105035-MDHHS	37,356			37,356
Immunization Cooperative Agreements	93.268			6,899,343	4,943,901		11,843,244
Immunization Cooperative Agreements (Note 6)	93.268			116,949,712			116,949,712
COVID-19 - Immunization Cooperative Agreements	93.268			7,185,849	6,516,744		13,702,593
Total 93.268				\$ 131,034,904	\$ 11,460,645	\$ 0	\$ 142,495,549
Viral Hepatitis Prevention and Control	93.270			\$ 408,334	\$ 80,000	\$	\$ 488,334
Trans-NIH Research Support (Note 15)	93.310	Michigan State University	RC108889MDHHS	23,886			23,886
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			166,318			166,318
Emerging Infections Programs	93.317			318,195			318,195
COVID-19 - Emerging Infections Programs	93.317			83,954			83,954
Total 93.317				\$ 402,149	\$ 0	\$ 0	\$ 402,149
CDC Partnership: Strengthening Public Health Laboratories	93.322	Association of Public Health Laboratories, Inc.	56401-250-451-22-02; IC-3546; IC-4190	\$ 184,015	\$	\$	\$ 184,015
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			4,977,961	166,310		5,144,271
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			52,044,527	40,767,650		92,812,177
Total 93.323				\$ 57,022,488	\$ 40,933,960	\$ 0	\$ 97,956,448
State Health Insurance Assistance Program	93.324			\$ 321,707	\$ 1,155,250	\$	\$ 1,476,957
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334			213,194	50,902		264,096
Behavioral Risk Factor Surveillance System	93.336			71,709	422,203		493,912
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			155,295	2,206		157,501
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			826,010	(230,449)		595,561
Total 93.354				\$ 981,305	\$ (228,243)	\$ 0	\$ 753,062
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366			\$ 131,984	\$ 80,597	\$	\$ 212,581
ACL Independent Living State Grants	93.369			335,691	2,625,042		2,960,733

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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 Health and Human Services (Continued)							
Title: Multiple Approaches to Support Young Breast Cancer Survivors and Metastatic Breast Cancer Patients	93.376			\$ 273,429	\$ 138,042	\$	\$ 411,471
National and State Tobacco Control Program	93.387			966,989	589,137		1,556,126
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			1,313,938	611,950		1,925,888
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. 8255	38,343			38,343
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. 8255	(6,535)			(6,535)
Total 93.421				\$ 31,808	\$ 0	\$ 0	\$ 31,808
The National Cardiovascular Health Program	93.426			\$ 1,284,387	\$ 918,798	\$	\$ 2,203,185
Every Student Succeeds Act/Preschool Development Grants	93.434			2,731,355	1,987,411		4,718,766
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436			625,284	178,163		803,447
State Physical Activity and Nutrition (SPAN)	93.439			545,253	245,275		790,528
ACL Assistive Technology	93.464			12,187	610,393		622,580
Title IV-E Prevention Program	93.472			20,187,246	377,089		20,564,335
COVID-19 - Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports	93.497				2,284,772		2,284,772
Public Health Training Centers Program	93.516			294,339	849,063		1,143,402
MaryLee Allen Promoting Safe and Stable Families Program	93.556			9,187,530	211,124		9,398,654
COVID-19 - MaryLee Allen Promoting Safe and Stable Families Program	93.556			3,499,858	1,764,286		5,264,144
Total 93.556				\$ 12,687,388	\$ 1,975,410	\$ 0	\$ 14,662,798
Temporary Assistance for Needy Families (Note 12)	93.558			\$ 504,787,105	\$ 86,946,258	\$	\$ 591,733,363
Child Support Services	93.563			37,001,590	137,652,007		174,653,597
Child Support Services Research	93.564			2,117,779	189,803		2,307,582
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			7,790,299	43,508,923		51,299,222
Low-Income Home Energy Assistance (Note 12)	93.568			163,934,124	19,036,824		182,970,948
Community Services Block Grant	93.569			2,114,943	26,586,380		28,701,323
Refugee and Entrant Assistance Wilson/Fish Program	93.583			313,970	881,998		1,195,968
State Court Improvement Program	93.586			698,871			698,871
Community-Based Child Abuse Prevention Grants	93.590			640,592	785,019		1,425,611
COVID-19 - Community-Based Child Abuse Prevention Grants	93.590			813,658	2,462,688		3,276,346
Total 93.590				\$ 1,454,250	\$ 3,247,707	\$ 0	\$ 4,701,957
Grants to States for Access and Visitation Programs	93.597			\$ 256,336	\$	\$	\$ 256,336
Chafee Education and Training Vouchers Program (ETV)	93.599			791,930			791,930
Adoption and Legal Guardianship Incentive Payments Program	93.603			336,536			336,536
Innovation In Behavioral Health	93.610			297,522			297,522
Developmental Disabilities Basic Support and Advocacy Grants	93.630			1,505,229	1,034,691		2,539,920
COVID-19 - Developmental Disabilities Basic Support and Advocacy Grants	93.630				(47,660)		(47,660)
Total 93.630				\$ 1,505,229	\$ 987,031	\$ 0	\$ 2,492,260

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STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Health and Human Services (Continued)							
Developmental Disabilities Projects of National Significance	93.631	National Association of Councils on Developmental Disabilities	90DNCE0009	\$ 1,128	\$	\$	\$ 1,128
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634				2,955		2,955
Children's Justice Grants to States	93.643			357,758	165,000		522,758
Stephanie Tubbs Jones Child Welfare Services Program (Note 12)	93.645			8,003,179			8,003,179
Foster Care Title IV-E	93.658			89,394,555	7,441,116		96,835,671
COVID-19 - Foster Care Title IV-E	93.658			(101,737)			(101,737)
Total 93.658				\$ 89,292,818	\$ 7,441,116	\$ 0	\$ 96,733,934
Adoption Assistance	93.659			\$ 135,529,187	\$ 1,407,006	\$	\$ 136,936,193
COVID-19 - Adoption Assistance	93.659			(9,377)			(9,377)
Total 93.659				\$ 135,519,810	\$ 1,407,006	\$ 0	\$ 136,926,816
Social Services Block Grant (Note 12)	93.667			\$ 122,787,016	\$ 2,021,386	\$	\$ 124,808,402
Child Abuse and Neglect State Grants	93.669			1,900,802	222,659		2,123,461
COVID-19 - Child Abuse and Neglect State Grants	93.669			250,804	188,518		439,322
Total 93.669				\$ 2,151,606	\$ 411,177	\$ 0	\$ 2,562,783
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			\$ 281,178	\$ 3,477,426	\$	\$ 3,758,604
COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671				4,554,040		4,554,040
Total 93.671				\$ 281,178	\$ 8,031,466	\$ 0	\$ 8,312,644
John H. Chafee Foster Care Program for Successful Transition to Adulthood (Note 12)	93.674			\$ 4,169,393	\$	\$	\$ 4,169,393
Elder Justice Act - Adult Protective Services	93.698			434,472			434,472
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			2,733,174	450,013		3,183,187
Children's Health Insurance Program	93.767			505,291,625	5,471,705		510,763,330
COVID-19 - Children's Health Insurance Program	93.767			161,088			161,088
Total 93.767				\$ 505,452,713	\$ 5,471,705	\$ 0	\$ 510,924,418
Opioid STR	93.788			\$ 14,307,150	\$ 20,239,871	\$	\$ 34,547,021
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796			7,642,172			7,642,172
Organized Approaches to Increase Colorectal Cancer Screening	93.800			470,636	150,919		621,555
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810			688,214			688,214
Child Health and Human Development Extramural Research (Note 15)	93.865	University of Utah	10063547-03-MDHS	31,373			31,373
Maternal, Infant and Early Childhood Home Visiting Grant	93.870			3,107,783	7,846,035		10,953,818
National Bioterrorism Hospital Preparedness Program	93.889			1,886,783	3,570,043		5,456,826
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			3,185,635	1,584,417		4,770,052

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Health and Human Services (Continued)							
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912			\$ 10,201			\$ 10,201
HIV Care Formula Grants	93.917			19,507,350	4,803,955		24,311,305
Special Projects of National Significance	93.928	National Alliance of State and Territorial AIDS Directors	20-SA-3215-2287	29,843			29,843
HIV Prevention and Surveillance Activities-Health Department Based	93.940			2,970,633	4,186,270		7,156,903
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			1,046,978			1,046,978
Assistance Programs for Chronic Disease Prevention and Control	93.945			115,613	76,250		191,863
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			691,002	374,102		1,065,104
Block Grants for Community Mental Health Services (FAIN B09SM087366)	93.958			(10,280)	(876,621)		(886,901)
Block Grants for Community Mental Health Services (FAIN B09SM089194)	93.958			119,509	493,926		613,435
Block Grants for Community Mental Health Services (FAIN B09SM089631)	93.958			928,815	23,502,616		24,431,431
Block Grants for Community Mental Health Services (FAIN B09SM089866)	93.958			20,815			20,815
Block Grants for Community Mental Health Services (FAIN B09SM090349)	93.958			1,189,524	390,646		1,580,170
COVID-19 - Block Grants for Community Mental Health Services (FAIN B09SM083979)	93.958				77,619		77,619
COVID-19 - Block Grants for Community Mental Health Services (FAIN B09SM085363)	93.958			583,330	2,223,290		2,806,620
COVID-19 - Block Grants for Community Mental Health Services (FAIN B09SM085891)	93.958				13,383		13,383
Total 93.958				\$ 2,831,713	\$ 25,824,859	\$ 0	\$ 28,656,572
Block Grants for Prevention and Treatment of Substance Abuse (FAIN B08TI085813)	93.959				\$ 1,619,949		\$ 1,619,949
Block Grants for Prevention and Treatment of Substance Abuse (FAIN B08TI087045)	93.959			46,452	26,439,055		26,485,507
Block Grants for Prevention and Treatment of Substance Abuse (FAIN B08TI088112)	93.959			2,199,158	25,500,362		27,699,520
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse (FAIN B08TI083503)	93.959			664,042	(61,189)		602,853
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse (FAIN B08TI083947)	93.959			(162,842)	8,127,092		7,964,250
Total 93.959				\$ 2,746,810	\$ 61,625,269	\$ 0	\$ 64,372,079
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967			\$ 3,577,069	\$ 792,835		\$ 4,369,904
COVID-19 - Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967			5,708,340	10,576,556		16,284,896
Total 93.967				\$ 9,285,409	\$ 11,369,391	\$ 0	\$ 20,654,800

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Health and Human Services (Continued)							
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			\$ 2,043,541	\$ 670,917	\$	\$ 2,714,458
COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			5,943,764	1,163,842		7,107,606
Total 93.977				<u>\$ 7,987,305</u>	<u>\$ 1,834,759</u>	<u>\$ 0</u>	<u>\$ 9,822,064</u>
Mental Health Disaster Assistance and Emergency Mental Health	93.982			\$	\$ 1,181,372	\$	\$ 1,181,372
Cooperative Agreements for Diabetes Control Programs	93.988			838,094	283,622		1,121,716
Preventive Health and Health Services Block Grant	93.991			2,984,428	3,453,227		6,437,655
Maternal and Child Health Services Block Grant to the States (Note 12)	93.994			9,362,022	10,193,179		19,555,201
Vital Statistics - CDC - NCHS Contract	93.200-2012-50823*			795,469			795,469
Vital Statistics - CDC - National Death Index Contract	93.200-2015-M-62296*			49,897			49,897
FDA Tobacco Retail Inspection Contract	93.75F40125D00028*			1,148,999			1,148,999
Total U.S. Department of Health and Human Services				<u>\$ 22,480,938,839</u>	<u>\$ 723,197,770</u>	<u>\$ 0</u>	<u>\$ 23,204,136,609</u>
U.S. Corporation for National and Community Service							
AmeriCorps State Commissions Support Grant	94.003			\$ 317,864	\$	\$	\$ 317,864
AmeriCorps State and National	94.006			676,627	10,227,972		10,904,599
AmeriCorps Commission Investment Fund	94.008			155,524	74,308		229,832
AmeriCorps September 11th National Day of Service and Remembrance Grants	94.012			99	73,234		73,333
AmeriCorps Volunteers In Service to America	94.013			227	47,573		47,800
AmeriCorps Seniors Senior Demonstration Program (FGP)	94.017			713			713
Total U.S. Corporation for National and Community Service				<u>\$ 1,151,054</u>	<u>\$ 10,423,087</u>	<u>\$ 0</u>	<u>\$ 11,574,141</u>
Executive Office of the President							
High Intensity Drug Trafficking Areas Program	95.001			\$ 829,262	\$	\$	\$ 829,262
Total Executive Office of the President				<u>\$ 829,262</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 829,262</u>
Social Security Administration							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001			\$ 98,669,331	\$	\$	\$ 98,669,331
Total Disability Insurance/SSI Cluster				<u>\$ 98,669,331</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,669,331</u>
Social Security Administration - Birth Record Contract	96.00-14-61006*			\$ 552,736	\$	\$	\$ 552,736
Social Security Administration - Death Record Contract	96.SS00-09-60016*			996,054			996,054
Total Social Security Administration				<u>\$ 100,218,121</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,218,121</u>
U.S. Department of Homeland Security							
Non-Profit Security Program	97.008			\$ 113,523	\$ 5,220,019	\$	\$ 5,333,542
Boating Safety Financial Assistance	97.012			4,946,391	1,335,000		6,281,391
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			236,780			236,780
Disaster Unemployment Assistance	97.034			60,907			60,907
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 16)	97.036			429,927	32,326,375		32,756,302

This schedule continued on next page.

STATE OF MICHIGAN
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025
(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 Homeland Security (Continued)							
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 16)	97.036			\$ 182,617,226	\$ 391,190,314	\$	\$ 573,807,540
Total 97.036				<u>\$ 183,047,153</u>	<u>\$ 423,516,689</u>	<u>\$ 0</u>	<u>\$ 606,563,842</u>
Hazard Mitigation Grant	97.039			\$ 476,780	\$ 11,211,552	\$	\$ 11,688,332
National Dam Safety Program	97.041			226,859			226,859
Emergency Management Performance Grants	97.042			6,690,233	968,065		7,658,298
BRIC: Building Resilient Infrastructure and Communities	97.047			244,706	8,685,709		8,930,415
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			(111,233)			(111,233)
Emergency Operations Center	97.052				180,649		180,649
Homeland Security Grant Program	97.067			1,704,449	12,089,927		13,794,376
Homeland Security Grant Program	97.067	Macomb County	R2-2020-82-0011	10,028			10,028
Homeland Security Grant Program	97.067	Monroe County	EMW-2021-SS-0011	5,443			5,443
Total 97.067				<u>\$ 1,719,920</u>	<u>\$ 12,089,927</u>	<u>\$ 0</u>	<u>\$ 13,809,847</u>
Disaster Assistance Projects	97.088			\$ 2,093,283		\$	\$ 2,093,283
Homeland Security Biowatch Program	97.091			1,610,743			1,610,743
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132			153,630			153,630
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137			94,594	2,698,010		2,792,604
HSI - Task Force Officer	97.*			22,558			22,558
Total U.S. Department of Homeland Security				<u>\$ 201,626,827</u>	<u>\$ 465,905,620</u>	<u>\$ 0</u>	<u>\$ 667,532,447</u>
Total Financial Assistance				<u>\$ 31,189,582,200</u>	<u>\$ 5,286,981,434</u>	<u>\$ 4,800,383</u>	<u>\$ 36,481,364,017</u>
Total Non-Cash Assistance				<u>\$ 463,912,083</u>	<u>\$ 141,396,698</u>	<u>\$ 0</u>	<u>\$ 605,308,781</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 31,653,494,283</u>	<u>\$ 5,428,378,132</u>	<u>\$ 4,800,383</u>	<u>\$ 37,086,672,798</u>

* 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 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 2025. 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 2025 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, 2025. In addition, some of the programs noted below also include other State agencies' expenditures, which are reported as of September 30, 2025.

Assistance Listing Number (ALN)	Federal Program Title	MSHDA Expenditures as of June 30, 2025	Other State Agencies' Expenditures as of September 30, 2025	Total (as Reported on the SEFA)
14.169	Housing Counseling Assistance Program	\$ 1,152,054	\$ 0	\$ 1,152,054
14.195	Project-Based Rental Assistance (PBRA)	\$ 474,031,170	\$ 0	\$ 474,031,170
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 1,701,985	\$ 20,283,774	\$ 21,985,759
14.231	Emergency Solutions Grant Program	\$ 6,027,849	\$ 0	\$ 6,027,849

Table continued on next page.

Assistance Listing Number (ALN)	Federal Program Title	MSHDA Expenditures as of June 30, 2025	Other State Agencies' Expenditures as of September 30, 2025	Total (as Reported on the SEFA)
14.231	COVID-19 - Emergency Solutions Grant Program	\$ (74,046)	\$ 0	\$ (74,046)
14.239	Home Investment Partnerships Program	\$ 9,113,757	\$ 0	\$ 9,113,757
14.239	COVID-19 - Home Investment Partnerships Program	\$ 5,737,486	\$ 0	\$ 5,737,486
14.256	Neighborhood Stabilization Program (Recovery Act Funded)	\$ 964,200	\$ 0	\$ 964,200
14.267	Continuum of Care Program	\$ 2,798,395	\$ 7,238,672	\$ 10,037,067
14.275	Housing Trust Fund	\$ 15,403,992	\$ 0	\$ 15,403,992
14.326	Project Rental Assistance Program of the Section 811 Supportive Housing for Persons with Disabilities (811 PRA)	\$ 1,379,740	\$ 0	\$ 1,379,740
14.327	Performance Based Contract Administrator Program	\$ 15,934,143	\$ 0	\$ 15,934,143
14.871	Section 8 Housing Choice Vouchers	\$ 301,784,680	\$ 0	\$ 301,784,680
14.871	COVID-19 - Section 8 Housing Choice Vouchers	\$ 7,347,422	\$ 0	\$ 7,347,422
14.879	Mainstream Vouchers	\$ 1,548,516	\$ 0	\$ 1,548,516
14.896	Family Self-Sufficiency Program	\$ 1,463,382	\$ 0	\$ 1,463,382
21.019	COVID-19 - Coronavirus Relief Fund	\$ (168,404)	\$ (1,158)	\$ (169,562)
21.023	COVID-19 - Emergency Rental Assistance Program	\$ 47,252,770	\$ 0	\$ 47,252,770
21.026	COVID-19 - Homeowner Assistance Fund	\$ (114,617)	\$ 0	\$ (114,617)
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	\$ 92,874,487	\$ 1,376,538,413	\$ 1,469,412,900

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 de minimis indirect cost rate as allowed under the Uniform Guidance, except for the Michigan Early Childhood Investment Corporation, a discretely presented component unit, which has elected to use the de minimis 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, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs

Federal expenditures of \$101,570,410 for the Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs (ALN 20.106) channeled to primary airports for fiscal year 2025 are not included in the SEFA. Included in this amount are Coronavirus Aid, Relief, and Economic Security (CARES) Act expenditures totaling \$434,965, Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) expenditures totaling \$1,043,343, and American Rescue Plan Act of 2021 expenditures totaling \$2,032,130. 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 26.4% 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 2025 were \$38,011.

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, 2025, 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 \$151,349,313. In addition, as of September 30, 2025, \$97,381,708 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 2025.

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%

Under the Voluntary Flexible Agreement, the federal government waived statutory and regulatory provisions of Reinsurance Trigger Rate (Title 34, Part 682, section 404(b) of the *Code of Federal Regulations*) so the reimbursement will continue at 100% until September 30, 2026.

The FFEL Program - Guaranty Agency activity for fiscal year 2025 was:

Federal Program Title	ALN	Federal Expenditures
Federal Family Education Loans - Guaranty Agency	84.032G	
Beginning of fiscal year balance - Loans from prior years		\$ 234,441,737
Loan loss reinsured by USDOE		43,461,945
Account maintenance fees		3,772,944
Loan recoveries - Net of amounts returned to USDOE		56
Loans repurchased and rehabilitated		520,656
Total Federal Family Education Loans - Guaranty Agency		<u>\$ 282,197,338</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 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, 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 2025 was:

Federal Program Title	ALN	Federal Expenditures
Federal Family Education Loans - Lender	84.032L	
Beginning of fiscal year balance - Loans from prior years		\$ 112,516,315
Interest subsidy payments		220,159
Special allowance payments		896,606
Total Federal Family Education Loans - Lender		<u>\$ 113,633,080</u>

Note 12 Michigan Department of Health and Human Services (MDHHS) Federal Claims

a. Federal claims exceeded their grant award authorizations by more than \$500,000 in the following program areas and were not reimbursed for the amounts in excess of the grant award. The expenditures not reimbursed could be reimbursed if program disallowances occur. The SEFA reports the net federal claim amounts (total federal claims less the amounts in excess of the grant awards).

Low-Income Home Energy Assistance (ALN 93.568)	\$ 19,118,744
Stephanie Tubbs Jones Child Welfare Services Program (ALN 93.645)	\$ 8,490,497
Social Services Block Grant (ALN 93.667)	\$ 151,548,190
John H. Chafee Foster Care Program for Successful Transition to Adulthood (ALN 93.674)	\$ 6,224,668
Maternal and Child Health Services Block Grant to the States (ALN 93.994)	\$ 69,030,824

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 \$98,800,000 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 Michigan Veteran Homes at Chesterfield Township, Michigan Veteran Homes at Grand Rapids, and Michigan Veteran Homes D.J. Jacobetti received federal Medicare revenue totaling \$1,060,561 and Medicaid revenue totaling \$7,380,932 in fiscal year 2025. 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 performed by a recipient or subrecipient. The expenditures presented in the SEFA include R&D expenditures. The R&D portion of the expenditures for each program is listed below:

ALN	Federal Program Title	Federal Agency and Subdivision	Federal Expenditures
11.407	Interjurisdictional Fisheries Act of 1986	U.S. Department of Commerce, National Oceanic and Atmospheric Administration	\$ 15,862
15.608	Fish and Aquatic Conservation - Aquatic Invasive Species	U.S. Department of the Interior, Fish and Wildlife Service	602
15.611	Wildlife Restoration and Basic Hunter Education and Safety	U.S. Department of the Interior, Fish and Wildlife Service	5,483,002
15.634	State Wildlife Grants	U.S. Department of the Interior, Fish and Wildlife Service	399,227
20.200	Highway Research and Development Program	U.S. Department of Transportation, Federal Highway Administration	2,039,452
20.205	Highway Planning and Construction	U.S. Department of Transportation, Federal Highway Administration	3,612,442
66.469	Geographic Programs - Great Lakes Restoration Initiative	U.S. Environmental Protection Agency, Great Lakes National Program Office	8,285
93.110	Special Projects of Regional and National Significance	U.S. Department of Health and Human Services, Health Resources and Services Administration	52,000
93.310	Trans-NIH Research Support	U.S. Department of Health and Human Services, National Institutes of Health	23,886
93.865	Child Health and Human Development Extramural Research	U.S. Department of Health and Human Services, National Institutes of Health	31,373
	Total R&D Expenditures		<u>\$ 11,666,131</u>

Note 16 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 The expenditures reported for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program (ALN 97.036) include \$182,540,996 incurred in fiscal years 2022 through 2024 that were obligated by the Federal Emergency Management Agency (FEMA) in fiscal year 2025. The SEFA does not include \$15,921,924 of expenditures incurred in fiscal year 2025 for which funds have not yet been obligated by FEMA. These expenditures will be included on the SEFA in the fiscal year in which the funds are obligated by FEMA.

Note 17 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	\$ 329,074,745
Child Care Mandatory and Matching Funds of the CCDF	103,305,941
CCDF American Rescue Plan Supplemental TANF	5,260,821
	<u>98,800,000</u>
Total CCDF Cluster Expenditures	<u>\$ 536,441,507</u>

INDEPENDENT AUDITOR'S REPORT



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance

The Honorable Gretchen Whitmer, Governor
Members of the Legislature

Report on Compliance for Each Major Federal Program

Adverse, 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, 2025. 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.

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
10.558	Child and Adult Care Food Program	100%	\$ 75,712,053
17.207 and 17.801	Employment Service Cluster	97%	\$ 26,652,105
17.258, 17.259, and 17.278	WIOA Cluster	100%	\$ 92,781,804
17.225	Unemployment Insurance, including COVID-19	100%	\$1,144,454,681
20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, including COVID-19	100%	\$ 28,280,001
21.029	Coronavirus Capital Projects Fund, including COVID-19	100%	\$ 54,026,460
84.027 and 84.173	Special Education Cluster (IDEA)	97%	\$ 507,072,965
93.575 and 93.596	CCDF Cluster, including COVID-19	4%	\$ 536,441,507
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	100%	\$ 97,956,448
93.959	Block Grants for Prevention and Treatment of Substance Abuse, including COVID-19	100%	\$ 64,372,079

Adverse Opinion on Children's Health Insurance Program

In our opinion, because of the significance of the matters identified in the table in the *Matters Giving Rise to Adverse Opinion on Children's Health Insurance Program* section of our report, the State of Michigan did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance Program for the fiscal year ended September 30, 2025.

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, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended September 30, 2025.

Basis for Adverse, 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 Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 adverse, 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 Adverse Opinion on Children's Health Insurance Program

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal Awarding Agency	Assistance Listing Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.767	Children's Health Insurance Program, including COVID-19	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Reporting	2025-005 2025-011 2025-013

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

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	Special Tests and Provisions - ADP System for SNAP	2025-005
U.S. Department of Agriculture	10.558	Child and Adult Care Food Program	Subrecipient Monitoring	2025-062
U.S. Department of Labor	17.225	Unemployment Insurance, including COVID-19	Allowable Costs/Cost Principles and Eligibility	2025-064
U.S. Department of Transportation	20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, including COVID-19	Equipment and Real Property Management and Special Tests and Provisions - Wage Rate Requirements and Revenue Diversion	2025-057 2025-058 2025-059
U.S. Department of the Treasury	21.029	Coronavirus Capital Projects Fund, including COVID-19	Reporting	2025-060
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; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Reporting	2025-005 2025-011 2025-013
U.S. Department of Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	Reporting	2025-061
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	Reporting and Special Tests and Provisions - Income Eligibility and Verification System	2025-005 2025-011
U.S. Department of Health and Human Services	93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, and Subrecipient Monitoring	2025-048 2025-049 2025-050
U.S. Department of Health and Human Services	93.568	Low-Income Home Energy Assistance	Eligibility and Reporting	2025-011 2025-051

Table continued on next page

Federal Awarding Agency	Assistance Listing Number(s)	Program or Cluster	Compliance Requirements	Finding Number(s)
U.S. Department of Health and Human Services	93.658	Foster Care Title IV-E, including COVID-19	Reporting	2025-011
U.S. Department of Health and Human Services	93.667	Social Services Block Grant	Reporting	2025-011 2025-055
U.S. Department of Health and Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse, including COVID-19	Reporting	2025-061

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

Other Matters - Federal Expenditures Not Included in the Compliance Audit

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 \$1.0 billion in federal awards that are not included in the schedule of expenditures of federal awards for the fiscal year ended September 30, 2025. Our audit, described below, did not include the operations of these universities because they obtained separate audits in accordance with the audit requirements of the Uniform Guidance.

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 a 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 and the reports of other auditors 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:

2025-014	2025-016	2025-032	2025-037	2025-038	2025-039	2025-040
2025-041	2025-043	2025-044	2025-054	2025-056		

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 and other auditors 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 (see table below) to be material weaknesses:

2025-004	2025-005	2025-011	2025-013	2025-048	2025-049	2025-050
2025-051	2025-055	2025-057	2025-058	2025-059	2025-060	2025-061
2025-062						

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 (see table below) to be significant deficiencies:

2025-001	2025-002	2025-003	2025-006	2025-007	2025-008	2025-009
2025-010	2025-012	2025-014	2025-015	2025-016	2025-017	2025-018
2025-019	2025-020	2025-021	2025-022	2025-023	2025-024	2025-025
2025-026	2025-027	2025-028	2025-029	2025-030	2025-031	2025-032
2025-033	2025-034	2025-035	2025-036	2025-037	2025-038	2025-039
2025-040	2025-041	2025-042	2025-043	2025-044	2025-045	2025-046
2025-047	2025-052	2025-053	2025-054	2025-056	2025-063	

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 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.

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, 2025 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated April 3, 2026, which includes references to other auditors. The report contained unmodified opinions for all opinion units except for the governmental activities and the General Fund, which received qualified opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Doug Ringler
Auditor General
June 18, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified*

Unmodified* for all opinion units except for the governmental activities and the General Fund, which were qualified.

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 federal programs:

Material weaknesses* identified? Yes

Significant deficiencies* identified? Yes

Any matter required to be disclosed as an audit finding 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	Qualified
10.646	Summer Electronic Benefit Transfer Program for Children	Unmodified
20.218 and 20.237	FMCSA Cluster	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery Funds, including COVID-19	Unmodified
93.575 and 93.596	CCDF Cluster, including COVID-19	Unmodified
93.775, 93.777, and 93.778	Medicaid Cluster, including COVID-19	Qualified
93.558	Temporary Assistance for Needy Families	Qualified
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Qualified
93.568	Low-Income Home Energy Assistance	Qualified
93.658	Foster Care Title IV-E, including COVID-19	Qualified
93.659	Adoption Assistance, including COVID-19	Unmodified
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program, including COVID-19	Adverse

* See glossary at end of report for definition.

Major Federal Programs Audited by Others

Assistance Listing Number(s)	Name of Major Federal Program or Cluster	Opinion
10.558	Child and Adult Care Food Program	Qualified
17.207 and 17.801	Employment Service Cluster	Unmodified
17.258, 17.259, and 17.278	WIOA Cluster	Unmodified
17.225	Unemployment Insurance, including COVID-19	Qualified
20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, including COVID-19	Qualified
21.029	Coronavirus Capital Projects Fund, including COVID-19	Qualified
84.027 and 84.173	Special Education Cluster (IDEA)	Unmodified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), including COVID-19	Qualified
93.959	Block Grants for Prevention and Treatment of Substance Abuse, including COVID-19	Qualified

Dollar threshold used to distinguish between type A and type B programs: \$55,630,009

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. When 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 likely 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 200.

* 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* ([171-0010-26](#)).

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 2025-001

SIGMA High-Risk Activity Monitoring

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Lifelong Education, Advancement, and Potential

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	2301MICDD 10/01/2022 - 09/30/2025 2301MICDF 10/01/2022 - 09/30/2025 2401MICDD 10/01/2023 - 09/30/2026 2401MICDF 10/01/2023 - 09/30/2026 2401MICDM 10/01/2023 - 09/30/2025 2502MICDD 10/01/2024 - 09/30/2027 2502MICDF 10/01/2024 - 09/30/2027 2502MICDM 10/01/2024 - 09/30/2027 2502MICDY 12/21/2024 - 09/30/2028 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507
Total COVID-19 Expenditures	\$5,260,821

Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; Period of Performance; 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 Agency	Michigan Department of Lifelong Education, Advancement, and Potentials

Condition

The Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) did not sufficiently monitor its high-risk activity reports to ensure users performed only authorized override actions in the Statewide Integrated Governmental Management Applications* (SIGMA). We reviewed one sampled report and noted MiLEAP did not document its review.

Criteria

Title 2, Part 200, section 303 of the *Code of Federal Regulations** (CFR) 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.

Federal regulation 45 CFR 98.68 requires MiLEAP to describe in its CCDF State Plan the internal control in place to help ensure program integrity. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 describes specific procedures for program integrity and accountability, including program violations and administrative errors. Also, the CCDF State Plan provides specific requirements for child care assistance, which MiLEAP utilizes an information system for payment of benefits. The State of Michigan establishes Statewide technical standards for all State information systems.

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.

State of Michigan (SOM) Technical Standard 1340.00.020.01 requires agencies to implement and document baseline controls, such as the principle of least privilege*. The Standard also requires agencies to monitor privileged system functions to identify inappropriate or unusual activity.

Cause

MiLEAP informed us the transfer of the high-risk transaction monitoring process from another State agency contributed to a delay in MiLEAP implementing its monitoring process.

Effect

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

* See glossary at end of report for definition.

Known Questioned Costs

None.

Recommendation

We recommend MiLEAP sufficiently monitor its high-risk activity reports to ensure users performed only authorized override actions in SIGMA.

Management Views

MiLEAP agrees with the finding.

FINDING 2025-002

DTMB, IT General Controls

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	SNAP Cluster: ALN 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2024	10/01/2023 - 09/30/2024
	EBT - 2025	10/01/2024 - 09/30/2025
	252MI100S2514	10/01/2024 - 09/30/2025
	252MI100S2519	10/01/2024 - 09/30/2025
	252MI100S2520	10/01/2024 - 09/30/2025
	252MI100S8026	10/01/2024 - 09/30/2025
	252MI100S8036	10/01/2024 - 09/30/2025
	252MI100S9018	10/01/2024 - 09/30/2025
	252MI122Q7503	10/01/2024 - 09/30/2025
	252MI123Q3903	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$3,323,860,823	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP System for SNAP and EBT Reconciliation	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Summer Electronic Benefit Transfer Program for Children: ALN 10.646	
Federal Award Identification Number (FAIN) and Year	25M1100N1175	10/01/2024 - 09/30/2025
	25M1100N1803	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$90,711,454	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	

Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services 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 State and Local Fiscal Recovery Funds: ALN 21.027 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLFRP0127 03/03/2021 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
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 Transportation 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	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	2301MICCDD 10/01/2022 - 09/30/2025 2301MICCDF 10/01/2022 - 09/30/2025 2401MICCDD 10/01/2023 - 09/30/2026 2401MICCDF 10/01/2023 - 09/30/2026 2401MICCDM 10/01/2023 - 09/30/2025 2502MICCDD 10/01/2024 - 09/30/2027 2502MICCDF 10/01/2024 - 09/30/2027 2502MICCDM 10/01/2024 - 09/30/2027 2502MICCDY 12/21/2024 - 09/30/2028 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507
Total COVID-19 Expenditures	\$5,260,821
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; Period of Performance; 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 Lifelong Education, Advancement, and Potential; 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	2505MI5ADM 2505MI5MAP	10/01/2024 - 09/30/2025 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits, Provider Eligibility (Screening and Enrollment), Provider Health and Safety Standards, Medicaid Fraud Control Unit, and Refunding of Federal Share of Medicaid Overpayments to Providers	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558	
Federal Award Identification Number (FAIN) and Year	2401MITANF 2501MITANF	10/01/2023 - Until Expended 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including 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 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	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566	
Federal Award Identification Number (FAIN) and Year	2205MIRSSS 2305MIRSSS 2405MIRCMA 2405MIRSSS 2505MIRCMA 2505MIRSSS	10/01/2021 - 09/30/2025 10/01/2022 - 09/30/2026 10/01/2023 - 09/30/2025 10/01/2023 - 09/30/2026 10/01/2024 - 09/30/2026 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Period of Performance	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	

Repeat Finding	Not Applicable
State Agencies	Department of Labor and Economic Opportunity; 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
Federal Award Identification Number (FAIN) and Year	2401MILIEA 10/01/2023 - 09/30/2025 2401MILIEI 10/01/2023 - 09/30/2025 2501MILIEA 10/01/2024 - 09/30/2026 2501MILIEI 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$182,970,948
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 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	2401MIFOST 10/01/2023 - 09/30/2024 2501MIFOST 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$96,733,934
Total COVID-19 Expenditures	\$(101,737)
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	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2501MIADPT 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$136,926,816
Total COVID-19 Expenditures	\$(9,377)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

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	2501MISOSR 10/01/2024 - 09/30/2026 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$124,808,402
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 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	2405MI5021 10/01/2023 - 09/30/2025 2505MI5021 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418
Total COVID-19 Expenditures	\$161,088
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Provider Eligibility (Screening and Enrollment) and Refunding of Federal Share of CHIP Overpayments to Providers
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget

Background

The Michigan Department of Health and Human Services (MDHHS) and the Department of Technology, Management, and Budget (DTMB) are jointly responsible for maintenance and operation of Bridges Integrated Automated Eligibility Determination System* (Bridges), Michigan Statewide Automated Child Welfare Information System (MiSACWIS), Community Health Automated Medicaid Processing System (CHAMPS), Medicaid Audit Recovery and Investigation System (MARIS), and Michigan Adult Integrated Management System (MiAIMS).

* See glossary at end of report for definition.

The Michigan Department of Transportation (MDOT) and DTMB are jointly responsible for maintenance and operation of AASHTOWare and Public Transportation Management System (PTMS).

DTMB provides support for these applications' operating system.

Condition

DTMB did not fully implement effective general controls* over Bridges, MiSACWIS, CHAMPS, MARIS, MiAIMS, AASHTOWare, and PTMS operating system servers. Our review of fiscal year 2025 activity disclosed DTMB did not review privileged accounts* for the operating system servers.

After bringing this matter to management's attention, DTMB corrected the issue noted.

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.

Federal regulation 45 *CFR* 98.68 requires MiLEAP to describe in its CCDF State Plan the internal control in place to help ensure program integrity. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 describes specific procedures for program integrity and accountability, including program violations and administrative errors. Also, the CCDF State Plan provides specific requirements for child care assistance, including the utilization of an information system for determining eligibility and benefit amounts. Title 42, section 1397a(a)(2)(A) of the *United States Code (USC)* indicates states are entitled to payment for services that meet the goals of the Social Services Block Grant (SSBG). Federal regulation 45 *CFR* 96.30 requires MDHHS to have fiscal controls and accounting procedures sufficient to permit the tracing of SSBG funds to document MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations. MDHHS utilizes an information system for processing SSBG payments. Federal law 42 *USC* 8624 requires the State to expend funds in accordance with the Low-Income Home Energy Assistance Program (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 utilizes an information system for determining eligibility. The State of Michigan establishes Statewide technical standards for all State information systems.

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, effective through May 26, 2025, requires accounts be reviewed for compliance with account management requirements semiannually for privileged accounts. DTMB revised its policy, effective May 27, 2025, to indicate access agreements be reviewed annually, including verification access is required for system accounts.

Cause

DTMB informed us competing priorities contributed to its inability to recertify the users' roles.

* See glossary at end of report for definition.

Effect

Without timely review and recertification, individuals may maintain unauthorized or inappropriate access or make inappropriate changes to the Bridges, MiSACWIS, CHAMPS, MARIS, MiAIMS, AASHTOWare, and PTMS operating system servers.

Known Questioned Costs

None.

Recommendation

We recommend DTMB fully implement effective general controls over Bridges, MiSACWIS, CHAMPS, MARIS, MiAIMS, AASHTOWare, and PTMS operating system servers.

Management Views

DTMB agrees with the finding.

FINDING 2025-003

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 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2024	10/01/2023 - 09/30/2024
	EBT - 2025	10/01/2024 - 09/30/2025
	252MI100S2514	10/01/2024 - 09/30/2025
	252MI100S2519	10/01/2024 - 09/30/2025
	252MI100S2520	10/01/2024 - 09/30/2025
	252MI100S8026	10/01/2024 - 09/30/2025
	252MI100S8036	10/01/2024 - 09/30/2025
	252MI100S9018	10/01/2024 - 09/30/2025
	252MI122Q7503	10/01/2024 - 09/30/2025
	252MI123Q3903	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$3,323,860,823	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - ADP System for SNAP and EBT Reconciliation	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-002	
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	Summer Electronic Benefit Transfer Program for Children: ALN 10.646	
Federal Award Identification Number (FAIN) and Year	25M1100N1175	10/01/2024 - 09/30/2025
	25M1100N1803	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$90,711,454	
Total COVID-19 Expenditures	\$0	

Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-002
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	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596	
Federal Award Identification Number (FAIN) and Year	2301MICDD	10/01/2022 - 09/30/2025
	2301MICDF	10/01/2022 - 09/30/2025
	2401MICDD	10/01/2023 - 09/30/2026
	2401MICDF	10/01/2023 - 09/30/2026
	2401MICDM	10/01/2023 - 09/30/2025
	2502MICDD	10/01/2024 - 09/30/2027
	2502MICDF	10/01/2024 - 09/30/2027
	2502MICDM	10/01/2024 - 09/30/2027
	2502MICDY	12/21/2024 - 09/30/2028
	2501MITANF	10/01/2024 - Until Expended

Total Expenditures of Federal Awards	\$536,441,507
Total COVID-19 Expenditures	\$5,260,821
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; Period of Performance; 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	2024-002
State Agencies	Michigan Department of Lifelong Education, Advancement, and Potential; 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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-002	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558
Federal Award Identification Number (FAIN) and Year	2401MITANF 10/01/2023 - Until Expended 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including 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	2024-002
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	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566
Federal Award Identification Number (FAIN) and Year	2205MIRSSS 10/01/2021 - 09/30/2025 2305MIRSSS 10/01/2022 - 09/30/2026 2405MIRCMA 10/01/2023 - 09/30/2025 2405MIRSSS 10/01/2023 - 09/30/2026 2505MIRCMA 10/01/2024 - 09/30/2026 2505MIRSSS 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-002
State Agencies	Department of Labor and Economic Opportunity; Michigan Department of Health and Human Service; 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
Federal Award Identification Number (FAIN) and Year	2401MILIEA 10/01/2023 - 09/30/2025 2401MILIEI 10/01/2023 - 09/30/2025 2501MILIEA 10/01/2024 - 09/30/2026 2501MILIEI 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$182,970,948
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Eligibility
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-002
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	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-002	
State Agencies	Michigan Department of Health and Human Services and Department of Technology, Management, and Budget	

Background

MDHHS uses Bridges for determining eligibility and benefit amounts for food assistance, cash assistance, child care assistance, medical assistance, and emergency assistance programs. MDHHS and DTMB are jointly responsible for maintenance and operation of Bridges.

Condition

DTMB did not always ensure its interface controls over the Bridges data exchanges were operating as prescribed. We noted DTMB did not ensure the file control and batch summary tables used to reconcile Bridges interfaces consistently represented control totals of information processed for 3 of the 9 interfaces sampled. For these 3 interfaces, we sampled 30 daily, monthly, and quarterly files and noted 5 (17%) files did not reconcile.

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.

Federal regulation 45 *CFR* 98.68 requires MiLEAP to describe in its CCDF State Plan the internal control in place to help ensure program integrity. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 describes specific procedures for program integrity and accountability, including program violations and administrative errors. Also, the CCDF State Plan provides specific requirements for child care assistance, including the utilization of an information system for determining eligibility and benefit amounts. 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 utilizes an information system for determining eligibility. The State of Michigan establishes Statewide technical standards for all State information systems.

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. In addition, the U.S. Government Accountability Office's (GAO's) Federal Information System Controls Audit Manual* (FISCAM) recommends interface controls 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.

Cause

DTMB informed us because of a reconciliation procedure issue and clean-up efforts, some record counts either were not documented or exception tables were removed.

Effect

DTMB's weakness in maintaining sufficient internal control over federal program compliance could result in noncompliance not being detected or corrected in a timely manner.

Known Questioned Costs

None.

Recommendation

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

Management Views

DTMB agrees with the finding.

FINDING 2025-004

Bridges Security Management and Access Controls*

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	SNAP Cluster: ALN 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2024	10/01/2023 - 09/30/2024
	EBT - 2025	10/01/2024 - 09/30/2025
	252MI100S2514	10/01/2024 - 09/30/2025
	252MI100S2519	10/01/2024 - 09/30/2025
	252MI100S2520	10/01/2024 - 09/30/2025
	252MI100S8026	10/01/2024 - 09/30/2025
	252MI100S8036	10/01/2024 - 09/30/2025
	252MI100S9018	10/01/2024 - 09/30/2025
	252MI122Q7503	10/01/2024 - 09/30/2025
	252MI123Q3903	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$3,323,860,823	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Special Tests and Provisions - ADP System for SNAP and EBT Reconciliation	

* See glossary at end of report for definition.

Type of Finding	Material Weakness
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-003
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	Summer Electronic Benefit Transfer Program for Children: ALN 10.646	
Federal Award Identification Number (FAIN) and Year	25M1100N1175 25M1100N1803	10/01/2024 - 09/30/2025 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$90,711,454	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-003	
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	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596	
Federal Award Identification Number (FAIN) and Year	2301MICDD 2301MICDF 2401MICDD 2401MICDF 2401MICDM 2502MICDD 2502MICDF 2502MICDM 2502MICDY 2501MITANF	10/01/2022 - 09/30/2025 10/01/2022 - 09/30/2025 10/01/2023 - 09/30/2026 10/01/2023 - 09/30/2026 10/01/2023 - 09/30/2025 10/01/2024 - 09/30/2027 10/01/2024 - 09/30/2027 10/01/2024 - 09/30/2027 12/21/2024 - 09/30/2028 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507	
Total COVID-19 Expenditures	\$5,260,821	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; Period of Performance; 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	2024-003	
State Agencies	Michigan Department of Lifelong Education, Advancement, and Potential 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	2505MI5ADM 2505MI5MAP	10/01/2024 - 09/30/2025 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-003	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558	
Federal Award Identification Number (FAIN) and Year	2401MITANF 2501MITANF	10/01/2023 - Until Expended 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including 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	2024-003	
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	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566	
Federal Award Identification Number (FAIN) and Year	2205MIRSSS 2305MIRSSS 2405MIRCMA 2405MIRSSS 2505MIRCMA 2505MIRSSS	10/01/2021 - 09/30/2025 10/01/2022 - 09/30/2026 10/01/2023 - 09/30/2025 10/01/2023 - 09/30/2026 10/01/2024 - 09/30/2026 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-003	
State Agencies	Department of Labor and Economic Opportunity 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	Low-Income Home Energy Assistance: ALN 93.568	
Federal Award Identification Number (FAIN) and Year	2401MILIEA	10/01/2023 - 09/30/2025
	2401MILIEI	10/01/2023 - 09/30/2025
	2501MILIEA	10/01/2024 - 09/30/2026
	2501MILIEI	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$182,970,948	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Eligibility	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-003	
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	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Material Weakness	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-003	
State Agency	Michigan Department of Health and Human Services	

Condition

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

We noted:

- a. MDHHS did not maintain documentation for 1 (2%) of 51 sampled Bridges incompatible role exception requests. Of the 50 forms received, we noted MDHHS did not properly approve 8 (16%) forms prior to granting the exception requests.
- b. MDHHS did not maintain documentation for 7 (9%) of 80 sampled local office security monitoring reports. Also, MDHHS did not complete timely reviews for 7 (10%) of 73 sampled security monitoring reports.
- c. MDHHS did not properly approve 3 (8%) of 40 sampled Bridges application security agreements prior to granting access to Bridges.
- d. MDHHS did not document or properly review its annual recertification of 3 (9%) of 35 sampled Bridges non-privileged user accounts.

- e. MDHHS did not maintain documentation for 3 (15%) of 20 sampled local office high-risk Bridges transaction monitoring reports. Of the 17 reports received, MDHHS did not document its review date for 2 (12%) of the 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.

Federal regulation 45 *CFR* 98.68 requires MiLEAP to describe in its CCDF State Plan the internal control in place to help ensure program integrity. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 describes specific procedures for program integrity and accountability, including program violations and administrative errors. Also, the CCDF State Plan provides specific requirements for child care assistance, including the utilization of an information system for determining eligibility and benefit amounts. 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 utilizes an information system for determining eligibility. The State of Michigan establishes Statewide technical standards for all State information systems.

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, such as access authorizations and the principle of least privilege. The Standard also requires separation of duties must be supported through defined system access authorizations and accounts should be reviewed annually to validate their continued need. 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 parts a., c., and d., MDHHS's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies and procedures.

For parts b. and e., MDHHS's internal control and monitoring activities need improvement to ensure all appropriate parties maintain and timely complete their review of the local office security monitoring reports and high-risk Bridges transaction monitoring reports.

Effect

We consider these issues to be a material weakness because, without effective security management and access controls, individuals may obtain or maintain unauthorized or inappropriate access to Bridges. As a result, an increased risk exists MDHHS cannot ensure the security of the Bridges application and data used to help determine eligibility and benefit levels for the SNAP Cluster, Summer Electronic Benefit Transfer Program for Children, CCDF Cluster, Medicaid Cluster, Temporary Assistance for Needy Families (TANF), Refugee and

* See glossary at end of report for definition.

Entrant Assistance State/Replacement Designee Administered Programs (REAP), LIHEAP, and Children's Health Insurance Program (CHIP).

Known Questioned Costs

None.

Recommendation

We recommend MDHHS establish effective security management and access controls over Bridges users.

Management Views

MDHHS agrees with the finding.

FINDING 2025-005

Income Eligibility and Verification System

Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	SNAP Cluster: ALN 10.551 and 10.561
Federal Award Identification Number (FAIN) and Year	EBT - 2024 10/01/2023 - 09/30/2024 EBT - 2025 10/01/2024 - 09/30/2025 252MI100S2514 10/01/2024 - 09/30/2025 252MI100S2519 10/01/2024 - 09/30/2025 252MI100S2520 10/01/2024 - 09/30/2025 252MI100S8026 10/01/2024 - 09/30/2025 252MI100S8036 10/01/2024 - 09/30/2025 252MI100S9018 10/01/2024 - 09/30/2025 252MI122Q7503 10/01/2024 - 09/30/2025 252MI123Q3903 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$3,323,860,823
Total COVID-19 Expenditures	\$0
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	2024-005
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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	Undeterminable

Repeat Finding	2024-005
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558	
Federal Award Identification Number (FAIN) and Year	2401MITANF	10/01/2023 - Until Expended
	2501MITANF	10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Special Tests and Provisions - Income Eligibility and Verification System	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2024-005	
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	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	Undeterminable	
Repeat Finding	2024-005	
State Agency	Michigan Department of Health and Human Services	

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 specialists 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 did not request and obtain IEVS information for all recipients. In addition, MDHHS did not ensure county/district office specialists considered and used IEVS information when making eligibility and benefit level determinations for these programs.

We noted:

- a. For 3 (21%) of 14 IEVS interfaces requiring manual consideration and action by the county/district office specialist, MDHHS did not maintain sufficient documentation to support that county/district office specialists considered and utilized the IEVS information to determine eligibility and benefit level for each recipient in 6 (11%) of 56 cases.
- b. For 3 (21%) of 14 IEVS interfaces, MDHHS did not take timely action on IEVS information in 7 (13%) of 56 cases reviewed, of which 6 are also reported in part a.
- c. MDHHS had not fully established a process to review and monitor the electronic notifications provided to county/district office specialists to ensure they utilized the IEVS information to determine the recipients' eligibility. For 1 (9%) of 11 IEVS interfaces with electronic notifications, county/district office specialists 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 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.

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* 273.2(f)(9) 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 the state agency to timely document information obtained through IEVS both when an adverse action is and is not instituted.

Federal law 42 *USC* 1320b-7(a)(4)(A) 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 (SSA) information, and unearned income from the Internal Revenue Service (IRS) 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 specialist within 45 calendar days of receiving the electronic notification.

Cause

For parts a. and b., 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 specialists marked electronic notifications as complete.

For part c., MDHHS believes it had a sufficient process in place to review and monitor electronic notifications during fiscal year 2025. However, the process did not substantiate the reviews completed.

For part d., MDHHS informed us it had not yet established and implemented the applicable IEVS interfaces to validate income, social security number, criminal background, or citizenship.

For part e., 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.

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. Because of the unique circumstances of each case, a projection of questioned costs cannot be reasonably estimated.

Recommendations

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

We also recommend MDHHS ensure that county/district office specialists consider and use IEVS information, in a timely manner, when making eligibility and benefit level determinations for these programs.

Management Views

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

For part c., MDHHS disagrees with the conclusion that a process is not fully established to monitor the electronic notifications provided to county/district office caseworkers to ensure they utilized the Income Eligibility and verification System (IEVS) information to determine the recipients' eligibility. MDHHS had policies and procedures in place during fiscal year 2025 to help ensure monitoring of electronic notifications occurred. Review of IEVS information is fully incorporated into the case read procedure governed by Bridges Administrative Manual 301 and

further detailed in accompanying desk aids and reading guides. The MDHHS Economic Stability Administration (ESA) also provides regular direction and reminders regarding case read requirements through ESA memos.

For part e., MDHHS disagrees that IEVS information is required to be requested and obtained for Medicaid Cluster Healthy Kids, Healthy Michigan Plan, CHIP Healthy Kids, and MiChild modified adjusted gross income (MAGI) based recipients since eligibility is verified upon determination through the MAGI eligibility determination process.

MAGI verification rules are contained within federal regulation 42 *CFR* 435.603, which describe electronic verification through the Federal Data Services Hub, reasonable compatibility standards, and verification at application and renewal. The CMS MAGI Application and Eligibility Process Implementation Guides describe MAGI verification as a streamlined, electronic process using the federal hub and state data sources with no reference to IEVS. The IEVS rules are contained within federal regulations 42 *CFR* 435.940 through 42 *CFR* 435.965 and are part of the non-MAGI verification framework.

Auditor's Comments to Management Views*

Regarding part c., although MDHHS provided various guidance to the caseworkers regarding the utilization of IEVS information, the guidance did not result in the maintenance of sufficient documentation to support if caseworkers considered and utilized IEVS information, as noted in part a.

Regarding part e., 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's eligibility. MAGI verification rules contained in 42 *CFR* 435.603(h)(3) state, in determining current monthly or projected annual household income and family size, the State may adopt a reasonable method to include a prorated portion of reasonably predicted future income or to account for a reasonably predictable increase or decrease in future income. Such future increase or decrease in income or family size must be verified in the same manner as other income and eligibility factors, in accordance with the income and eligibility verification requirements in 42 *CFR* 435.940 through 42 *CFR* 435.965 (IEVS rules).

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 utilize IEVS data exchanges to identify whether eligibility was erroneously granted to its MAGI-based recipients enrolled in the Medicaid Cluster Healthy Kids, CHIP Healthy Kids, and MiChild programs due to agency error or fraud, abuse, or perjury attributed to the child or the child's representative. Federal regulations 42 *CFR* 435.926(d)(4) and 42 *CFR* 457.342 require MDHHS to terminate benefits if any of the above circumstances are identified.

Therefore, the finding stands as written.

* See glossary at end of report for definition.

FINDING 2025-006
ADP Security Program

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	SNAP Cluster: ALN 10.551 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2024	10/01/2023 - 09/30/2024
	EBT - 2025	10/01/2024 - 09/30/2025
	252MI100S2514	10/01/2024 - 09/30/2025
	252MI100S2519	10/01/2024 - 09/30/2025
	252MI100S2520	10/01/2024 - 09/30/2025
	252MI100S8026	10/01/2024 - 09/30/2025
	252MI100S8036	10/01/2024 - 09/30/2025
	252MI100S9018	10/01/2024 - 09/30/2025
	252MI122Q7503	10/01/2024 - 09/30/2025
	252MI123Q3903	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$3,323,860,823	
Total COVID-19 Expenditures	\$0	
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	2024-006	
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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including 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	2024-006	
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 MDHHS and DTMB did not complete all necessary updates to the system security plan for 3 systems during fiscal year 2025, including not updating the risk analyses which resulted in the expiration of the authority to operate and/or missing control assessments for the 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 and maintain an ADP security program, including a security plan and a program for conducting periodic risk analyses. In addition, federal regulations 2 *CFR* 200.303 and 45 *CFR* 75.303 require the auditee to establish and maintain effective internal control over federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Cause

MDHHS and DTMB indicated resources were focused on meeting federal and State mandates while maintaining operational needs and addressing information technology (IT) security risks highlighted in prior audits. MDHHS and DTMB also indicated limited resources caused delays in the completion of a comprehensive ADP security program.

Effect

MDHHS and DTMB cannot demonstrate they have implemented effective controls to ensure the confidentiality, integrity, and availability of their information systems and cannot ensure they comply 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. Outdated or incomplete system security plans and risk analyses 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 and DTMB agree with the finding.

FINDING 2025-007

MiSACWIS Security Management and Access Controls

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558
Federal Award Identification Number (FAIN) and Year	2401MITANF 10/01/2023 - Until Expended 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

Repeat Finding	2024-044
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	2401MIFOST 10/01/2023 - 09/30/2024 2501MIFOST 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$96,733,934
Total COVID-19 Expenditures	\$(101,737)
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	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2501MIADPT 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$136,926,816
Total COVID-19 Expenditures	\$(9,377)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; 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	Not Applicable
Assistance Listing Title and Number	Social Services Block Grant: ALN 93.667
Federal Award Identification Number (FAIN) and Year	2501MISOSR 10/01/2024 - 09/30/2026 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$124,808,402
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	Michigan Department of Health and Human Services

Condition

MDHHS had not established effective security management and access controls over MiSACWIS.

We noted:

- a. MDHHS did not maintain documentation for 1 (3%) of 40 sampled MiSACWIS incompatible role exception requests.
- b. Of the total 40 sampled MiSACWIS non-privileged user account recertifications, 1 no longer needed access to the system. For this user, MDHHS did not properly remove their access at the time of their annual recertification.

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.

Federal law 42 *USC* 1397a(a)(2)(A) indicates states are entitled to payment for services that meet the goals of SSBG. Federal regulation 45 *CFR* 96.30 requires MDHHS have sufficient fiscal controls and accounting procedures to permit the tracing of SSBG funds to document MDHHS did not use SSBG funds in violation of the restrictions and prohibitions of SSBG laws and regulations. MDHHS utilizes an information system for processing SSBG payments. The State of Michigan establishes Statewide technical standards for all State information systems.

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, such as the principle of least privilege. The Standard also requires separation of duties must be supported through defined system access authorizations and accounts should be removed in accordance with agency policy and procedures. MDHHS policy requires access to be removed within 48 hours of notification from the manager. 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 local office security coordinators and security administrators did not follow established policies and procedures regarding granting of MiSACWIS access.

For part b., MDHHS informed us the user's role was not removed because of staff oversight.

Effect

Without effective security management and access controls, individuals may maintain unauthorized or inappropriate access to MiSACWIS. As a result, an increased risk exists MDHHS 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 SSBG.

Known Questioned Costs
None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2025-008

CHAMPS 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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits, Provider Eligibility (Screening and Enrollment), and Provider Health and Safety Standards
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-007
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	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566
Federal Award Identification Number (FAIN) and Year	2205MIRSSS 10/01/2021 - 09/30/2025 2305MIRSSS 10/01/2022 - 09/30/2026 2405MIRCMA 10/01/2023 - 09/30/2025 2405MIRSSS 10/01/2023 - 09/30/2026 2505MIRCMA 10/01/2024 - 09/30/2026 2505MIRSSS 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222
Total COVID-19 Expenditures	\$0
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	2024-007
State Agencies	Department of Labor and Economic Opportunity 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	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including 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	2024-007	
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 16 daily interface runs identified 7 (44%) 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.

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 GAO's FISCAM indicates interface error handling and reconciliation procedures should reasonably ensure all transactions are accounted for and all errors are identified, isolated, analyzed, and corrected in a timely manner.

Cause

MDHHS informed us its central office did not document or conduct any further review on these errors since local offices already review potential duplicated identification numbers through Bridges reports and specialist discoveries.

Effect

MDHHS could not ensure eligibility and benefit level information from Bridges was accurately reflected in CHAMPS for the Medicaid Cluster, REAP, 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 not being 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 2025-009

MDE, Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-009
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	2301MICDD 10/01/2022 - 09/30/2025 2301MICDF 10/01/2022 - 09/30/2025 2401MICDD 10/01/2023 - 09/30/2026 2401MICDF 10/01/2023 - 09/30/2026 2401MICDM 10/01/2023 - 09/30/2025 2502MICDD 10/01/2024 - 09/30/2027 2502MICDF 10/01/2024 - 09/30/2027 2502MICDM 10/01/2024 - 09/30/2027 2502MICDY 12/21/2024 - 09/30/2028 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507
Total COVID-19 Expenditures	\$5,260,821
Compliance Requirement(s)	Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-009
State Agencies	Michigan Department of Lifelong Education, Advancement, and Potential and Michigan Department of Education

Condition

The Michigan Department of Education (MDE) did not fully establish effective security management and access controls over the Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS) and Next Generation Grant, Application and Cash Management System (NexSys). We noted:

- a. MDE did not consistently follow its established policies and procedures over the granting of access to NexSys. Our review disclosed MDE did not maintain documentation to support it approved the system role for 1 (2%) of 47 sampled NexSys users. Of the 46 forms received, we noted MDE did not properly approve 1 (2%) form prior to granting access to NexSys. Also, MDE did not ensure the access rights were consistent with the most recently approved NexSys forms for 2 (4%) of 46 sampled users.
- b. MDE did not document or properly review its annual recertification of internal users. Our results are summarized in the following table:

<u>System</u>	<u>Number of Users Tested</u>	<u>Number (Percent) of Sample Items by System Not Certified</u>
GEMS/MARS	20	18 (90%)
NexSys	64	3 (5%)

- c. MDE did not disable 317 (5%) of 5,798 NexSys user accounts who did not access the application in over 18 months as of September 30, 2025.

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.

Federal regulation 45 *CFR* 98.68 requires MiLEAP to describe in its CCDF State Plan the internal control in place to help ensure program integrity. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 describes specific procedures for program integrity and accountability, including program violations and administrative errors. Also, the CCDF State Plan provides specific requirements for child care assistance, which MiLEAP utilizes an information system for approving grant applications and authorizing payment requests for services. The State of Michigan establishes Statewide technical standards for all State information systems.

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, such as access authorizations. The Standard also requires separation of duties must be supported through defined system access authorizations, accounts should be reviewed annually to validate their continued need, and the information system to automatically disable inactive internal user accounts after 60 days. However, MDE requested and received an approved exception, which allows user accounts to not be disabled until after 18 months.

Cause

MDE's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Effect

Without effective user access controls, individuals may obtain or maintain 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 GEMS/MARS and NexSys.

Management Views

MDE agrees with the finding.

FINDING 2025-010

MDE, Change Management Process

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Education

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	2301MICDD 10/01/2022 - 09/30/2025 2301MICDF 10/01/2022 - 09/30/2025 2401MICDD 10/01/2023 - 09/30/2026 2401MICDF 10/01/2023 - 09/30/2026 2401MICDDM 10/01/2023 - 09/30/2025 2502MICDD 10/01/2024 - 09/30/2027 2502MICDF 10/01/2024 - 09/30/2027 2502MICDDM 10/01/2024 - 09/30/2027 2502MICDY 12/21/2024 - 09/30/2028 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507

Total COVID-19 Expenditures	\$5,260,821
Compliance Requirement(s)	Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-010
State Agencies	Michigan Department of Lifelong Education, Advancement, and Potential and Michigan Department of Education

Condition

MDE did not fully implement an effective change management process over NexSys. We sampled 11 NexSys change deployments and noted:

Control Weakness	Number (Percent) of Sample Items
MDE did not document testing results at one or more stages of process.	1 (9%)
MDE did not perform post-implementation validation.	1 (9%)

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.

Federal regulation 45 *CFR* 98.68 requires MiLEAP to describe in its CCDF State Plan the internal control in place to help ensure program integrity. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 describes specific procedures for program integrity and accountability, including program violations and administrative errors. Also, the CCDF State Plan provides specific requirements for child care assistance, which MiLEAP utilizes an information system for approving grant applications and authorizing payment requests for services. The State of Michigan establishes Statewide technical standards for all State information systems.

State of Michigan Administrative Guide to State Government policy 1340.00 establishes the configuration management standard and procedures to address the controls implemented within systems and organizations.

SOM Technical Standard 1340.00.060.04 requires the business owner to perform post-implementation validation. SOM Technical Procedure 1340.00.060.04.01 requires each test type to have its own set of documentation.

Cause

MDE informed us because of an oversight, it did not document the testing results and perform post-implementation validation.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDE partially agrees with the finding. MDE agrees that testing results were not fully documented. However, MDE does not agree that post-implementation validation could be performed. The scan-vulnerability process could not be performed in the production environment in this instance without significantly impacting system performance for users, making post-implementation validation infeasible.

Auditor's Comments to Management Views

MDE acknowledged it did not perform post-implementation validation in the production environment because it would significantly impact system performance. Contrary to MDE's views, not conducting post-implementation testing increases the risk of potential vulnerabilities or system failure, and testing is required by SOM technical standards. Further, MDE has indicated it plans to take some corrective action by evaluating alternative methods for post-implementation validation. During this evaluation, MDE could consider implementing alternative testing strategies to minimize operational disruptions, such as conducting vulnerability scans and deployments outside normal business hours.

Therefore, the finding stands as written.

FINDING 2025-011

MDHHS, Reporting - FFATA Reporting

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Reporting	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-011	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558	
Federal Award Identification Number (FAIN) and Year	2401MITANF	10/01/2023 - Until Expended
	2501MITANF	10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363	
Total COVID-19 Expenditures	\$0	

Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-011
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
Federal Award Identification Number (FAIN) and Year	2401MILIEA 10/01/2023 - 09/30/2025 2401MILIEI 10/01/2023 - 09/30/2025 2501MILIEA 10/01/2024 - 09/30/2026 2501MILIEI 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$182,970,948
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-011
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	2401MIFOST 10/01/2023 - 09/30/2024 2501MIFOST 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$96,733,934
Total COVID-19 Expenditures	\$(101,737)
Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Social Services Block Grant: ALN 93.667
Federal Award Identification Number (FAIN) and Year	2501MISOSR 10/01/2024 - 09/30/2026 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$124,808,402
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Reporting
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Reporting	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-011	
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 Federal Funding Accountability and Transparency Act (FFATA) of 2006. Our results are summarized by Assistance Listing Number (ALN) in the following tables:

ALN(s)	Number of		Number of Reports Submitted		
	Subawards Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Key Elements Missing or Inaccurate
93.775, 93.777, and 93.778	25	1	5	16	1
93.558	18	1	7	8	0
93.568	5	0	5	4	0
93.658	5	1	0	4	0
93.667	5	0	5	2	0
93.767	3	0	1	3	0
Total	61	3	23	37	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
93.775, 93.777, and 93.778	\$22,028,508	\$ 52,840	\$ 990,378	\$16,114,985	\$108,750
93.558	23,912,149	20,000,000	3,353,051	2,410,737	0
93.568	3,451,355	0	3,451,355	1,964,697	0
93.658	2,525,751	1,521,383	0	1,004,368	0
93.667	352,970	0	352,970	185,465	0
93.767	1,992,824	0	680,550	1,992,824	0
Total	\$54,263,557	\$21,574,223	\$8,828,304	\$23,673,076	\$108,750

We noted:

- a. MDHHS did not report any subaward information for 3 (5%) of 61 sampled subawards.

b. Of the 58 subawards in the FFATA Subaward Reporting System (FSRS), MDHHS did not:

- (1) Submit timely subaward information for 23 (40%) sampled subawards.
- (2) Submit the correct amount for 37 (64%) sampled subawards.
- (3) Report all key data elements for 1 (2%) sampled subaward.

Criteria

Federal regulation 2 *CFR* 170 implemented the FFATA requirements for reporting subaward information and requires MDHHS 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

MDHHS informed us it received fatal validation errors when submitting to the FSRS and the System for Award Management (SAM), which prevented subaward submissions. Other contributing factors include inaccurate Electronic Grants Administration and Management System (EGrAMS) account code and funding source fields, which impacted the query used to obtain certain FFATA data elements.

Effect

MDHHS grant information was not reported 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 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 it reports or accurately and timely reports all subaward information as required by FFATA.

Management Views

MDHHS agrees with the finding.

FINDING 2025-012

SNAP Cluster, ALN 10.551 and 10.561 and Summer Electronic Benefits Transfer Program for Children, ALN 10.646 - 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 and 10.561	
Federal Award Identification Number (FAIN) and Year	EBT - 2024	10/01/2023 - 09/30/2024
	EBT - 2025	10/01/2024 - 09/30/2025
	252MI100S2514	10/01/2024 - 09/30/2025
	252MI100S2519	10/01/2024 - 09/30/2025
	252MI100S2520	10/01/2024 - 09/30/2025

FAIN and Year (Continued)	252MI100S8026	10/01/2024 - 09/30/2025
	252MI100S8036	10/01/2024 - 09/30/2025
	252MI100S9018	10/01/2024 - 09/30/2025
	252MI122Q7503	10/01/2024 - 09/30/2025
	252MI123Q3903	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$3,323,860,823	
Total COVID-19 Expenditures	\$0	
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	

Federal Agency	U.S. Department of Agriculture	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Summer Electronic Benefits Transfer Program for Children: ALN 10.646	
Federal Award Identification Number (FAIN) and Year	25M1100N1175	10/01/2024 - 09/30/2025
	25M1100N1803	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$90,711,454	
Total COVID-19 Expenditures	\$0	
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 reviews System and Organization Controls* (SOC) reports for services provided by the State's electronic benefits transfer (EBT) service provider.

We noted MDHHS did not review and evaluate 2 of the 5 SOC reports received. Of the 3 reports reviewed, we noted MDHHS business area owners did not timely review one of the SOC reports received. For this SOC report, the business area owner completed its review 13 days past the required 60 days.

Criteria

Federal regulations 7 CFR 274.1(i)(1) and 7 CFR 292.16(a)(7) require states to establish procedures to monitor EBT benefit issuers to ensure their operations comply with SNAP and Summer EBT requirements, including the identification and correction of deficiencies, and to report any violations to the federal government. Also, federal regulations 7 CFR 274.1(i)(2) and 7 CFR 292.16(a)(7) require 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 Summer EBT. The SOC report must follow EBT guidance as indicated in various federal regulations and Appendix VIII of the U.S. Office of Management and Budget* (OMB) *Compliance Supplement* to the extent the guidelines relate to SNAP and Summer EBT benefits.

* See glossary at end of report for definition.

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 report its review of the SOC report within 60 days of receiving the SOC report.

Cause

MDHHS stated it did not review the 2 SOC reports because it determined the reports did not include key business process control activities; however, based on our review of the reports, MDHHS agreed the report included the relevant control activities. Also, for the one report not reviewed timely, MDHHS's internal control was not sufficient to ensure all appropriate parties timely complete their review 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 disallowance related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS ensure it reviews SOC reports for services provided by the State's EBT service provider.

Management Views

MDHHS agrees with the finding.

FINDING 2025-013

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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	2505MI5MAP - \$1,963
Repeat Finding	2024-012
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	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$3,719 2405MI5021 - \$ 219 2505MI5021 - \$3,500	
Repeat Finding	2024-012	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure or demonstrate compliance with federal laws and regulations relating to beneficiary eligibility for 11 (18%) of 60 Medicaid and 29 (48%) of 60 CHIP cases. Our review disclosed:

- a. MDHHS did not determine beneficiary eligibility in accordance with eligibility requirements for 5 (8%) of 60 Medicaid and 13 (22%) of 60 CHIP cases reviewed.
- b. MDHHS did not maintain case file documentation supporting the beneficiary eligibility determination; examples of documentation include MAGI-based income verification results, other income support, and signed applications for 5 (8%) of 60 Medicaid and 16 (27%) of 60 CHIP cases reviewed.
- c. MDHHS did not ensure Bridges contained the appropriate coverage termination date for 1 (2%) of 60 Medicaid cases reviewed.

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 regulations 42 *CFR* 435.914 and 42 *CFR* 457.965 require 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.

MDHHS Bridges Administrative Manual 300, The Case Record, indicates a case record includes documents and information related to a given case arranged in a series of packets and contained in a folder identified by a case name, grantee ID, or case number. A case record consists of both paper case records and electronic case files (ECF). The paper case record and ECF contain all forms, documents, and other evidence relevant to the group's current and past eligibility. Unless captured in Bridges, the case record must document the facts essential to the eligibility determination and actions taken by the local office regarding the case.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure MDHHS maintained or appropriately considered the required documentation in beneficiaries' case records to support eligibility determinations. Also, MDHHS informed us, due to a system issue, Bridges did not reflect the correct Medicaid coverage termination date for the case reviewed.

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 18% Medicaid and 48% 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$5,682 - federal share.
- \$2,117 - 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.

We further recommend MDHHS ensure Bridges contains the appropriate termination date for beneficiaries receiving Medicaid coverage.

Management Views

MDHHS agrees with the identified exceptions for parts a. and c. However, MDHHS disagrees that 2 Medicaid cases and 11 CHIP cases with MAGI determinations cited in part b. lacked documentation supporting the eligibility determination. The Centers for Medicare and Medicaid Services (CMS) has determined that a reasonable compatibility indicator can be used for CMS audit purposes to determine if the attested income information was electronically verified for modified adjusted gross income (MAGI) cases. For this reason, MDHHS disagrees that documentation was not maintained.

The State of Michigan MiIntegrate system communicates with various electronic state and federal trusted data sources and sends information from these sources, along with the beneficiaries' attested income, to the State of Michigan MAGI Rules Engine where the MAGI eligibility determination is made. As part of the MAGI eligibility determination, a reasonable compatibility test is completed to determine if beneficiary/applicant attested income is within a specified percentage of the trusted data sources or if the attested and verified income are below the threshold for the applicable program. The results of the MAGI eligibility determination are sent back to MiIntegrate using an Account Transfer (AT) packet that contains the results. MiIntegrate then communicates the results to the State of Michigan MAGI Viewer and Bridges using an AT packet and Bridges stores the AT packet number only that can be used to view the details of the AT packet within the State of Michigan MAGI Viewer. The version of the AT packet within the MAGI Viewer also contains a reasonable compatibility indicator that

documents the outcome of the reasonable compatibility test and supports the SOM MAGI Rules Engine eligibility decision.

MDHHS stores the AT packet information, including facts essential to the eligibility determination, within MiIntegrate and the MAGI viewer instead of Bridges to help protect and secure the federal income tax data and unemployment data used for the determination. The AT packet for each individual determination can be retrieved from the MAGI Viewer using the AT packet number stored in each beneficiary's case file within Bridges. MDHHS is not aware of any federal regulations that preclude MDHHS from storing this information in a separate, secure system to ensure appropriate data protection and access controls required by federal and State laws.

Auditor's Comments to Management Views

Regarding the MAGI beneficiary eligibility documentation cited in part b., the CMS's Payment Error Rate Measurement (PERM) Manual indicates if states use electronic verification to verify eligibility elements, an indicator should be in the eligibility system, i.e., Bridges, showing the State verified the element, including the result of the verification. Also, federal regulations 42 CFR 435.914 and 42 CFR 457.965 require MDHHS to maintain facts in the case file to support the eligibility determination. The AT packet number does not include the reasonable compatibility indicator. Therefore, it does not provide sufficient detail within the case file, defined by MDHHS as records captured in Bridges, to demonstrate MDHHS verified the income or the caseworker confirmed the result of the verification.

Therefore, the finding stands as written.

FINDING 2025-014

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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-013	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)	

Federal Award Identification Number (FAIN) and Year	2405MI5021 2505MI5021	10/01/2023 - 09/30/2025 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	Total Questioned Costs: \$896 2405MI5021 - \$0 (unduplicated amount - \$107 included in Finding 2025-013) 2505MI5021 - \$0 (unduplicated amount - \$789 included in Finding 2025-013)	
Repeat Finding	2024-013	
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.

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 \$19.3 million of CHIP medical payments to the Medicaid Cluster throughout fiscal year 2025.

However, we noted 4 of 5 sampled beneficiaries transferred to CHIP were not eligible for CHIP. They 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 to provide reasonable assurance the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Cause

MDHHS implemented a system change to correct eligibility classifications in Bridges for new cases but needed to complete a quarterly Medicaid to CHIP transfer during the audit period for existing cases. However, during the manual reclassification process, some cases were transferred from the Medicaid Cluster to CHIP in error.

Effect

MDHHS inappropriately transferred \$1,185 Medicaid Cluster expenditures to CHIP. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Also, of the \$19.3 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.

Known Questioned Costs

Federal regulation 2 *CFR* 200.516(a)(3) requires the auditor to report known questioned costs less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$896 - federal share of CHIP payments made to providers for ineligible CHIP beneficiaries, of which \$896 is questioned in Finding 2025-013.
- \$289 - 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.

Management Views

MDHHS agrees with the finding.

FINDING 2025-015

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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
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	2024-014	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
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	2024-014
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 relied on managed care organizations and other contracted entities to provide timely and complete ownership and disclosure information, including updates occurring during the contract period. MDHHS may not always receive notification from the entities when ownership or control changes occur, which can delay required updates to CHAMPS. In addition, limited staff resources affected the timeliness of completing all monitoring activities for MI Choice entities' provider networks, including verifying provider agreements were in place and required disclosures submitted.

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, 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 2025-016

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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Allowable Costs/Cost Principles; Cost Sharing (including Matching), Level of Effort, and Earmarking; 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 Finding	2024-015
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	2405MI5021 10/01/2023 - 09/30/2025 2505MI5021 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418
Total COVID-19 Expenditures	\$161,088
Compliance Requirement(s)	Allowable Costs/Cost Principles; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-015
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 reports (CMS-64 and CMS-21 reports).

We noted:

- a. MDHHS did not have adequate processes in place to ensure receivables recorded in its Adult Services Authorized Payments (ASAP) system were accurately reflected on the reports used for preparation of the CMS-64 report, which resulted in untimely reporting of \$716,757 of the federal share of overpayments.

- b. MDHHS did not ensure receivables entered into CHAMPS and ASAP, as a result of an overpayment due to fraud, waste, and abuse, were calculated using the correct federal medical assistance percentage (FMAP) rate for 3 (12%) of 25 Medicaid overpayments and 2 (40%) of 5 CHIP overpayments.

Criteria

Federal regulations 42 *CFR* 433.320 and 42 *CFR* 457.628 require MDHHS to refund the federal share of overpayments subject to recovery to CMS through a credit on its CMS-64 and CMS-21 reports. MDHHS must credit CMS with the federal share of overpayments subject to recovery on the earlier of the quarter in which the State recovers the overpayment from the provider or the quarter in which the one year period following discovery ends, if no recovery is received.

Cause

MDHHS informed us system issues and lack of sufficient communication within MDHHS contributed to the untimely reporting of overpayments and application of the incorrect FMAP rate.

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. Because of the unique circumstances of each overpayment, a projection of questioned costs cannot be reasonably estimated.

Recommendation

We recommend MDHHS accurately and timely report the federal share of fraud, waste, and abuse overpayments made to providers on the CMS-64 and CMS-21 reports.

Management Views

MDHHS agrees with the finding.

FINDING 2025-017

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

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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	
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	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
Compliance Requirement(s)	Allowable Costs/Cost Principles and Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS had not fully implemented effective CHAMPS provider screening controls over managed care organization (MCO) providers furnishing Medicaid and CHIP services.

Our query of 72,649 MCO providers with accepted encounter claims disclosed 1,815 (2%) providers were inactive in CHAMPS at the time of service. MCO rendering providers are only screened for adverse action, disbarment, or criminal convictions when the MCO billing provider has a Michigan address.

Criteria

Federal regulations 42 *CFR* 455.410, 42 *CFR* 455.436, and 42 *CFR* 457.990 require MDHHS to screen all ordering or referring physicians or other professionals rendering medical services and verify the provider information in federal databases. Provider screening, such as the List of Excluded Individuals/Entities and the Excluded Parties List System, is required to identify potentially ineligible medical providers.

Cause

MDHHS informed us because of an oversight, MCO rendering providers were not screened when the MCO billing provider had an out-of-state address.

Effect

MDHHS could not ensure only eligible MCO providers rendered medical services to Medicaid and CHIP beneficiaries. Also, failure to reject inaccurate MCO encounter data could affect the development of capitation rates. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS fully implement effective CHAMPS provider screening controls.

Management Views
MDHHS agrees with the finding.

FINDING 2025-018

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	2505MI5ADM 2505MI5MAP	10/01/2024 - 09/30/2025 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
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	2024-016	
State Agency	Michigan Department of Health and Human Services	

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Children's Health Insurance Program: ALN 93.767 and 93.767 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2405MI5021 2505MI5021	10/01/2023 - 09/30/2025 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$510,924,418	
Total COVID-19 Expenditures	\$161,088	
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	2024-016	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not ensure 2 of 8 sampled managed care entities' 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's internal control and monitoring activities were not sufficient to ensure all submitted MLR reports are completed in accordance with federal regulations.

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 2025-019

MARIS Change Management Process

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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Special Tests and Provisions - Medicaid Fraud Control Unit and Refunding of Federal Share of Medicaid Overpayments to Providers	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	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	2405MI5021	10/01/2023 - 09/30/2025
	2505MI5021	10/01/2024 - 09/30/2026

Total Expenditures of Federal Awards	\$510,924,418
Total COVID-19 Expenditures	\$161,088
Compliance Requirement(s)	Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers
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 MARIS. MDHHS staff use MARIS to track and investigate complaints alleging Medicaid and CHIP fraud, waste, or abuse. Our review disclosed MDHHS did not document post-implementation approvals for 1 of 3 sampled MARIS change records.

Criteria

Federal regulation 45 *CFR* 75.303 requires the auditee to establish and maintain effective internal control over federal awards to provide 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 establishes the configuration management standard and procedures to address the controls implemented within systems and organizations. SOM Technical Standard 1340.00.060.04 requires the business owner to perform post-implementation validation. SOM Technical Procedure 1340.00.060.04.01 requires each test type to have its own set of documentation.

Cause

MDHHS informed us it did not document the post-implementation validation because of the lack of a notification e-mail.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2025-020

Foster Care Title IV-E, ALN 93.658 and Adoption Assistance, ALN 93.659 - Accuracy of Financial Reports

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	2401MIFOST 10/01/2023 - 09/30/2024 2501MIFOST 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$96,733,934
Total COVID-19 Expenditures	\$(101,737)
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	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2501MIADPT 10/1/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$136,926,816
Total COVID-19 Expenditures	\$(9,377)
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 accurately report administrative costs on the Foster Care Title IV-E and Adoption Assistance quarterly financial reports (CB-496 reports) to the U.S. Department of Health and Human Services' (HHS's) Administration for Children and Families (ACF). MDHHS's Public Assistance Cost Allocation Plan (PACAP) describes the procedures used to identify, measure, and allocate all costs to each of its federal programs. Depending on various factors, MDHHS may not record these cost allocation transactions until after the quarterly financial report due dates. MDHHS's process is to report the cost allocation expenditures related to a prior quarter as current quarter claims in the subsequent CB-496 reports.

For all 2 Foster Care Title IV-E CB-496 sample reports and 2 Adoption Assistance CB-496 sample reports, we noted MDHHS included unreported cost allocation expenditures allocated to a previous quarter in the current quarter claims columns, resulting in overstating of the total and federal share of expenditures made in the current (claiming) quarter columns and understating the total and federal share of expenditure made in or allocated in the prior quarter adjustment columns. Our review disclosed:

- a. In the 2025 first quarter Foster Care Title IV-E CB-496 report, MDHHS reported fiscal year 2024 fourth quarter cost allocation related to in-placement administrative costs (lines 5, 6, and 7) in the current quarter claims columns, resulting in overstating the

current quarter claims total and federal share of expenditures (columns A and B) by \$30.5 million and \$15.2 million, respectively, and understating the prior quarter adjustment total and federal share of expenditures (columns C and D) by \$30.5 million and \$15.2 million, respectively.

- b. In the 2025 third quarter Foster Care Title IV-E CB-496 report, MDHHS reported fiscal year 2025 second quarter cost allocation related to in-placement administrative costs (lines 5, 6, and 7) in the current quarter claims columns, resulting in overstating the current quarter claims total and federal share of expenditures (columns A and B) by \$23.9 million and \$11.9 million, respectively, and understating the prior quarter adjustment total and federal share of expenditures (columns C and D) by \$23.9 million and \$11.9 million, respectively.
- c. In the 2025 second quarter Adoption Assistance CB-496 report, MDHHS reported fiscal year 2025 first quarter cost allocation related to administrative costs - agency (line 22) in the current quarter claims columns, resulting in overstating the current quarter claims total and federal share of expenditures (columns A and B) by \$8.6 million and \$4.3 million, respectively, and understating the prior quarter adjustment total and federal share of expenditures (columns C and D) by \$8.6 million and \$4.3 million, respectively.
- d. In the 2025 fourth quarter Adoption Assistance CB-496 report, MDHHS reported fiscal year 2025 third quarter cost allocation related to administrative costs - agency (line 22) in the current quarter claims columns, resulting in overstating the current quarter claims total and federal share of expenditures (columns A and B) by \$14.9 million and \$7.4 million, respectively, and understating the prior quarter adjustment total and federal share of expenditures (columns C and D) by \$14.9 million and \$7.4 million, respectively.

Criteria

Federal regulation 45 *CFR* 75.302(b)(2) requires grantees to submit accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements. Federal regulation 45 *CFR* 95.13(d) indicates when a state allocates administrative or training costs, the expenditures are considered to have been made in the quarter to which the costs were allocated in accordance with each program's regulations.

The reporting instructions include specific detail for reporting information, such as current quarter claims are expenditures made in or allocated to the current quarter being reported and prior quarter adjustments are expenditures made in or allocated to a previous quarter that were either unreported or incorrectly reported on an earlier report.

Cause

MDHHS's internal control was not sufficient to ensure accurate financial reports.

Effect

MDHHS may have diminished the federal grantor's ability to ensure appropriate oversight and monitoring of Foster Care Title IV-E and Adoption Assistance 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 report accurate administrative costs on the Foster Care Title IV-E and Adoption Assistance quarterly financial reports to ACF.

Management Views

MDHHS disagrees with the finding. The expenditures noted were recorded through MDHHS's normal, federally approved Public Assistance Cost Allocation Plan (PACAP) cost allocation process. As part of this process, certain administrative costs are not identifiable or allocable to federal programs until the allocation is completed. At that point, MDHHS recognizes these costs as expenditures in the CB-496 report in the quarter in which the allocation occurs and the costs are assigned to the grant. Consistent with this approach, MDHHS has historically reported these amounts as current quarter expenditures.

MDHHS previously consulted with the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF) on the appropriate use of the prior quarter adjustment column, and MDHHS was verbally instructed to no longer record these administrative costs as adjustments since this is part of the normal cost allocation process. ACF approves the CB-496 reports in the federal system and ensures the final award amount reconciles with the amounts reported. This approval process supports the reporting approach used by MDHHS is both consistent with prior guidance and accepted by ACF through its approval and award process.

Auditor's Comments to Management Views

In October 2021, MDHHS requested guidance via e-mail to ACF regarding the reporting of cost allocation expenditures on the CB-496 report. In this correspondence, MDHHS informed ACF it runs the quarterly cost allocation after the close of the quarter and since fiscal year 2018, when the State implemented its new accounting system, it reported cost allocation expenditures as prior quarter adjustments. MDHHS asked ACF if it would be acceptable to report these cost allocation expenditures as current quarter expenditures. The ACF regional grant management contact indicated it would be acceptable for maintenance payments, but it may not apply to administration cost under 45 *CFR* 95.13. ACF indicated it would discuss further. There was no further written communication from ACF. However, MDHHS indicated ACF "verbally instructed" MDHHS to "no longer record these administrative costs as adjustments".

Also, MDHHS documented its interpretation of 45 *CFR* 95.13, indicating "allocation determines the reporting quarter, not the date the original accounting entry is posted." However, this interpretation conflicts with federal regulation 45 *CFR* 95.13(d), which states expenditures for administration or training are considered to have been made "**in the quarter to which the costs were allocated** in accordance with the regulations for each program."

In addition, MDHHS documented its interpretation of the CB-496 instructions, stating "**prior-period adjustments are for corrections, not normal timing differences.**" MDHHS also identified actual payments or allowable cost items allocable to the program and indirect costs allocable in accordance with its cost allocation plan as key instructions. MDHHS believes the key instruction language "reinforces allocability, not posting date, determines the reporting period." However, this interpretation conflicts with the reporting instructions. The reporting instructions define current quarter claims as "expenditures made in or **allocated to** the 'Current (Claiming) Quarter' being reported" and prior quarter adjustments as "expenditures made in or **allocated to a previous quarter that were either unreported or incorrectly reported** on an earlier report."

Without documented correspondence between MDHHS and ACF, it is unclear if the regional grant management contact had all necessary information to assess MDHHS's procedures to report cost allocation expenditures on the CB-496 reports. Also, lack of written guidance limits MDHHS's assurance it obtained an opinion from a federal person with the authority to issue an opinion on behalf of ACF, thus ensuring consistent interpretation of federal regulations and reporting instructions.

While ACF reviews the submitted CB-496 reports, it has no way of knowing whether the expenditures reported are from prior periods unless it has requested the grantees provide supporting documentation, such as support of current expenditures, prior quarter adjustments, and other information reported on the form. During our audit period, ACF did not request this information. Further, the OMB *Compliance Supplement* identified existing compliance requirements which the federal government expects to be considered as part of an audit, including expecting the auditor to determine whether required reports include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with governing requirements. We have concluded these reports did not meet those requirements.

Therefore, the finding stands as written.

FINDING 2025-021

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - AASHTOWare Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Transportation

Condition

MDOT did not fully establish effective security management and access controls over AASHTOWare users. MDOT program staff utilize AASHTOWare to administer construction contracts and approve payments to contractors. We noted:

- a. MDOT did not fully review internal users on an annual basis.
- b. MDOT did not disable 88 (4%) of 2,287 users who had not accessed the application within 365 days for internal user accounts and 18 months for external user accounts as of September 30, 2025.

Our review disclosed:

- (1) For the 650 internal user accounts, 14 (2%) users had not logged into the application within 365 days, ranging from 1,399 to 4,597 days and 18 (3%) users had not logged in since access was granted.
- (2) For the 1,637 external user accounts, 56 (3%) users had not logged in since access was granted.

Criteria

Federal regulation 2 *CFR* 200.303 requires the auditee to establish and maintain effective internal control over federal awards that provides reasonable assurance 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 accounts to be reviewed annually to validate their continued need and the information system to automatically disable inactive internal user accounts after 60 days and inactive external user accounts after 18 months. However, MDOT has a documented business need to allow user access to remain enabled until 365 days of inactivity.

Cause

MDOT's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Effect

Without effective security management and access controls, individuals may maintain unauthorized or inappropriate access to AASHTOWare.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDOT agrees with the finding.

FINDING 2025-022

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Concur Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900	
Total COVID-19 Expenditures	\$1,469,412,900	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	Not Applicable	
State Agency	Michigan Strategic Fund	

Condition

The Michigan Strategic Fund (MSF), in conjunction with the Michigan Economic Development Corporation (MEDC), did not fully implement effective security management and access controls over Concur. MSF and MEDC program staff utilize Concur to approve subrecipient* reimbursement requests. We noted:

- a. MSF did not fully implement an effective annual recertification process of non-privileged and privileged accounts. MSF did not review active employees' user accounts to ensure users still require system access and the users' access was assigned in accordance with their job responsibilities.
- b. MSF did not disable 8 (11%) of 73 Concur user accounts able to approve invoices who did not access the application in over 60 days as of September 30, 2025. In 7 instances, users last logged in between 190 to 1,406 days prior and in the other instance, the user had not logged in since access was granted.

Criteria

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

MEDC Standard SECU.01.020.01 requires accounts to be reviewed annually to validate the necessity of all accounts and ensure data permissions assigned to each account are based on the principle of least privilege. The Standard also requires monthly reviews of accounts with no activity for 60 days and determine which inactive accounts should be disabled.

Cause

MSF informed us its current policy does not apply to Concur because of undocumented risk assessments. However, MSF, in conjunction with MEDC, did not document any exceptions to the policy for Concur.

Effect

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

* See glossary at end of report for definition.

Known Questioned Costs

None.

Recommendation

We recommend MSF, in conjunction with MEDC, fully implement effective security management and access controls over Concur.

Management Views

MSF agrees that Concur was not written as an exception in the identified policy, but disagrees that there is a control deficiency. MSF maintains effective controls within its control environment that effectively mitigate risks associated with exempting Concur from the identified policy and provide reasonable assurance MSF is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Auditor's Comments to Management Views

MSF believes it has reasonable assurance federal awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of federal awards. However, federal regulation 2 CFR 200.303 states internal control should align with the guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book) or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Appendix I of the Green Book requires management to document the results of risk assessments including identification, analysis, and response to risks. This includes documentation of the consideration of risks related to information security, which could impact the internal control system.

While MSF disagrees a control deficiency exists, it acknowledges it does not have a written exception identified in the referenced policy; it also does not have documentation of its risk assessment related to Concur security, which could impact the internal control system and the response to additional risks by exempting this information system from policy.

Therefore, the finding stands as written.

FINDING 2025-023

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - EGrAMS Security Management and Access Controls

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 03/0/2021 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0

Repeat Finding	Not Applicable
State Agency	Department of Labor and Economic Opportunity

Condition

The Department of Labor and Economic Opportunity (LEO) did not fully establish effective security management and access controls over EGrAMS users. LEO utilizes EGrAMS to approve subrecipient reimbursement requests. We noted:

- a. LEO did not maintain documentation to support the appropriate individual approved the system role for 4 of 6 sampled EGrAMS users, of which all 4 were external users.
- b. LEO did not establish a process to review internal user accounts on an annual basis.
- c. LEO did not disable 1,069 (76%) of 1,403 EGrAMS user accounts not accessing the application in over 60 days as of September 30, 2025, ranging from 62 to 838 days since last login.

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 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, such as access authorizations. The Standard also requires accounts to be reviewed annually to validate their continued need and the information system to automatically disable inactive user accounts after 60 days.

Cause

LEO's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend LEO fully establish effective security management and access controls over EGrAMS users.

Management Views
LEO agrees with the finding.

FINDING 2025-024

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - MiSSG Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Department of Lifelong Education, Advancement, and Potential

Condition

MiLEAP did not fully establish effective security management and access controls over the Michigan Student Aid Scholarships and Grants (MiSSG) users. MiLEAP program staff utilize MiSSG to administer Michigan Reconnect scholarships and approve payments to community colleges on behalf of Michigan students. We noted:

- a. MiLEAP did not maintain documentation for 2 of 7 sampled MiSSG access request forms.
- b. MiLEAP did not maintain sufficient documentation of its recertification review of internal 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 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, such as access authorization. The Standard also requires accounts to be reviewed annually to validate their continued need.

Cause

MiLEAP informed us internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies and procedures.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MiLEAP fully establish effective security management and access controls over MiSSG.

Management Views

MiLEAP agrees with the finding.

FINDING 2025-025

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - PTMS Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
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	2024-023
State Agency	Michigan Department of Transportation

Condition

MDOT did not fully establish effective security management and access controls over PTMS users. MDOT program staff utilize PTMS to approve subrecipient budget and payment requests. We noted MDOT did not maintain a sufficient audit trail to document the users' roles in place during the audit period. As a result, we were unable to isolate a population of users who received access to PTMS during fiscal year ending on September 30, 2025.

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 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 1340.00.040.01 requires the information system owner to ensure the logging of user access management activities, such as additions, modifications, and deletions of user accounts.

Cause

MDOT informed us, because of a system limitation, historical user access data was deleted when an existing user received a new role.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDOT agrees with the finding.

FINDING 2025-026

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Insufficient Respite Payment Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
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	2024-025
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not have sufficient controls in place to prevent or detect and correct payment errors made to respite grant recipients. We noted MDHHS did not review and approve respite grant payments subsequent to manual input into the Medical Services Administration Manual Payment System (MSAPay).

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.

Also, Subpart E of federal regulation 2 *CFR* 200 requires 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's internal control and monitoring activities were not sufficient to ensure it documented its review and approval of respite grant payments in MSAPay.

Effect

These deficiencies could potentially result in improper payments to recipients. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS improve its controls to prevent or detect and correct payment errors made to respite grant recipients.

Management Views

MDHHS agrees with the finding.

FINDING 2025-027

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring - Salesforce Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring
Type of Finding	Significant Deficiency

Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Michigan Strategic Fund

Condition

MSF, in conjunction with MEDC, did not fully implement effective security management and access controls over Salesforce. Program subrecipients utilize Salesforce to submit expenditure reports and reimbursement requests to MSF. Also, MEDC program staff utilize Salesforce to review and approve reimbursement requests. We noted:

- a. MSF did not fully implement an effective annual recertification process of non-privileged and privileged accounts. MSF did not review active employees' user accounts to ensure users still required access and the users' access was assigned privileges in accordance with their job responsibilities.
- b. MSF did not disable 14 (4%) of 347 Salesforce user accounts not accessing the application in over 60 days as of September 30, 2025, ranging from 117 to 2,128 days since last login.

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.

MEDC Standard SECU.01.020.01 requires accounts to be reviewed annually to validate the necessity of all accounts and data permissions assigned to each account are based on the principle of least privilege. The Standard also requires monthly reviews of accounts with no activity for 60 days to determine which inactive accounts should be disabled.

Cause

MSF informed us its current policy does not apply to Salesforce because of undocumented risk assessments. However, MSF, in conjunction with MEDC, did not document any exceptions to the policy for Salesforce.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend MSF, in conjunction with MEDC, fully implement effective security management and access controls over Salesforce.

Management Views

MSF agrees that Salesforce was not written as an exception in the identified policy, but disagrees that there is a control deficiency. MSF maintains effective controls within its control

environment that effectively mitigate risks associated with exempting Salesforce from the identified policy and provide reasonable assurance MSF is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Auditor's Comments to Management Views

MSF believes it has reasonable assurance federal awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of federal awards. However, federal regulation 2 CFR 200.303 states internal control should align with the guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book) or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Appendix I of the Green Book requires management to document the results of risk assessments including identification, analysis, and response to risks. This includes documentation of the consideration of risks related to information security, which could impact the internal control system.

While MSF disagrees a control deficiency exists, it acknowledges it does not have a written exception identified in the referenced policy; it also does not have documentation of its risk assessment related to Salesforce security, which could impact the internal control system and the response to additional risks by exempting this information system from policy.

Therefore, the finding stands as written.

FINDING 2025-028

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Procurement and Suspension and Debarment - Suspension and Debarment Process

Federal Agency	U.S. Department of the Treasury
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Coronavirus State and Local Fiscal Recovery Funds: ALN 21.027 (COVID-19)
Federal Award Identification Number (FAIN) and Year	SLFRP0127 03/03/2021 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Procurement and Suspension and Debarment
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Technology, Management, and Budget

Condition

DTMB did not have an adequate process to ensure the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) contractors who expected to receive more than \$25,000 were not suspended or debarred prior to contract execution or purchase order approval for 1 of 3 sampled contractors.

Criteria

Federal regulations 2 *CFR* 180.200, 2 *CFR* 180.220, and 2 *CFR* 180.300 require when DTMB enters into a covered transaction expecting to equal or exceed \$25,000, DTMB must verify the contractor, with whom it plans to do business, is not suspended or debarred. This can be accomplished by checking the federal website, collecting a certification, or adding a clause or condition to the covered transaction agreement.

Cause

DTMB informed us this error was due to an oversight in its process for verifying its contractors are not federally suspended or debarred.

Effect

An increased risk exists because DTMB could provide grant funds to suspended or debarred contractors. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None. We reviewed the federal website and noted this contractor was not suspended or debarred; therefore, we did not question the cost.

Recommendation

We recommend DTMB establish an adequate process to ensure CSLFRF contractors expected to receive more than \$25,000 are not suspended or debarred prior to contract execution or purchase order approval.

Management Views

DTMB agrees with the finding.

FINDING 2025-029

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Subrecipient Monitoring - MiGrants Security Management and Access Controls

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	Not Applicable
State Agency	Department of Natural Resources

Condition

The Department of Natural Resources (DNR) did not fully establish effective security management and access controls over MiGrants. DNR program staff utilize MiGrants to approve subrecipient reimbursement requests. We noted:

- a. DNR did not maintain documentation to support the appropriate individual approved the system role for 2 (8%) of 24 sampled MiGrants user accounts. Of the 22 user accounts reviewed, DNR did not ensure it properly approved 1 (5%) user account prior to granting access to MiGrants.
- b. DNR did not maintain documentation of its annual recertifications for 10 (91%) of 11 sampled internal MiGrants user accounts.
- c. DNR did not disable 219 (16%) of 1,391 MiGrants user accounts not accessing the application in over 60 days as of September 30, 2025, ranging from 61 to 363 days since last login.

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 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, such as access authorizations. The Standard also requires accounts should be reviewed annually to validate their continued need and the information system to automatically disable inactive user accounts after 60 days.

Cause

DNR's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend DNR fully establish effective security management and access controls over MiGrants.

Management Views

DNR agrees with the finding.

FINDING 2025-030

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Subrecipient Monitoring - Subaward Information

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-027
State Agency	Michigan Strategic Fund

Condition

MSF did not report to its subrecipients all subaward information as required by the Uniform Guidance. We noted MSF did not report one or more of the following for 3 of 4 sampled CSLFRF subrecipients: identification of whether the award is for research and development (R&D), indirect cost rate for the federal award, and an approved federally recognized indirect cost rate for the subrecipient.

Criteria

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

Cause

MSF incorrectly interpreted federal regulation notification requirements for two subrecipients. For the remaining subrecipient, MSF informed us staff turnover and limitations contributed to a delay in complete communication of required subaward information to current subrecipients.

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the federal requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MSF agrees with the finding.

FINDING 2025-031

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Subrecipient Monitoring - Subrecipient Audits

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 - 12/31/2026
Total Expenditures of Federal Awards	\$1,469,412,900
Total COVID-19 Expenditures	\$1,469,412,900
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-028
State Agencies	Department of Environment, Great Lakes, and Energy and Department of Natural Resources

Condition

The Department of Environment, Great Lakes, and Energy (EGLE) and DNR did not properly monitor their subrecipients to ensure they complied with the Uniform Guidance. We noted:

- a. EGLE did not appropriately identify or document if its subrecipients required a single audit for 7 (27%) of 26 sampled subrecipients. We reviewed the federal audit clearinghouse (FAC) and noted 5 of the 7 subrecipients had single audit reports submitted to the FAC in fiscal year 2025 and one required a management decision letter on its findings.
- b. DNR did not appropriately identify or document if the subrecipients required a single audit for 5 of 8 sampled subrecipients. Therefore, DNR did not monitor these subrecipients to ensure the status or submission of their single audit reports, if applicable. For these five subrecipients, we reviewed the FAC and noted the subrecipients did not submit a single audit report to the FAC during fiscal year 2025.

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 the pass-through entity 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

For part a., EGLE informed us its subrecipient expenditure query was limited to only EGLE expenditure data because of an oversight, which prevented the identification of all subrecipients exceeding the single audit threshold.

For part b., DNR informed us its subrecipient expenditure query did not include sufficient CSLFRF coding because of an oversight, which prevented the identification of all CSLFRF subrecipients.

Effect

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

Known Questioned Costs

None.

Recommendation

We recommend EGLE and DNR properly monitor their subrecipients to ensure they comply with the Uniform Guidance.

Management Views

EGLE and DNR agree with the finding.

FINDING 2025-032

CCDF Cluster, ALN 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking - Client Eligibility

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596	
Federal Award Identification Number (FAIN) and Year	2301MICCDD	10/01/2022 - 09/30/2025
	2301MICCDF	10/01/2022 - 09/30/2025
	2401MICCDD	10/01/2023 - 09/30/2026
	2401MICCDF	10/01/2023 - 09/30/2026
	2401MICCDM	10/01/2023 - 09/30/2025
	2502MICCDD	10/01/2024 - 09/30/2027
	2502MICCDF	10/01/2024 - 09/30/2027
	2502MICCDM	10/01/2024 - 09/30/2027
	2502MICCDY	12/21/2024 - 09/30/2028
	2501MITANF	10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507	
Total COVID-19 Expenditures	\$5,260,821	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	2502MICCDD - \$431	
Repeat Finding	2024-033	
State Agencies	Michigan Department of Lifelong Education, Advancement, and Potential and Michigan Department of Health and Human Services	

Condition

MiLEAP and MDHHS did not ensure compliance with federal laws and regulations relating to client eligibility for CCDF Cluster child care payments for 2 (3%) of the 60 cases we reviewed.

In both instances, MDHHS case record documentation was inconsistent with client eligibility information entered in Bridges. For these cases, the authorized hours of care in Bridges exceeded the client's documented need for hours of child care services.

Criteria

Federal regulation 45 *CFR* 98.20 provides eligibility requirements for child care services and permits MiLEAP 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 MiLEAP identify child care eligibility requirements in its CCDF State Plan. MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 provides specific requirements for client, child, and provider eligibility. Also, CCDF program policy deems clients are either income eligible or categorically eligible if they participate in certain other programs such as foster care. The client's income or categorical eligibility determines the client's level of benefits, and the child must be assigned to an eligible provider.

Federal regulation 45 *CFR* 98.55 allows states to claim expenditures to be matched at the FMAP 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 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 all required verification documentation in the client's case record to support eligibility.

Effect

MiLEAP may have made payments on behalf of ineligible clients. 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$431 - federal share.
- \$231 - State share of costs MiLEAP inappropriately used as matching.

Recommendation

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

Management Views

MiLEAP and MDHHS agree with the finding.

FINDING 2025-033

CCDF Cluster, ALN 93.575 and 93.596, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including 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	Not Applicable
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596
Federal Award Identification Number (FAIN) and Year	2301MICCDD 10/01/2022 - 09/30/2025 2301MICCDF 10/01/2022 - 09/30/2025 2401MICCDD 10/01/2023 - 09/30/2026 2401MICCDF 10/01/2023 - 09/30/2026 2401MICCDM 10/01/2023 - 09/30/2025 2502MICCDD 10/01/2024 - 09/30/2027 2502MICCDF 10/01/2024 - 09/30/2027 2502MICCDM 10/01/2024 - 09/30/2027 2502MICCDY 12/21/2024 - 09/30/2028 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507
Total COVID-19 Expenditures	\$5,260,821
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Health and Safety Requirements
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-034
State Agency	Michigan Department of Lifelong Education, Advancement, and Potential

Background

For fiscal year 2025, MiLEAP was responsible for performing on-site inspections and licensing of child care providers. MiLEAP completed 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

MiLEAP did not ensure inspections to support child care providers were performed in accordance with applicable health and safety requirements to be eligible for CCDF Cluster payments.

Our review of 53 sampled licensed providers for the CCDF Cluster payments disclosed:

- a. MiLEAP did not perform annual on-site inspections for 2 (4%) licensed providers.
- b. MiLEAP did not ensure timely annual on-site inspections for 3 (6%) licensed providers. We noted MiLEAP performed the on-site inspections ranging from 14 to 23 months after the last on-site inspection.

Criteria

Federal regulation 45 *CFR* 98.41 states the lead agency (MiLEAP) shall have in effect, under State, local, or tribal law, requirements designed, implemented, and enforced to protect the

health and safety of children and provide the minimum health and safety topics applicable to child care providers of services. The regulation also allows for MiLEAP 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* 98.42(b)(2) states MiLEAP 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. MiLEAP 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 MiLEAP's CCDF State Plan for Federal Fiscal Years 2025-2027 provides the State's standards and monitoring processes to ensure providers meet health and safety requirements in the federal regulations.

Cause

MiLEAP informed us limited resources and transition to a new system impacted the timeliness of some inspections.

Effect

MiLEAP may not have identified the child care providers potential noncompliance with all applicable health and safety requirements in a timely manner, resulting in potential improper payments to providers. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MiLEAP ensure inspections to support child care providers are performed in accordance with applicable health and safety requirements to be eligible for CCDF Cluster payments.

Management Views

MiLEAP agrees with the finding.

FINDING 2025-034

CCDF Cluster, ALN 93.575 and 93.596, Reporting - FFATA Reporting

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596	
Federal Award Identification Number (FAIN) and Year	2301MICDD	10/01/2022 - 09/30/2025
	2301MICDF	10/01/2022 - 09/30/2025
	2401MICDD	10/01/2023 - 09/30/2026
	2401MICDF	10/01/2023 - 09/30/2026
	2401MICDM	10/01/2023 - 09/30/2025
	2502MICDD	10/01/2024 - 09/30/2027
	2502MICDF	10/01/2024 - 09/30/2027
	2502MICDM	10/01/2024 - 09/30/2027

FAIN and Year <i>(Continued)</i>	2502MICCDY 2501MITANF	12/21/2024 - 09/30/2028 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$536,441,507	
Total COVID-19 Expenditures	\$5,260,821	
Compliance Requirement(s)	Reporting	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-035	
State Agency	Michigan Department of Lifelong Education, Advancement, and Potential	

Condition

MiLEAP did not ensure it timely reported CCDF Cluster subaward information as required by FFATA. We reviewed five subawards totaling \$7,687,446 and noted MiLEAP did not timely report any subaward information.

Criteria

Federal regulation 2 *CFR* 170 implemented FFATA requirements for reporting subaward information and requires MiLEAP 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

MiLEAP informed us because of an oversight and the transfer of the reporting procedures to a new agency, it did not timely report the subaward information.

Effect

MiLEAP grant information was not timely 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 MiLEAP ensure it timely reports CCDF Cluster subaward information as required by FFATA.

Management Views

MiLEAP agrees with the finding.

FINDING 2025-035

CCDF Cluster, ALN 93.575 and 93.596, Subrecipient Monitoring - Subaward Information

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	CCDF Cluster: ALN 93.575, 93.575 (COVID-19), and 93.596	
Federal Award Identification Number (FAIN) and Year	2301MICCDD 2301MICCDF	10/01/2022 - 09/30/2025 10/01/2022 - 09/30/2025

FAIN and Year <i>(Continued)</i>	2401MICCDD	10/01/2023 - 09/30/2026
	2401MICCDF	10/01/2023 - 09/30/2026
	2401MICCDM	10/01/2023 - 09/30/2025
	2502MICCDD	10/01/2024 - 09/30/2027
	2502MICCDF	10/01/2024 - 09/30/2027
	2502MICCDM	10/01/2024 - 09/30/2027
	2502MICCDY	12/21/2024 - 09/30/2028
	2501MITANF	10/01/2024 - Until Expended
	Total Expenditures of Federal Awards	\$536,441,507
Total COVID-19 Expenditures	\$5,260,821	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-036	
State Agency	Michigan Department of Lifelong Education, Advancement, and Potential	

Condition

MiLEAP did not report to its subrecipients all subaward information as required by the Uniform Guidance. We noted MiLEAP did not report the unique entity identifier (UEI), FAIN, federal awarding agency name, ALN title, and identification of whether the award was R&D for all five sampled CCDF Cluster subawards.

Criteria

Federal regulation 45 *CFR* 75.352(a) requires all pass-through entities ensure every subaward includes certain information.

Cause

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

Effect

Subrecipients and their auditors may not be aware of the federal award information needed to ensure compliance with the federal requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MiLEAP agrees with the finding.

FINDING 2025-036

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking - MiAIMS User Access

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	2505MI5ADM 2505MI5MAP	10/01/2024 - 09/30/2025 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including 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 effective user access controls over MiAIMS. We noted MDHHS did not always request users to complete their annual recertification for 1 (3%) of 35 sampled non-privileged users. Therefore, MDHHS did not review this user to ensure the appropriateness of their access to MiAIMS.

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.

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, such as the principle of least privilege. The Standard also requires accounts to be reviewed annually to validate their continued need and accounts should be removed in accordance with agency policy and procedures.

MDHHS MiAIMS policy indicates the Database Security Application (DSA) automatically generates a renewal form for non-privileged users. The users complete the forms and the authorized approvers review the forms. When users are not reauthorized within 45 days, DSA will send notifications to the system administrator and create a removal access form for those users.

Cause

MDHHS informed us the user did not complete their annual recertification because of staff oversight.

Effect

Without effective user access controls, individuals may maintain unauthorized or inappropriate access to MiAIMS. As a result, an increased risk exists where MDHHS cannot ensure the security of the MiAIMS application.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS fully implement effective user access controls over MiAIMS.

Management Views

MDHHS agrees with the finding.

FINDING 2025-037

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking - Transitional Medicaid 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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2505MI5MAP - \$11,854,227
Repeat Finding	2024-039
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not ensure renewals were processed on a timely basis for beneficiaries receiving transitional medical assistance Medicaid coverage.

Our query of 20,166 Medicaid beneficiaries receiving transitional medical assistance for more than 13 months disclosed 16,682 (83%) beneficiaries continued to receive improper benefit payments after the transitional eligibility period ended.

Criteria

In accordance with federal regulation 42 *CFR* 435.10, MDHHS's Medicaid State Plan specifies it provides extended medical coverage for up to 12 months to families with dependent children

terminated solely because of earnings, hours of employment, or loss of earned income disregards (although the provision expired in 1998, this is still permitted according to federal law 42 USC 1396r-6). Also, MDHHS developed policies and procedures related to the "transitional medical assistance" Medicaid coverage eligibility group providing coverage for up to 12 months.

MDHHS elected to exercise the option extended to the states, by CMS, to delay procedural disenrollments for beneficiaries for one month while the State conducts targeted outreach for renewals initiated through June 30, 2025. This strategy, offered by CMS, assists the states during the process of returning to normal operations following the expiration of the continuous enrollment condition in place during the public health emergency (PHE). Our review did not include beneficiaries who had accumulated 13 months of transitional medical assistance because of the above provision.

Cause

MDHHS informed us there was a breakdown of internal processes causing the delay in timely termination of some beneficiaries within the transitional medical assistance Medicaid eligibility group.

Effect

MDHHS paid Medicaid providers \$18,200,871 during fiscal year 2025 on behalf of 16,682 beneficiaries in the transitional Medicaid eligibility group for medical services provided after the allowed 13-month transitional period had expired. The 16,682 beneficiaries received an average of 108 additional transitional Medicaid coverage days, ranging from 28 to 1,826 days. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$11,854,227 - federal share.
- \$6,346,644 - State share of costs MDHHS inappropriately used as matching.

Recommendation

We recommend MDHHS ensure renewals are processed on a timely basis for beneficiaries receiving transitional medical assistance Medicaid coverage.

Management Views

MDHHS agrees with the finding.

FINDING 2025-038

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including 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	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	

Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2505MI5MAP - \$2,155
Repeat Finding	2024-040
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 \$3,277 for 19 (63%) of 30 payments sampled from a \$2,159,524 population of beneficiary payments with no corresponding Medicaid coverage.

Criteria

Federal regulation 42 *CFR* 435.1002(b) indicates federal funding is available only for services provided to eligible beneficiaries.

Cause

MDHHS informed us that because of system issues in Bridges, inaccurate eligibility information from Bridges was interfaced into CHAMPS, resulting in beneficiaries appearing eligible in CHAMPS in error and payments being processed based on that eligibility. Outstanding system defect fixes remain unresolved at this time, primarily because of competing priorities and resource constraints within MDHHS and DTMB.

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 less than \$25,000 if it is likely total questioned costs exceed \$25,000.

- \$2,155 - federal share of payments made to providers on behalf of ineligible beneficiaries.
- \$1,122 - State share of payments made to providers on behalf of ineligible beneficiaries.

Recommendation

We recommend MDHHS ensure beneficiary eligibility is updated in CHAMPS.

Management Views

MDHHS agrees with the finding.

FINDING 2025-039

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including 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	2505MI5ADM 2505MI5MAP	10/01/2024 - 09/30/2025 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	2505MI5MAP - \$77	
Repeat Finding	2024-041	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not prevent or timely recover payments, totaling \$118, for 2 (13%) of 15 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 140 prohibits payment for HHP services on days a client is unavailable because of hospitalization, except the caregiver may receive payment of HHP services on the day a client is admitted to a hospital if HHP services were completed before the time the client was admitted to the hospital. Also, ASM Section 140 allows payment for HHP services on the day a client is discharged from the hospital.

Cause

MDHHS informed us the monthly Home Help Hospitalization reports excluded some overlapping HHP services and hospitalizations because of timing differences between the report run dates and the weekly schedule updates of CHAMPS hospitalization data.

Effect

MDHHS paid a total of \$118 from October 1, 2024 through September 30, 2025 for sampled clients who did not qualify for 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$77 - federal share of amounts paid for HHP services while sampled clients were hospitalized.
- \$41 - State share of costs MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2025-040

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Allowable Costs/Cost Principles and Cost Sharing (including 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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Allowable Costs/Cost Principles and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2505MI5MAP - \$550,094
Repeat Finding	2024-043
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 \$760,516 for 10,984 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 applying 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 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 \$760,516 from October 1, 2024 through September 30, 2025. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$550,094 - federal share of improper payments made to providers from October 1, 2024 through September 30, 2025.
- \$210,422 - State share of costs MDHHS inappropriately used as matching.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2025-041

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Cost Sharing (including Matching), Level of Effort, and Earmarking - Medical Records

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Medicaid Cluster: ALN 93.775, 93.777, 93.778, and 93.778 (COVID-19)	
Federal Award Identification Number (FAIN) and Year	2505MI5ADM	10/01/2024 - 09/30/2025
	2505MI5MAP	10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841	
Total COVID-19 Expenditures	\$(12,853,546)	
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Cost Sharing (including Matching), Level of Effort, and Earmarking	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	2505MI5MAP - \$107	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS was unable to provide medical records to support 1 of 3 selected Medicaid FFS claims.

Criteria

Federal law 42 USC 1396a(a)(78) requires providers to be enrolled with the state before providing medical assistance on an FFS basis. When enrolling, providers agree to keep any records necessary to disclose the extent of services the provider furnishes to beneficiaries. Also, State law requires licensed providers to keep and maintain medical records for a minimum of seven years.

Cause

MDHHS informed us it places heavy reliance on the provider maintaining appropriate documentation for services provided because post-payment review processes do not validate all provider documentation requirements.

Effect

Without medical records, MDHHS is unable to demonstrate the services actually occurred or were medically necessary. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

Federal regulation 2 CFR 200.516(a)(3) requires the auditor to report known questioned costs less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$107 - federal share of the payment made for services not supported by a medical record.
- \$57 - State share of costs MDHHS inappropriately used as matching.

Recommendation

We recommend MDHHS ensure providers maintain medical records to support Medicaid FFS claims.

Management Views

MDHHS agrees with the finding.

FINDING 2025-042

Medicaid Cluster, ALN 93.775, 93.777, and 93.778, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Benefits Monitoring Program

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	2505MI5ADM 10/01/2024 - 09/30/2025 2505MI5MAP 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$20,048,815,841
Total COVID-19 Expenditures	\$(12,853,546)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cost Sharing (including Matching), Level of Effort, and Earmarking; and Special Tests and Provisions - Utilization Control
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 notification of and placement reviews for Medicaid beneficiaries enrolled in the Benefits Monitoring Program (BMP) were conducted in a timely manner. Our review disclosed:

- a. MDHHS did not ensure the MHP timely notified beneficiaries of their enrollment in BMP for 1 (4%) of 23 sampled Medicaid beneficiaries. The MHP notified the beneficiary 15.2 months after the initial enrollment.
- b. MDHHS did not complete timely placement reviews for 4 (24%) of 17 sampled Medicaid beneficiaries who participated in BMP a minimum of 24 months. For these 4 beneficiaries, the placement reviews were late between 1.2 and 6.7 months, averaging 4.6 months.

Criteria

Federal regulations 42 *CFR* 456.3(a) and 42 *CFR* 456.4 require MDHHS to implement and monitor a statewide surveillance and utilization control program, which includes safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments. MDHHS Medicaid Provider Manual (Beneficiary Eligibility Chapter, Section 8) indicates, prior to enrollment, the beneficiaries receive a BMP enrollment notification letter detailing the findings, enrollment effective date, instructions on the selection of providers, and how to file an appeal. The Medicaid Provider Manual also indicates beneficiaries found to engage in misutilization are placed in BMP for a minimum of 24 months and MDHHS shall review these placements at least once every 24 months.

Cause

For part a., MDHHS's monitoring activities were not sufficient to ensure the MHPs adhered to the MDHHS Medicaid Provider Manual. MDHHS informed us an oversight by the Health Plan BMP care managers resulted in the late enrollment notification provided to the beneficiary.

For part b., MDHHS informed us the beneficiaries moved from an MHP to FFS during fiscal year 2025, and MDHHS's review of the enrolled research reports did not identify it was now responsible for these beneficiaries' BMP placement reviews instead of the MHP.

Effect

Beneficiaries not notified of enrollment in BMP do not have the opportunity to appeal the findings and select their authorized providers, which could hinder the beneficiaries' utilization of Medicaid services. Also, MDHHS may not have identified if the beneficiaries' utilization patterns continue to demonstrate potential overutilization and/or misutilization of their Medicaid benefits in a timely manner, thus, potentially increasing unnecessary Medicaid costs. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend MDHHS ensure the timely notification of and placement reviews for Medicaid beneficiaries enrolled in BMP.

Management Views

MDHHS agrees with the finding.

FINDING 2025-043

Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Non-Financial Eligibility Documentation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558
Federal Award Identification Number (FAIN) and Year	2401MITANF 10/01/2023 - Until Expended 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2501MITANF - \$462
Repeat Finding	2024-045
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not obtain or maintain sufficient non-financial case record documentation, such as completed application forms, verifications to support the age and relationship of the children to the adult on the case record, and support for timely completion of the Family Automated Screening Tool to support client eligibility for 5 (20%) of 25 sampled TANF-funded assistance payments.

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.

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 applying to both the federal award and other activities of the state.

Cause

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

Effect

MDHHS may have made TANF-funded assistance payments to ineligible clients. 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$462 - federally funded.

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 2025-044

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

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558	
Federal Award Identification Number (FAIN) and Year	2401MITANF	10/01/2023 - Until Expended
	2501MITANF	10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility	
Type of Finding	Significant Deficiency and Noncompliance	
Known Questioned Costs by FAIN	2501MITANF - \$587	
Repeat Finding	Not Applicable	
State Agency	Michigan Department of Health and Human Services	

Condition

MDHHS did not timely consider a child's circumstances to ensure the child met eligibility requirements for 1 of 5 sampled, TANF-funded, emergency foster care case records. Our review disclosed the child met Foster Care Title IV-E program requirements, therefore did not meet TANF eligibility requirements.

Criteria

MDHHS's TANF State Plan allows MDHHS to use TANF funds for emergency foster care only if such care cannot be provided under Title IV-E. ACF's TANF Program Policy Questions and Answers indicate states may not use federal TANF or State maintenance of effort funds to take the place of any foster care maintenance payments provided under the federal foster care program.

In addition, Subpart E of federal regulation 45 *CFR* 75 requires costs charged to federal programs 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 applying to both the federal award and other activities of the State.

Cause

MDHHS's internal control was not sufficient to review and approve the fund source reconciliation within the same fiscal year as the TANF eligibility requirements were redetermined and the child became Title IV-E eligible.

Effect

MDHHS may have made emergency foster care payments on behalf of a child who did not qualify for TANF federal reimbursement. 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$587 - federally funded.

Recommendation

We recommend MDHHS timely consider a child's circumstances to ensure the child meets TANF eligibility requirements.

Management Views

MDHHS agrees with the finding.

FINDING 2025-045

Temporary Assistance for Needy Families, ALN 93.558, Subrecipient Monitoring - Risk Assessments

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558	
Federal Award Identification Number (FAIN) and Year	2401MITANF	10/01/2023 - Until Expended
	2501MITANF	10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-047	
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 MDHHS did not complete a risk assessment to determine the type of monitoring appropriate for 1 of 4 sampled subrecipients.

Criteria

Federal regulation 45 *CFR* 75.352(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 related to the subaward.

Cause

MDHHS informed us it did not complete the risk assessment because of staff oversight and because this was the first year TANF funded the grant.

Effect

Insufficient monitoring 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 2025-046

Temporary Assistance for Needy Families, ALN 93.558, Special Tests and Provisions - Child Support Non-Cooperation

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Temporary Assistance for Needy Families: ALN 93.558
Federal Award Identification Number (FAIN) and Year	2401MITANF 10/01/2023 - Until Expended 2501MITANF 10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$591,733,363
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Special Tests and Provisions - Child Support Non-Cooperation
Type of Finding	Significant Deficiency
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-048
State Agency	Michigan Department of Health and Human Services

Condition

MDHHS did not appropriately and timely sanction TANF families who did not cooperate with establishing paternity and child support orders in 6 (15%) of the 40 sampled case records. MDHHS uses an automated interface between the Michigan Child Support Enforcement System and Bridges to identify and sanction TANF families not cooperating with establishing paternity and child support orders.

We noted:

- a. In 5 of the 6 cases, the automated interface identified the TANF family was not cooperating, but the benefits did not stop, and the clients' case records did not contain evidence the clients met good cause criteria for not cooperating.
- b. In 1 of the 6 cases, the TANF family cooperated within the negative action period; however, the family was inappropriately sanctioned and benefits were stopped.

Criteria

Federal regulation 45 *CFR* 264.30 states MDHHS must deduct an amount equal to not less than 25% from the TANF-funded assistance that would otherwise be provided to the family of the individual or may deny the family any TANF-funded assistance. MDHHS's TANF State Plan states failure to cooperate in establishing paternity and pursuing child support for dependent children will result in TANF client ineligibility for a one month minimum.

Cause

MDHHS's internal control was not sufficient to ensure the accurate application of TANF non-cooperation sanctions in five identified cases. In one case, MDHHS did not ensure Bridges appropriately excluded a TANF non-cooperation sanction.

Effect

MDHHS may have inappropriately paid TANF funds to individuals who were ineligible because of failure to comply with child support requirements. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

We recommend MDHHS appropriately and timely sanction TANF families who do not cooperate with establishing paternity and child support orders.

We also recommend MDHHS not sanction TANF families who timely cooperate with establishing paternity and child support orders.

Management Views

MDHHS agrees with the finding.

FINDING 2025-047

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring - Salesforce 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	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566	
Federal Award Identification Number (FAIN) and Year	2205MIRSSS	10/01/2021 - 09/30/2025
	2305MIRSSS	10/01/2022 - 09/30/2026

FAIN and Year (Continued)	2405MIRCMA 2405MIRSSS 2505MIRCMA 2505MIRSSS	10/01/2023 - 09/30/2025 10/01/2023 - 09/30/2026 10/01/2024 - 09/30/2026 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring	
Type of Finding	Significant Deficiency	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-049	
State Agency	Department of Labor and Economic Opportunity	

Condition

LEO did not fully establish effective security management and access controls over the Salesforce users. Program subrecipients utilize Salesforce to submit performance data, contract budgets, and expenditure submissions related to refugee resettlement. Also, LEO program staff utilize Salesforce to manage subgrants and review and approve subrecipient contract budgets and payment requests. We noted:

- a. LEO did not establish a process to review internal user accounts on an annual basis.
- b. LEO did not disable users who had not accessed the application within 60 days for internal user accounts and 18 months for external user accounts. Our review disclosed 1 (4%) of 26 internal user accounts had not been accessed in 189 days as of September 30, 2025. Also, 14 (4%) of 330 external user accounts had not been accessed in over 18 months as of September 30, 2025, ranging from 20 to 57 months since last login.

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.

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 accounts should be reviewed annually to validate their continued need and the information system to automatically disable inactive internal user accounts after 60 days and inactive external user accounts after 18 months.

Cause

LEO's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Effect

Without effective user access controls, individuals may maintain unauthorized or inappropriate access to Salesforce. As a result, an increased risk exists where LEO cannot ensure the

security of the Salesforce application and data used to issue payments to subrecipients of federal awards.

Known Questioned Costs

None.

Recommendation

We recommend LEO fully establish effective security management and access controls over Salesforce users.

Management Views

LEO agrees with the finding.

FINDING 2025-048

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Assistance to Ineligible Refugees

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566
Federal Award Identification Number (FAIN) and Year	2205MIRSSS 10/01/2021 - 09/30/2025 2305MIRSSS 10/01/2022 - 09/30/2026 2405MIRCMA 10/01/2023 - 09/30/2025 2405MIRSSS 10/01/2023 - 09/30/2026 2505MIRCMA 10/01/2024 - 09/30/2026 2505MIRSSS 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	2505MIRCMA - \$1,163
Repeat Finding	2024-050
State Agencies	Department of Labor and Economic Opportunity and Michigan Department of Health and Human Services

Condition

LEO and MDHHS did not ensure compliance with federal laws and regulations to support continuous client eligibility requirements. Our review disclosed MDHHS did not maintain sufficient documentation to support the clients met mandatory work requirements for 16 (43%) of 37 sampled refugee cash assistance payments.

Criteria

Federal regulation 45 *CFR* 400.75(a) requires eligible refugees receiving refugee cash assistance must not, without good cause, fail or refuse to meet the work registry requirements. Also, federal regulation 45 *CFR* 400.28 requires MDHHS provide for the maintenance of operational records as are necessary for federal monitoring of the State's REAP.

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.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure MDHHS maintained or appropriately considered the required verification documentation in clients' case records to support registration and mandatory work requirements.

Effect

We consider this to be a material weakness and material noncompliance because MDHHS may have provided assistance to 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$1,163 - federal share.

Recommendation

We recommend LEO and MDHHS maintain documentation to support client eligibility in accordance with eligibility requirements.

Management Views

LEO and MDHHS agree with the finding.

FINDING 2025-049

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Reporting - FFATA Reporting

Federal Agency	U.S. Department of Health and Human Services	
Pass-Through Entity	Not Applicable	
Assistance Listing Title and Number	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566	
Federal Award Identification Number (FAIN) and Year	2205MIRSSS	10/01/2021 - 09/30/2025
	2305MIRSSS	10/01/2022 - 09/30/2026
	2405MIRCMA	10/01/2023 - 09/30/2025
	2405MIRSSS	10/01/2023 - 09/30/2026
	2505MIRCMA	10/01/2024 - 09/30/2026
	2505MIRSSS	10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Reporting	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	
Repeat Finding	2024-052	
State Agency	Department of Labor and Economic Opportunity	

Condition

LEO did not ensure it reported or timely reported all REAP subaward information as required by the FFATA of 2006. Our results are summarized in the following table:

Number of		Number of Reports Submitted		
Subawards Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Key Elements Missing or Inaccurate
20	2	14	0	0

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
\$11,266,411	\$2,231,706	\$8,524,705	\$ 0	\$ 0

We noted LEO did not report any subaward information for 2 (10%) of 20 sampled subawards. Of the 18 subawards in SAM, LEO did not timely submit subaward information for 14 (78%) sampled subawards.

Criteria

Federal regulation 2 *CFR* 170 implemented FFATA requirements for reporting subaward information and requires LEO 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

LEO informed us it relied on a query process that failed to account for substantial delays between the time a subaward was signed by both parties and when it was entered and fully approved in SIGMA, which adversely impacted its ability to complete or timely complete FFATA reporting.

Effect

LEO grant information was not reported or timely available for public access through the federal website established to improve transparency of governmental spending. We consider this to be a material weakness and material noncompliance because of the amount of subawards not reported. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend LEO ensure it reports or timely reports all REAP subaward information as required by FFATA.

Management Views

LEO agrees with the finding.

FINDING 2025-050

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Subrecipient Monitoring - Subrecipient Audits and Subaward Information

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Refugee and Entrant Assistance State/Replacement Designee Administered Programs: ALN 93.566
Federal Award Identification Number (FAIN) and Year	2205MIRSSS 10/01/2021 - 09/30/2025 2305MIRSSS 10/01/2022 - 09/30/2026 2405MIRCMA 10/01/2023 - 09/30/2025 2405MIRSSS 10/01/2023 - 09/30/2026 2505MIRCMA 10/01/2024 - 09/30/2026 2505MIRSSS 10/01/2024 - 09/30/2027
Total Expenditures of Federal Awards	\$51,299,222
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Subrecipient Monitoring
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	\$0
Repeat Finding	2024-053
State Agency	Department of Labor and Economic Opportunity

Condition

LEO did not properly monitor its subrecipients to ensure they complied with the Uniform Guidance. In addition, LEO did not report to its subrecipients all subaward information as required by the Uniform Guidance. We noted:

- a. LEO did not review subrecipient single audit reports for all nine sampled REAP subrecipients during fiscal year 2025. Therefore, LEO did not monitor these subrecipients to ensure the status or submission of their single audit reports and did not determine whether a management decision letter was needed.
- b. LEO did not report the UEI, FAIN, federal award date, total amount of the federal award committed to the subrecipient, federal awarding agency name, ALN, Assistance Listing Title, identification of whether the award is for R&D, and an approved federally recognized indirect cost rate for the subrecipient for 1 (9%) of 11 sampled REAP subrecipients.

Criteria

Federal regulation 45 *CFR* 75.501 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 45 *CFR* 75.352(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 45 *CFR* 75.521(d) requires LEO 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 FAC.

In addition, federal regulation 45 *CFR* 75.352(a) requires all pass-through entities ensure every subaward includes certain information.

Cause

For part a., LEO informed us the timing of process implementation and competing priorities contributed to its inability to review subrecipient single audits.

For part b., LEO informed us, because of an oversight, the original grant agreement and amendments did not include all federal award information.

Effect

LEO limited the State's assurance 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 LEO's records. Also, 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 because LEO did not complete any monitoring of its subrecipients' single audits. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendations

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

We also recommend LEO ensure it reports to its subrecipients all subaward information as required by the Uniform Guidance.

Management Views

LEO agrees with the finding.

FINDING 2025-051

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
Federal Award Identification Number (FAIN) and Year	2401MILIEA 10/01/2023 - 09/30/2025 2401MILIEI 10/01/2023 - 09/30/2025 2501MILIEA 10/01/2024 - 09/30/2026 2501MILIEI 10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$182,970,948
Total COVID-19 Expenditures	\$0
Compliance Requirement(s)	Eligibility
Type of Finding	Material Weakness and Material Noncompliance
Known Questioned Costs by FAIN	2501MILIEA - \$2,071
Repeat Finding	2024-055
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, client contribution payment, and proof of energy crisis for 8 (21%) of 38 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 specialists to verify and include certain incomes of SER group members during intake in order to determine eligibility for SER energy services. Also, policy indicates the client contribution payment or payment by another agency must be verified before authorizing the department's portion of the remaining cost of services. In addition, policy requires the case record documentation be maintained to support the proof of energy crisis.

Cause

MDHHS's internal control and monitoring activities were not sufficient to ensure county/district office specialists 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 less than \$25,000 if it is likely total questioned costs would exceed \$25,000.

- \$2,071 - 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 2025-052

Low-Income Home Energy Assistance, ALN 93.568, Subrecipient Monitoring - Subrecipient Audits

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	
Federal Award Identification Number (FAIN) and Year	2401MILIEA	10/01/2023 - 09/30/2025
	2401MILIEI	10/01/2023 - 09/30/2025
	2501MILIEA	10/01/2024 - 09/30/2026
	2501MILIEI	10/01/2024 - 09/30/2026
Total Expenditures of Federal Awards	\$182,970,948	

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 Agencies	Michigan Department of Health and Human Services and Department of Licensing and Regulatory Affairs

Condition

The Department of Licensing and Regulatory Affairs (LARA) did not properly monitor its Michigan Energy Assistance Program (MEAP) subrecipients to ensure they complied with the Uniform Guidance. LARA did not have an adequate process to identify or document if the subrecipient required a single audit and steps taken to determine whether a management decision letter was needed.

We reviewed the FAC and noted 6 of 8 MEAP subrecipients submitted single audit reports to the FAC in fiscal year 2024 and/or fiscal year 2023. We verified there were no findings related to the subrecipients' LIHEAP 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 the pass-through entity 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

LARA informed us it did not have a process in place to document its review of MEAP subrecipient single audits.

Effect

LARA limited the State's assurance 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 their records. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

We recommend LARA monitor its MEAP subrecipients to ensure they comply with the Uniform Guidance.

Management Views

LARA agrees with the finding.

FINDING 2025-053

Adoption Assistance, ALN 93.659, Cost Sharing (including Matching), Level of Effort, and Earmarking and Reporting - Annual Adoption Savings Calculation and Accounting Report

Federal Agency	U.S. Department of Health and Human Services
Pass-Through Entity	Not Applicable
Assistance Listing Title and Number	Adoption Assistance: ALN 93.659 and 93.659 (COVID-19)
Federal Award Identification Number (FAIN) and Year	2501MIADPT 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$136,926,816
Total COVID-19 Expenditures	\$(9,377)
Compliance Requirement(s)	Cost Sharing (including Matching), Level of Effort, and Earmarking 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

Condition

MDHHS did not ensure the accuracy of the savings reported to HHS on the cumulative Annual Adoption Savings Calculation and Accounting Report.

MDHHS utilizes a query to determine applicable only status and non-applicable status cases to calculate the required savings for applicable only status cases. Our review of 60 cases included on the report disclosed:

- a. Four (13%) of the 30 cases determined by MDHHS to be applicable only status were not accurately accounted for in this status. The statuses were actually non-applicable, and MDHHS inappropriately reported savings associated with these four cases.
- b. Five (17%) of the 30 cases determined by MDHHS to be non-applicable status were not accurately accounted for in this status. The statuses were actually applicable only, and MDHHS did not report the savings associated with these five cases.

Criteria

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

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

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

Cause

MDHHS informed us an error in its query criteria contributed to the inaccurate case statuses.

Effect

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

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

FINDING 2025-054

Adoption Assistance, ALN 93.659, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking - Lack of Fingerprint Background Checks

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	2501MIADPT 10/01/2024 - 09/30/2025
Total Expenditures of Federal Awards	\$136,926,816
Total COVID-19 Expenditures	(\$9,377)
Compliance Requirement(s)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Cost Sharing (including Matching), Level of Effort, and Earmarking
Type of Finding	Significant Deficiency and Noncompliance
Known Questioned Costs by FAIN	2501MIADPT - \$49,026
Repeat Finding	Not Applicable
State Agency	Michigan Department of Health and Human Services

Background

Upon initial assessment, MDHHS is responsible for conducting background checks, clearances, criminal history checks, and fingerprinting on all prospective adoptive families. Within 12 months of adoption approval, placement, and finalization, MDHHS is responsible for conducting fingerprinting on all prospective adoptive parents.

Condition

MDHHS did not ensure it conducted the required fingerprint background checks on prospective adoptive parents within the 12 months prior to adoptive placement and/or adoption finalization for 5 (13%) of 40 sampled cases. The initial fingerprint background checks were completed between 12 and 38 months prior to the adoption finalization, averaging 24 months.

Criteria

Federal law 42 USC 671(a)(20) implemented additional background checks for prospective foster care and adoptive placements. The law requires each state to conduct fingerprint-based

criminal records checks of the national crime information databases for prospective foster or adoptive parents and to search child abuse and neglect registry databases in each state where the prospective foster or adoptive parent, and any other adult living in the home, have resided in the preceding five years if the state maintains such a registry. The checks must be completed prior to approving the family for foster care or adoptive placement and are required regardless of whether foster care or adoption assistance title IV-E maintenance payments are to be made on behalf of the child.

According to its Title IV-E Foster Care and Adoption Assistance State Plan, MDHHS has established policy related to safety requirements, including fingerprint-based checks, for adoptive home providers as specified in federal law 42 *USC* 671(a)(20). MDHHS policy requires all prospective adoptive families undergo background checks, clearances, criminal history checks, and fingerprinting. The policy states fingerprint background checks must be current within 12 months of adoption approval, placement, and finalization.

Federal regulation 45 *CFR* 1356.60(a) allows states to claim federal financial participation for allowable expenditures in the approved Title IV-E State Plan, including expenditures related to adoption assistance payments.

Cause

MDHHS informed us its policy needs a clearer distinction between federal eligibility requirements for adoption approval, placement, and finalization and MDHHS safety monitoring practices during adoption finalization.

Effect

Children could have potentially been placed in the homes of adults who have been convicted of certain crimes or have had child abuse and neglect complaints filed in other states, making them ineligible and unfit to adopt children, resulting in potential improper adoption assistance payments to ineligible adoptive parents. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

- \$49,026 - federal share.
- \$26,248 - State share of costs MDHHS inappropriately used as matching expenditures for adoption assistance funds.

Recommendation

We recommend MDHHS conduct the required fingerprint background checks on prospective adoptive parents within the 12 months prior to the adoptive placement and adoption finalization.

Management Views

MDHHS disagrees that completion of fingerprint-based background checks within 12 months of adoption finalization are a condition of eligibility for adoption assistance payments. Federal law 42 *USC* 671(a)(20) requires states to complete a fingerprint-based criminal background check before a prospective adoptive parent may be finally approved for placement; however, federal statute does not mandate additional or subsequent fingerprint-based criminal history rechecks after placement approval as a condition of eligibility for adoption assistance payments.

Michigan's Title IV-E State Plan incorporates the safety requirements mandated by federal law 42 USC 671(a)(20) and cites MDHHS policy ADM 0520 (Background Checks, Clearances, Criminal History Checks, and Fingerprinting). ADM 0520 governs all background checks, clearances, criminal history checks, and fingerprinting requirements that MDHHS must complete for foster care and adoptive home providers. The policy establishes the department's comprehensive safety-check framework and is not limited to adoption assistance eligibility determinations. Rather, ADM 0520 outlines the procedures MDHHS uses to meet federal and State safety requirements for approving and supervising foster and adoptive placements, including checks conducted both before placement approval and those completed afterward to ensure the ongoing safety and well-being of children under MDHHS supervision.

For all cases sampled, fingerprint-based clearances were completed within 12 months of the family's approval for placement, and documentation of these clearances is included in the adoption assistance file. Therefore, MDHHS is compliant with all applicable federal and State requirements for adoption assistance payments.

Auditor's Comments to Management Views

As a condition for receiving federal funds, federal law 42 USC 602 requires MDHHS to submit a Title IV-E Foster Care and Adoption Assistance State Plan. It also requires MDHHS to agree to administer the programs in accordance with the provisions of the State Plan, Title IV-E of the Social Security Act, and all applicable federal regulations and other official issuances of HHS. MDHHS acknowledges it cited MDHHS's Adoption Services Manual (ADM) 0520 in its State Plan to comply with the safety requirements of federal law 42 USC 671(a)(20). ADM 0520 requires "All prospective adoptive parents must have fingerprints for the purposes of adoption current within 12 months at the time of adoption approval by the adoption agency, **adoptive placement and prior to adoption finalization.**" For the five sampled items, MDHHS conducted fingerprinting of the prospective parents at time of adoption approval; however, it did not conduct fingerprinting on the prospective parents within 12 months prior to adoptive placement and/or adoption finalization in accordance with its policy and the State Plan.

In addition, MDHHS does not disagree with any facts in the finding and indicates it plans to implement corrective action.

Therefore, the finding stands as written.

FINDING 2025-055

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	2501MISOSR	10/01/2024 - 09/30/2026
	2501MITANF	10/01/2024 - Until Expended
Total Expenditures of Federal Awards	\$124,808,402	
Total COVID-19 Expenditures	\$0	
Compliance Requirement(s)	Reporting	
Type of Finding	Material Weakness and Material Noncompliance	
Known Questioned Costs by FAIN	\$0	

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

Condition

MDHHS did not submit an accurate post-expenditure report to the ACF. Our review of the fiscal year 2025 Social Services Block Grant Post-Expenditure Report noted MDHHS inappropriately excluded 77,771 children who received protective services funded by the SSBG program, resulting in a 40% 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 on providing each type of service. The SSBG Post-Expenditure Report instructions indicate the total number of recipients includes all recipients of services supported by the total expenditures.

Cause

MDHHS's internal control was not sufficient to detect that all required data was not included in the annual post-expenditure report.

Effect

MDHHS may have diminished the federal grantor agency's ability to ensure appropriate oversight and monitoring of SSBG funds. We consider this to be a material weakness and material noncompliance because of the high error rate. The federal grantor agency could issue sanctions or disallowances related to noncompliance.

Known Questioned Costs

None.

Recommendation

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

Management Views

MDHHS agrees with the finding.

Findings Identified by Other Auditors

FINDING 2025-056

WIOA Cluster, ALN 17.258, 17.259, and 17.278

Reference Number: 2025-056
Prior Year Finding: No
Federal Agency: U.S. Department of Labor
State Department Name: Department of Labor and Economic Opportunity
Federal Program: WIOA Cluster
Assistance Listing Number: 17.258, 17.259, 17.278
Award Number and Year: 24A55AT000101 (7/1/2024 - 6/30/2027)
24A55AW000067 (7/1/2024 - 6/30/2027)

24A55AY000083 (4/1/2024 - 6/30/2027)
25A55AT000142 (7/1/2025 - 6/30/2028)
25A55AW000145 (7/1/2025 - 6/30/2028)
25A55AY000136 (4/1/2025 - 6/30/2028)

Compliance Requirement: Reporting - Federal Funding Accountability and Transparency Act (FFATA)
Type of Finding: Significant Deficiency in Internal Control Over Compliance, Other Matters

Criteria or specific requirement:

Compliance: Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements. On March 8, 2025, FSRS.gov was retired, and all subaward reporting data and functionality transitioned to SAM.gov after that date.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and \$25,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The Department of Labor and Economic Opportunity (LEO) did not report subaward information to SAM.gov timely or accurately.

Context:

Eight subawards were selected for testing and the following exceptions were noted:

- 2 of 8 subawards were not reported timely. The subawards were issued in March 2025 and should have been reported by April 30, 2025, but were not reported until May 13, 2025, or thirteen days late.

- 2 of 8 subawards were not reported accurately:
 - The total of subaward 58128 25-19 was \$192,109 but \$194,030 was reported which is a variance of \$1,921.
 - The total of subaward 58140 25-19 was \$152,340 but \$153,863 was reported which is a variance of \$1,523.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
8	0	2	2	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$16,940,591	\$0	\$298,345	\$344,449	\$0

Cause:

LEO's procedures and controls were not operating effectively to ensure that subawards were reported timely and accurately. Program financial staff indicated to auditors that the late reports were due to conflicting quarter-end priorities and that the inaccurate reports were due to rounding errors.

Effect:

Subawards were not reported timely or accurately to SAM.gov.

Questioned costs:

None noted.

Recommendation:

We recommend that LEO review and enhance procedures and internal controls to ensure that all required subawards are reported timely to SAM.gov by the end of the month following the month in which each subaward is issued. Controls should be designed to operate effectively throughout the year, including during peak workload periods and competing deadlines.

We further recommend that LEO should have sufficient controls in place to verify the accuracy of FFATA reporting before submission, including controls to detect and correct rounding variances and other reporting errors.

Views of Responsible Officials:

Management Views

LEO agrees with the finding.

FINDING 2025-057

Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, ALN 20.106

Reference Number:	2025-057
Prior Year Finding:	No
Federal Agency:	U.S. Department of Transportation
State Department Name:	Department of Transportation
Federal Program:	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs

Assistance Listing Number: 20.106
Award Number and Year: 3-26-SBGP-195-2025 (9/8/2025 - 9/8/2029)
3-26-SBGP-184-2024 (9/5/2024 - 9/5/2028)
3-26-SBGP-190-2024 (9/5/2024 - 9/5/2028)
Compliance Requirement: Equipment and Real Property Management
Type of Finding: Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:

Compliance: 2 CFR 200.313 prescribes the requirements for non-federal entities regarding equipment and real property management. Requirements include the following:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The Michigan Department of Transportation (MDOT) did not manage equipment nor maintain property records in accordance with federal requirements. MDOT does not have sufficient policies and controls to adequately oversee equipment and real property purchased with program funds.

Context:

MDOT awards Airport Improvement Program Funding in accordance with provisions outlined in a Memorandum of Understanding with the Federal Aviation Administration to recipient airports across the State. MDOT is not the end recipient of the program funds, however, MDOT makes direct payments to vendors on behalf of Block Grant Program recipient airports in accordance with FAA policies and procedures. MDOT determined that the agreements it has with the non-primary airports are contractual relationships and not subrecipient. Therefore, despite programmatic requirements being part of the agreement, federal program requirements have not been passed on to the public airports and MDOT is responsible for adherence to applicable federal program requirements specified in the federal award.

Auditors selected eight of the forty-three airports for testing and noted the following:

- MDOT contracts contain requirements for the airports to manage equipment or maintain property records in accordance with federal requirements, however, MDOT did not require airports to report two-year equipment inventories or real property in a manner

that allowed for verification that equipment and real property was acquired and managed by the airports in accordance with federal requirements in a timely manner.

- 4 of 8 airports selected for testing did not provide equipment listings. MDOT was unable to provide auditors with a complete list of equipment and real property purchased with program funds to confirm the airports that did not submit information did not have any property or equipment purchases to report.
- Two-year physical inventory verifications were not performed nor reconciled.

Cause:

MDOT informed us that due to variances between the Uniform Guidance and program guidance, MDOT exercised operational discretion and good faith and also sustained program continuity by following and executing program guidance.

Effect:

MDOT lacks assurance that equipment and real property purchased with federal funds is properly recorded, safeguarded, and used in accordance with program requirements. The absence of complete property records and required physical inventories increases the risk of loss, misuse, or unauthorized disposition of federally funded assets, and that noncompliance could occur and remain undetected. This condition may subject the program to federal actions such as increased oversight, withholding of funds, or other enforcement actions.

Questioned costs:

None.

Recommendation:

We recommend that MDOT strengthen its internal controls over equipment and real property in accordance with federal requirements. Specifically, MDOT should develop and implement policies and procedures to ensure that equipment and real property purchased with federal funds is properly tracked, recorded, and safeguarded.

If MDOT determines that these requirements should be handled through a subrecipient agreement with the airports, MDOT should update policies and procedures, contracts, and controls regarding subrecipient relationships to ensure the federal requirements are passed through to the subrecipient in accordance with the federal requirements, and update reporting within the schedule of expenditures of federal awards to report subrecipient payments accordingly.

Views of Responsible Officials:

Management Views

MDOT agrees with the finding.

FINDING 2025-058

Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, ALN 20.106

Reference Number:	2025-058
Prior Year Finding:	No
Federal Agency:	U.S. Department of Transportation
State Department Name:	Department of Transportation

Federal Program:	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
Assistance Listing Number:	20.106
Award Number and Year:	3-26-SBGP-195-2025 (9/8/2025 - 9/8/2029) 3-26-SBGP-184-2024 (9/5/2024 - 9/5/2028) 3-26-SBGP-190-2024 (9/5/2024 - 9/5/2028)
Compliance Requirement:	Special Tests and Provisions - Wage Rate Requirements
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:

Compliance: All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141–3147).

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The Michigan Department of Transportation (MDOT) did not ensure that contractors complied with Davis-Bacon wage rate requirements. It did not properly obtain weekly certified payrolls from contractors to monitor compliance.

Context:

MDOT determined that the agreements it has with the non-primary airports are contractual relationships and not subrecipient. Therefore, federal program requirements have not been passed on to the public airports and MDOT is responsible for adherence to applicable federal program requirements specified in the federal award.

Auditors selected eight of the forty-three airports for testing Davis-Bacon wage rate requirements and noted the following exceptions:

- 5 of the 8 contractors did not have certified payrolls, therefore, MDOT did not review payroll data during the fiscal year to ensure contractors complied with wage rate requirements in a timely manner.

- For 2 of 8 contracts, MDOT included Davis-Bacon wage rate requirements in the bid documentation, but not in the executed contracts as required by program requirements.

Cause:

MDOT does not have sufficient procedures or internal controls to ensure that it monitors contractors' compliance with Davis-Bacon wage rate requirements.

Effect:

MDOT's failure to include Davis-Bacon wage rate requirements in its contracts and to obtain current year certified payrolls from contractors reduces its ability to monitor compliance with program requirements. As a result, there is an increased risk that contractors were not paid in accordance with required prevailing wage rates, which could result in noncompliance with federal requirements and potential questioned costs. Additionally, continued noncompliance may subject the program to sanctions such as withholding of funds, increased oversight, or other federal enforcement actions.

Questioned costs:

None.

Recommendation:

We recommend that MDOT strengthen its internal controls over compliance with Davis-Bacon wage rate requirements. Specifically, MDOT should ensure that contractors are appropriately informed of applicable wage rate requirements by incorporating these provisions into contracts and related documents. In addition, MDOT should develop and implement procedures to ensure that weekly certified payrolls are submitted by contractors and are reviewed in a timely manner to verify compliance. MDOT should also establish follow-up procedures to address instances of noncompliance and ensure timely resolution. If MDOT determines that these requirements should be handled through a subrecipient agreement with the airports, MDOT should update policies and procedures, contracts, and controls regarding subrecipient relationships to ensure the federal requirements are passed through to the subrecipient in accordance with the federal requirements, and update reporting within the schedule of expenditures of federal awards to report subrecipient payments accordingly.

Views of Responsible Officials:

Management Views

MDOT agrees with the finding.

FINDING 2025-059

Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, ALN 20.106

Reference Number:	2025-059
Prior Year Finding:	No
Federal Agency:	U.S. Department of Transportation
State Department Name:	Department of Transportation
Federal Program:	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
Assistance Listing Number:	20.106
Award Number and Year:	3-26-SBGP-195-2025 (9/8/2025 - 9/8/2029) 3-26-SBGP-184-2024 (9/5/2024 - 9/5/2028) 3-26-SBGP-190-2024 (9/5/2024 - 9/5/2028)

Compliance Requirement: Special Tests and Provisions - Revenue Diversion
Type of Finding: Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:

Compliance: All revenues generated by a public airport must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities that are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The Michigan Department of Transportation (MDOT) did not ensure that revenues generated by non-commercial airports were expended for the capital or operating costs of the airport, the local airport system, or other local facilities that are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property.

Context:

MDOT determined that the agreements it has with the non-primary public airports are contractual relationships and not subrecipient. Therefore, federal program requirements have not been passed on to the public airports and MDOT is responsible for adherence to applicable federal program requirements specified in the federal award.

Auditors selected eight of the forty-three airports for testing and for the eight airports selected, MDOT did not ensure that revenue diversion requirements were met. The contracts executed by MDOT included the program's revenue diversion requirements, but MDOT did not monitor the airports' compliance with these requirements and is unable to provide documentation that revenue diversion requirements were met.

Cause:

MDOT has not prioritized its monitoring and oversight efforts to help ensure that contractors comply with revenue and program income requirements to prevent revenue diversion.

Effect:

MDOT is unable to ensure that public airports used revenue in accordance with federal requirements. There is an increased risk of revenue diversion occurring or going undetected, potentially resulting in noncompliance with program requirements and questioned costs. Continued noncompliance may also subject the program to federal actions such as increased oversight, withholding of funds, or other enforcement actions.

Questioned costs:

None.

Recommendation:

We recommend that MDOT strengthen its internal controls over compliance with revenue diversion requirements. Specifically, MDOT should develop and implement monitoring procedures to ensure that public airports comply with contractual provisions prohibiting revenue diversion. Such procedures should include periodic reviews of financial and supporting documentation, documentation of monitoring activities performed, and timely follow-up on any identified instances of noncompliance to ensure appropriate corrective action is taken. If MDOT determines that these requirements should be handled through a subrecipient agreement with the airports, MDOT should update policies and procedures, contracts, and controls regarding subrecipient relationships to ensure the federal requirements are passed through to the subrecipient in accordance with the federal requirements, and update reporting within the schedule of expenditures of federal awards to report subrecipient payments accordingly.

Views of Responsible Officials:

Management Views

MDOT agrees with the finding.

FINDING 2025-060

Coronavirus Capital Projects Fund, ALN 21.029

Reference Number:	2025-060
Prior Year Finding:	No
Federal Agency:	U.S. Department of the Treasury
State Department Name:	Department of Labor and Economic Opportunity
Federal Program:	COVID-19 - Coronavirus Capital Projects Fund
Assistance Listing Number:	21.029
Award Number and Year:	CPFFN0190 (2/3/2022 - 12/31/2026)
Compliance Requirement:	Reporting - Federal Funding Accountability and Transparency Act (FFATA)
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:

Compliance: Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements. On March 8, 2025, FSRS.gov was retired, and all subaward reporting data and functionality transitioned to SAM.gov after that date.

For the Coronavirus Capital Projects Fund program, FSRS was inaccessible to recipients due to a technical configuration problem until August 2023. Due to this technical issue, Treasury issued guidance requesting that recipients complete FSRS reporting by no later than June 30, 2024.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and \$25,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The Department of Labor and Economic Opportunity (LEO) did not report subaward information timely.

Context:

Seven of eight subawards selected for testing were not reported timely. Specifically, we noted the following:

- 5 of 8 subawards, totaling \$50,553,778, were issued in 2023 and early 2024 and, per Treasury's reporting guidance, should have been reported in FSRS no later than June 30, 2024. Two of the subawards were reported in March 2025 and three of the subawards were reported in September 2025, which was eight to thirteen months after Treasury's extended deadline.
- 2 of 8 subawards, totaling \$9,739,385, were issued on August 1, 2024, but were not reported until January and February 2025, or four to five months late.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
8	0	7	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$78,070,696	\$0	\$60,293,163	\$0	\$0

Cause:

LEO's procedures and controls were not operating effectively to ensure that subawards were reported timely, in accordance with FFATA reporting requirements and Treasury's reporting guidance.

Effect:

Subawards were not reported timely to FSRS or SAM.gov.

Questioned costs:

None noted.

Recommendation:

We recommend that LEO review and enhance its procedures and internal controls to ensure that all required subawards are reported timely and accurately to SAM.gov no later than the end of the month following the month of issuance of each subaward, or in accordance with deadlines established by Treasury.

Views of Responsible Officials:

Management Views

The Department of Labor and Economic Opportunity (LEO) agrees with the finding.

FINDING 2025-061

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), ALN 93.323 and Block Grants for Prevention and Treatment of Substance Abuse, ALN 93.959

2025-061

**U.S. Department of Health and Human Services
Epidemiology and Laboratory Capacity for Infectious
Diseases, 93.323
Block Grants for Prevention and Treatment of Substance
Abuse, 93.959**

**Reporting
Material Weakness in Internal Control over Compliance and
Material Noncompliance**

Grant Award Number/Year: Affects grant award #NU51CK000362 (8/1/24 - 7/31/29) under assistance listing 93.323 and grant awards #B08TI083947 (9/1/21 - 9/30/25), #B08TI087045 (10/1/23 - 9/30/25), and #B08TI088112 (10/1/24 - 9/30/26) under assistance listing 93.959.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) section 200.303 provides that recipients must establish and maintain effective internal control that provides reasonable assurance that the recipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award (applicable for the Epidemiology program).

The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to or greater than \$30,000 (applicable for the Epidemiology and Substance Abuse programs).

Condition: In some instances, subaward information was not reported, not reported accurately, or not reported timely.

In addition, evidence of the performance of control activities, such as review procedures or segregation of duties, was not documented to support that the control activity occurred.

Cause:

The Michigan Department of Health and Human Services (MDHHS) informed us they received validation errors when attempting to submit the subaward information required. Re-submissions were not always attempted and new submissions were not always reconciled to successful or unsuccessful past attempts.

MDHHS did not have adequate internal controls to ensure subaward information was submitted in accordance with the FFATA. In addition, MDHHS did not ensure internal controls were documented and maintained.

Effect:

Subaward obligations were not reported in the FSRS accurately, and, therefore, inaccurate information is included on the FFATA's website for public information disclosure. In some instances, the subaward obligations were not reported in the FSRS timely, and, therefore, were not available for public information disclosure in a timely manner.

Questioned Costs:

None

Context/Sampling:

Epidemiology and Laboratory Capacity for Infectious Diseases

A nonstatistical sample of 21 out of a population of 138 applicable subaward obligations was selected for testing. The summary of errors was noted as follows:

	<u>Subawards</u>	<u>Obligations</u>
Total Tested	21	\$24,928,467
Not Reported	1	\$188,370
Not Timely	5	\$487,370
Obligation Incorrect	10	\$19,180,449
Missing Key Elements	-	-

Total subawards of \$19,180,449 were reported with inaccurate obligations; however, \$11,957,365 of those obligations were reported, thus leaving a net variance of \$7,223,084 in underreported obligations.

Block Grants for Prevention and Treatment of Substance Abuse

A nonstatistical sample of 13 out of a population of 85 applicable subaward obligations was selected for testing. The summary of errors was noted as follows:

	<u>Subawards</u>	<u>Obligations</u>
Total Tested	13	\$11,298,592
Not Reported	-	-
Not Timely	5	\$4,690,602
Obligation Incorrect	7	\$9,949,532
Missing Key Elements	-	-

Total subawards of \$9,949,532 were reported with inaccurate obligations; however, \$3,872,549 of those obligations were reported, thus leaving a net variance of \$6,076,983 in underreported obligations.

In addition, documentation of control activities performed was not maintained for any of the subaward obligations tested for both programs.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend MDHHS enhance internal controls to ensure subaward information is submitted in accordance with the FFATA and that evidence of control activities, such as segregation of duties, is documented and maintained.

Views of Responsible Officials:

MDHHS agrees with this finding.

FINDING 2025-062

Child and Adult Care Food Program, ALN 10.558

2025-062:

**U.S. Department of Agriculture
Child and Adult Care Food Program, 10.558**

**Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and
Material Noncompliance**

Grant Award Number/Year: Affects grant award #252MI06N1199 (10/1/2024 - 9/30/2025) under assistance listing 10.558.

Criteria:

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

Requirements for Federal Awards (Uniform Guidance) section 200.332 requires that:

- Pass-through entities establish policies for subrecipient monitoring that have a risk-based approach to determine the appropriate monitoring.
- Pass-through entities evaluate the risk of noncompliance with a subaward to determine the appropriate monitoring.
- Pass-through entities monitor the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

Condition: Monitoring activities over subrecipient compliance were not performed consistently or documented adequately. Specifically:

- On-site reviews were not performed based on the established two-to-three-year review rotation.
- The "Review Master Spreadsheet" used to track the risk levels for each subrecipient was not updated to reflect current risk assessments.
- There was no evidence of review noted on the "Review Master Spreadsheet."

Cause: MDE did not have adequate internal controls to ensure required subrecipient monitoring was established and perform monitoring activities.

Effect: Noncompliance at the subrecipient level may occur and not be detected and corrected.

Questioned Costs: None

Context/ Sampling: A nonstatistical sample of 60 subrecipients out of a population greater than 250 was selected for testing. Of the 60 samples selected, MDE did not perform onsite reviews for 20 subrecipients in compliance with their monitoring procedures. In addition, for 5 of the samples selected, the subrecipient risk ratings were not updated in the "Review Master Spreadsheet" as required by their monitoring procedures. Next, the "Review Master Spreadsheet" was not prepared and reviewed by separate individuals as required by their monitoring procedures.

Repeat Findings from Prior Year(s): No

Recommendation: We recommend MDE implement internal controls to ensure compliance with their procedures over subrecipient monitoring requirements.

Views of Responsible
Officials:

MDE agrees with this finding.

FINDING 2025-063

Special Education Cluster (IDEA), ALN 84.027 and 84.173

2025-063:

**U.S. Department of Education
Special Education Cluster (IDEA)
Special Education - Grants to States, 84.027A, Special
Education - Preschool Grants (IDEA Preschool), 84.173A**

**Subrecipient Monitoring
Significant Deficiency in Internal Control over Compliance**

Grant Award Number/Year: Affects grant award #H027A230110 (7/1/2024 - 9/30/2026) under assistance listing 84.027A.

Criteria:

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) section 200.332 requires that:

- Pass-through entities establish policies for subrecipient monitoring that have a risk-based approach to determine the appropriate monitoring.
- Pass-through entities evaluate the risk of noncompliance with a subaward to determine the appropriate monitoring.
- Pass-through entities monitor the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

Condition:

The Michigan Department of Education (MDE) has established policies that have a risk-based approach to determine their monitoring procedures. As part of this process, they evaluate the risk of noncompliance with a subaward which determined the level of monitoring performed. For all low and moderate-risk subrecipients, management reviews the financial summaries, approved budget, budget-to-actual reports, and holds meetings with the subrecipients. However, the reports reviewed are at a summary level allowing for the risk that the subrecipient has unallowable costs/activities since none of the underlying data is reviewed or sampled. While review of the high-level summaries and budgets do provide some reasonable assurance that the subaward is used for authorized purposes, the lack of review of underlying data could result in a noncompliance that goes undetected and uncorrected.

<i>Cause:</i>	MDE does not have monitoring policies for low and moderate risk subrecipients that requires for review or sampling of the underlying data for allowable costs/activities to ensure the subaward is used for authorized purposes and complies with the terms and conditions of the subaward. Without a review of the underlying source documentation, allowability cannot be adequately determined to provide reasonable assurance.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected and corrected.
<i>Questioned Costs:</i>	None
<i>Context/ Sampling:</i>	A nonstatistical sample of 9 out of 58 subrecipients was selected for testing.
<i>Repeat Findings from Prior Year(s):</i>	No
<i>Recommendation:</i>	<p>We recommend MDE enhance their existing controls and update the subrecipient monitoring procedures to include some level of review of underlying supporting documentation for allowable costs/activities for low and moderate subrecipients. These procedures could include:</p> <ul style="list-style-type: none"> • A random sample of subrecipients each year to review a sample of their underlying documentation. • Require a select number of subrecipients each year to provide a detailed general ledger and perform detailed analytics on the data received.
<i>Views of Responsible Officials:</i>	MDE disagrees with this finding as more fully described in the accompanying corrective action plan.
<i>Auditor's Comments to Views of Responsible Officials:</i>	The Uniform Guidance requires MDE to monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with federal statutes, regulations, and the terms and conditions of the subaward. While MDE's response is accurate in that the Uniform Guidance does not require routine review of underlying documentation for every subrecipient in every monitoring cycle, our professional judgment is such that the monitoring performed by MDE is not to a sufficient level of detail or comprehensive enough for low or moderate risk subrecipients to provide for reasonable assurance that the low risk and moderate risk subrecipients complied with federal statutes, regulations, and the terms of conditions of the subaward. The procedures performed by MDE, while contributing to the overall monitoring program, are too broad for consistent reasonable

assurance to occur. Therefore, in our judgment, the finding and recommendation are appropriate.

FINDING 2025-064

Unemployment Insurance, ALN 17.225

See [Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2025](#), Finding 2025-001.

FINDING 2025-065

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2025, Finding 2025-002.

FINDING 2025-066

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2025, Finding 2025-003.

FINDING 2025-067

Unemployment Insurance, ALN 17.225

See Department of Labor and Economic Opportunity, Unemployment Insurance Agency - Unemployment Compensation Fund, Report on Expenditures of Federal Awards, Year Ended September 30, 2025, Finding 2025-004.

AUDITEE SECTION



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

GRETCHEN WHITMER
GOVERNOR

JENNIFER L. FLOOD
DIRECTOR

STATE OF MICHIGAN
Summary Schedule of Prior Audit Findings
Fiscal Year Ended September 30, 2025

Prior Audit Findings Related to the Financial Statements

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: Finding 1
Initial Year Written: Fiscal Year 2022
Finding Title: Liabilities for corporate income tax (CIT) overpayments not recorded

Finding: The Michigan Department of Treasury (Treasury) did not establish a liability estimation methodology to record unearned CIT revenues or complete a more thorough analysis to comprehensively support its position the liability is not measurable.

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

Reason(s) for Recurrence: Treasury, in conjunction with the State Budget Office (SBO), disagrees that the fiscal year-end liability associated with CIT credit carryforwards can be reasonably estimated and disagrees with the finding overall.

Corrective Action: See corrective action for Findings Related to the Financial Statements, Finding 1.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: Finding 2
Initial Year Written: Fiscal Year 2024
Finding Title: Improvements needed over vendor file fraud controls

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

Current Status: SIGMA Operations and Support corrected the deficiencies noted in the finding.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: Finding 3

Initial Year Written: Fiscal Year 2013
Finding Title: Improvements needed for establishing and monitoring tax receivables and payables

Finding: Treasury should continue to enhance its internal control to help prevent, or detect and correct, misstatements and help ensure the reasonableness and accuracy of tax accruals.

Current Status: Treasury partially corrected the deficiencies noted in the finding. Treasury corrected parts a. through c., f., and h. of the finding.

Reason(s) for Recurrence: For part d., while the system enhancement has been completed, additional time is needed to collect the necessary data to estimate the accrual.

For part e., there were general ledger limitations in the legacy system. Treasury had not replaced the legacy system as of year-end.

For part g., there were flow-through entity data limitations in the legacy system. Treasury had not replaced the legacy system as of year-end.

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

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: Finding 4

Initial Year Written: Fiscal Year 2024

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 State of Michigan Annual Comprehensive Financial Report.

Current Status: Various State agencies partially corrected the deficiencies noted in the finding. Agencies corrected parts a. through b.2., c., e., f.2., g.1., and h. of the finding.

Reason(s) for Recurrence: For part b.3., the keying error occurred on a different component of the accrual calculation than the prior year and that component was not addressed in the prior year corrective action plan.

For part d., the Michigan Department of Agriculture and Rural Development's corrective action plan was reevaluated, and it was determined that an automated reconciliation was needed to ensure accuracy and efficiency in the process due to the volume of transactions between the Licensing Portal System and the Michigan Cashiering and Receivable System. A database enhancement was required for the automated reconciliation to occur, which extended the

time that was needed to implement a reconciliation process. For the Department of Environment, Great Lakes, and Energy (EGLE), the corrective action was implemented during fiscal year 2025 after the fiscal year 2024 exception was received, but the reconciliation was not in place for the full fiscal year.

For part f.1., the specific internal control weaknesses identified were different in nature than in the prior audit finding and the prior year corrective action did not address the issues noted in fiscal year 2025.

For part g.2., the specific internal control weaknesses identified were different in nature than in the prior audit finding and the prior year corrective action did not address the issues noted in fiscal year 2025.

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

Prior Audit Findings Related to Federal Awards

Audit Period: October 1, 2021 through September 30, 2022
Finding Number: 2022-039
Initial Year Written: Fiscal Year 2022
Finding Title: 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

Finding: The Michigan Department of Transportation (MDOT) did not fully establish effective security management and access controls over Public Transportation Management System (PTMS) users.

Current Status: MDOT partially corrected the deficiencies noted in the finding. MDOT corrected part a. of the finding in fiscal year 2023.

Reason(s) for Recurrence: Due to a system limitation, historical user access data was deleted when an existing user received a new role.

Corrective Action: See corrective action for Finding 2025-025.

Audit Period: October 1, 2022 through September 30, 2023
Finding Number: 2023-006
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 Michigan Electronic Grants System Plus (MEGS+); Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS);

Michigan Nutrition Data (MiND); and Next Generation Grant, Application and Cash Management System (NexSys).

Current Status:

MDE partially corrected the deficiencies noted in the finding. MDE corrected the deficiencies for part a.1. and the MiND deficiencies for part d. in fiscal year 2025. MDE corrected the deficiencies for parts a.2., b., and the MEGS+ and NexSys deficiencies for part c.1. in fiscal year 2024. Part c.2. of the finding is no longer applicable because State of Michigan (SOM) Technical Standard 1340.00.020.01 (Access Control Standard) was updated to require annual recertifications for accounts with access to SOM proprietary data and the cited MDE subrecipients do not have access to SOM data. Part e. of the finding is no longer applicable because MEGS+ has been taken offline and is now only available internally with limited capabilities and access. MDE did not correct the GEMS/MARS deficiencies for part c.1. or the NexSys deficiencies for part d.

Reason(s) for Recurrence: MDE's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Corrective Action: See corrective action for Finding 2025-009.

Audit Period:

October 1, 2022 through September 30, 2023

Finding Number:

2023-010

Initial Year Written:

Fiscal Year 2022

Finding Title:

MDE, Reporting - FFATA Reporting

Finding:

MDE did not ensure it reported or accurately and timely reported all subaward information as required by the Federal Funding Accountability and Transparency Act (FFATA) of 2006 and federal guidance.

Current Status:

MDE and the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) partially corrected the deficiencies noted in the finding. MDE corrected parts a. and b.3. of the finding for the Supporting Effective Instruction State Grants (SEISG) program and part b.3. of the finding for the Education Stabilization Fund (ESF) program in fiscal year 2024. MiLEAP corrected parts a., b.2., and b.3. of the finding for the Child Care and Development Fund (CCDF) Cluster programs in fiscal year 2025. MDE and MiLEAP did not correct the deficiencies for part b.1. of the finding. MDE did not correct the deficiencies for part b.2. of the finding for ESF.

Reason(s) for Recurrence: For the MDE programs, MDE believes all data was submitted appropriately to the FFATA Subaward Reporting System (FSRS) but may not be available in the System for Award Management (SAM) due to federal system issues.

For CCDF, MiLEAP did not timely report the subaward information due to staff oversight and the transfer of the reporting procedures to a new agency.

Corrective Action: For part b.1., for CCDF, see corrective action for Finding 2025-035.

For the remaining programs in part b.1., MDE will continue to coordinate with the program offices to improve the FFATA reporting process in order to submit subaward information in accordance with FFATA and other applicable federal guidance.

For part b.2., MDE will update the reporting process to ensure all key data elements are included. MDE is transitioning to a new, almost fully automated process. The Department of Technology, Management, and Budget (DTMB) is currently developing an application that will use an application programming interface to automatically transmit required data to the federal reporting system, which will eliminate the prior issues.

MDE anticipates completion of corrective action by September 30, 2026, for parts b.1. and b.2.

Audit Period: October 1, 2022 through September 30, 2023
Finding Number: 2023-012
Initial Year Written: Fiscal Year 2023
Finding Title: Title I Grants to Local Educational Agencies, ALN 84.010 and Supporting Effective Instruction State Grants, ALN 84.367 - Participation of Private School Children

Finding: MDE did not obtain and review the local educational agencies' (LEAs') consultation forms to ensure the LEAs determined the appropriate equitable services provided to private school children for all 17 sampled Title I LEAs and all 20 sampled SEISG LEAs.

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

Reason(s) for Recurrence: MDE is still in the process of training and monitoring support to Michigan school districts providing equitable services for private schools to ensure consultation documentation is obtained and reviewed annually.

Corrective Action: On January 11, 2024, the MDE Office of Educational Supports (OES) transitioned the equitable services for private nonpublic schools consultation documentation collection process to GEMS/MARS as a routine part of the 2023-2024 Consolidated Application final amendment window. Select Michigan school districts providing equitable services were required to submit the consultation documents by February 29, 2024. The new Equitable Services Ombudsman began a review of district submissions in March 2024 and monitored the

private school consultation process according to federal requirements. The process includes providing direct feedback to school districts for approval, corrections, and modifications, if necessary. The equitable services consultant provided ongoing training and supports to Michigan school districts in collaboration with other consultants, as well. MDE anticipates developing additional resources for school districts, providing ongoing statewide training, and follow up monitoring and collection of documents from noncompliant school districts to fully implement this corrective action plan by November 30, 2026. This time frame is required through November 2026 to complete the full cycle of the application process to demonstrate implementation and compliance.

Audit Period: October 1, 2022 through September 30, 2023
Finding Number: 2023-033
Initial Year Written: Fiscal Year 2023
Finding Title: Title I Grants to Local Educational Agencies, ALN 84.010, Matching, Level of Effort, and Earmarking - Supplement Not Supplant Monitoring Procedures

Finding: MDE did not sufficiently monitor the LEAs to ensure they had a written methodology to demonstrate compliance with supplement not supplant requirements.

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

Reason(s) for Recurrence: MDE is in the process of revising its monitoring protocol to add Title I, Part A supplement not supplant methodology to its financial monitoring review protocol.

Corrective Action: In spring 2025, MDE OES provided statewide training and technical assistance to Michigan school districts on the federal requirement to prepare and submit a written methodology to demonstrate compliance with Title I, Part A supplement not supplant requirements. As a part of the final amendment window for the 2025-2026 Consolidated Application, school districts will be required to upload their methodology. OES will monitor select school districts as a part of the fiscal review protocol. MDE anticipates completion of the Title I, Part A supplement not supplant corrective action plan by November 30, 2026.

Audit Period: October 1, 2022 through September 30, 2023
Finding Number: 2023-042
Initial Year Written: Fiscal Year 2023
Finding Title: Public Health Emergency Preparedness, ALN 93.069, Subrecipient Monitoring - Risk Assessment and During-the-Award Monitoring

Finding: The Michigan Department of Health and Human Services (MDHHS) did not sufficiently monitor and evaluate the risk of noncompliance with program requirements.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-001
Initial Year Written: Fiscal Year 2024
Finding Title: SIGMA High-Risk Activity Monitoring

Finding: The Department of Labor and Economic Opportunity (LEO) did not sufficiently monitor its high-risk activity reports to ensure users performed only authorized override actions in SIGMA.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-002
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Interface Controls

Finding: DTMB did not always ensure its interface controls over the Bridges Integrated Automated Eligibility Determination System (Bridges) data exchanges were operating as prescribed.

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

Reason(s) for Recurrence: DTMB disagreed with the finding and did not take corrective action.

Corrective Action: See corrective action for Finding 2025-003.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-003
Initial Year Written: Fiscal Year 2011
Finding Title: Bridges Security Management and Access Controls

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

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

Reason(s) for Recurrence: For parts a., c., and d., MDHHS's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies and procedures.

For parts b. and e., MDHHS's internal control and monitoring activities need improvement to ensure all appropriate parties maintain and timely complete their review of the local office security monitoring reports and high-risk Bridges transaction monitoring reports.

Corrective Action: See corrective action for Finding 2025-004.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-004
Initial Year Written: Fiscal Year 2022
Finding Title: Bridges Change Management Process

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

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-005
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 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 f. and g. of the finding.

Reason(s) for Recurrence: For parts a. and b., information was not always available to identify if the IEVS interface information was appropriately utilized in determining recipients' eligibility when county/district office specialists marked electronic notifications as complete.

For part c., MDHHS disagreed with the finding. MDHHS believes it had a sufficient process in place to review and monitor electronic notifications during fiscal year 2025.

For part d., MDHHS did not yet establish and implement the applicable IEVS interfaces to validate income, social security number, criminal background, or citizenship due to budget limitations.

For part e., MDHHS disagreed with the finding. MDHHS believes 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 Children's Health Insurance Program (CHIP) Healthy Kids and MiChild programs in the applicable IEVS data exchanges.

Corrective Action: See corrective action for Finding 2025-005.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-006
Initial Year Written: Fiscal Year 2008
Finding Title: ADP Security Program

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

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

Reason(s) for Recurrence: MDHHS and DTMB resources were focused on meeting federal and State mandates while maintaining operational needs and addressing information technology (IT) security risks highlighted in prior audits. Also, limited resources caused delays in the completion of a comprehensive ADP security program.

Corrective Action: See corrective action for Finding 2025-006.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-007
Initial Year Written: Fiscal Year 2017
Finding Title: CHAMPS Eligibility Interface Errors

Finding: MDHHS did not maintain documentation to support eligibility records with identified errors were properly investigated, corrected, and resubmitted for processing.

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

Reason(s) for Recurrence: Outstanding system defect fixes remain unresolved at this time primarily due to competing priorities and resource constraints within MDHHS and DTMB.

Corrective Action: See corrective action for Finding 2025-008.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-008
Initial Year Written: Fiscal Year 2024
Finding Title: MDE, IT General Controls

Finding: DTMB did not fully implement effective general controls over MiND, GEMS/MARS, and NexSys operating system servers.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-009
Initial Year Written: Fiscal Year 2017
Finding Title: MDE, Security Management and Access Controls

Finding: MDE did not fully establish effective security management and access controls over GEMS/MARS, MiND, and NexSys.

Current Status: MDE partially corrected the deficiencies noted in the finding. MDE corrected part a. and the MiND deficiencies for parts b.1. and c. of the finding. Part b.2. of the finding is no longer applicable because SOM Technical Standard 1340.00.020.01 (Access Control Standard) was updated to require annual recertifications for accounts with access to SOM proprietary data and the cited MDE subrecipients do not have access to SOM data. MDE did not correct the GEMS/MARS deficiencies for part b.1. or the NexSys deficiencies for part c. of the finding.

Reason(s) for Recurrence: MDE's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Corrective Action: See corrective action for Finding 2025-009.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-010
Initial Year Written: Fiscal Year 2021
Finding Title: MDE, Change Management Process

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

Current Status: MDE partially corrected the deficiencies noted in the finding. MDE corrected the deficiencies related to MiND.

Reason(s) for Recurrence: MDE had to work with DTMB on the process related to the DevOps tickets.

Corrective Action: See corrective action for Finding 2025-010.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-011
Initial Year Written: Fiscal Year 2021
Finding Title: MDHHS, Reporting - FFATA Reporting

Finding: MDHHS did not ensure it reported or timely reported all subaward information as required by the FFATA of 2006.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected the deficiencies noted for the Aging Cluster. MDHHS did not correct the deficiencies for the Weatherization Assistance for Low-Income Persons, Medicaid Cluster, Public Health Emergency Preparedness (PHEP), Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Temporary Assistance for Needy Families (TANF), Low-Income Home Energy Assistance Program (LIHEAP), Foster Care – Title IV-E, Adoption Assistance, Social Services Block Grant (SSBG), CHIP, Block Grants for the Prevention and Treatment of Substance Abuse, and Maternal and Child Health Services Block Grant to the States programs.

Reason(s) for Recurrence: MDHHS received fatal validation errors when submitting to FSRS and SAM, which prevented subaward submissions. Other contributing factors include inaccurate Electronic Grants Administration and Management System account code and funding source fields, which impacted the query used to obtain certain FFATA data elements.

Corrective Action: See corrective action for Finding 2025-011 for the Weatherization Assistance for Low-Income Persons, Medicaid Cluster, PHEP, TANF, LIHEAP, Foster Care – Title IV-E, Adoption Assistance, SSBG, CHIP, and Maternal and Child Health Services Block Grant to the States programs.

See corrective action for Finding 2025-061 for the ELC and Block Grants for the Prevention and Treatment of Substance Abuse programs.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-012
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 for 7 (12%) of 60 Medicaid and 33 (55%) of 60 CHIP cases.

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

Reason(s) for Recurrence: For part a. and part b. non-MAGI cases, internal control and monitoring activities were not sufficient to ensure MDHHS maintained or appropriately considered the required documentation in beneficiaries' case records to support eligibility determinations.

For part b. MAGI cases, MDHHS disagrees it did not maintain case file documentation that supports the beneficiary eligibility determination for MAGI cases and did not take corrective action.

Corrective Action: See corrective action for Finding 2025-013.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-013
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 Bridges and the Community Health Automated Medicaid Processing System (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.

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 for new cases but needed to complete a quarterly Medicaid to CHIP transfer during the audit period for existing cases. However, during the manual reclassification process, some cases were transferred from the Medicaid Cluster to CHIP in error.

Corrective Action: See corrective action for Finding 2025-014.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-014
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 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, Integrated Care Organization (ICO) entities, a home help provider, 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.

Current Status: MDHHS partially corrected the deficiencies noted in the finding. MDHHS corrected the deficiencies related to the ICO entities and the home help provider.

Reason(s) for Recurrence: For the PIHP entities, MI Choice entities, MHP entities, Dental Health Plan entities, and PBM, MDHHS relied on managed care organizations and other contracted entities to provide timely and complete ownership and disclosure information, including updates that occur during the contract period. MDHHS may not always receive notification from the entities when ownership or control changes occur, which can delay required updates to CHAMPS. In addition, limited staff resources affected the timeliness of completing all monitoring activities for MI Choice entities' provider networks, including verification that provider agreements were in place and required disclosures were submitted.

Corrective Action: See corrective action for Finding 2025-015.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-015
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 reports (CMS-64 and CMS-21 reports).

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

Reason(s) for Recurrence: For parts a. and c., system issues and lack of sufficient communication within MDHHS contributed to the untimely reporting of overpayments and application of the incorrect federal medical assistance percentage rate.

Corrective Action: See corrective action for Finding 2025-016.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-016
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 5 of 8 sampled managed care entities' 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's internal control and monitoring activities need improvement to ensure all submitted MLR reports are completed in accordance with federal regulations.

Corrective Action: See corrective action for Finding 2025-018.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-017
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 of its managed care entities encounter and financial data was completed and submitted for all significant components necessary to meet audit requirements. Also, MDHHS did not ensure the audits were posted to its website at least once every three years.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-018
Initial Year Written: Fiscal Year 2024
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 Access Controls

Finding: MDHHS and DTMB did not fully implement effective access controls over the Michigan Women, Infants, and Children Information System (MI-WIC) database. DTMB did not review all privileged MI-WIC database accounts on a semiannual basis.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-019
Initial Year Written: Fiscal Year 2024
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.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-020
Initial Year Written: Fiscal Year 2024
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, ALN 12.401, Cash Management - Timeliness of Cash Draws

Finding: The Department of Military and Veterans Affairs (DMVA) did not follow its established cash draw process to prepare reimbursement requests in accordance with the Cash Management Improvement Act.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-021
Initial Year Written: Fiscal Year 2024
Finding Title: National Guard Military Operations and Maintenance (O&M) Projects, ALN 12.401, Period of Performance - Extension Procedures

Finding: DMVA did not timely submit extension requests for cooperative agreement appendices sent to the United States Property and Fiscal Office for 2 (8%) of 24 appendices requiring extension requests during fiscal year 2024.

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

Reason(s) for Recurrence: DMVA communicated with program managers on due dates of extension requirements but neglected to sign the required document timely.

Corrective Action: DMVA will continue to set annual recurring calendar appointments to review program activities with the program managers one month before the end of the period of performance to ensure a joint understanding of extension requirements, allowing sufficient time to prepare and submit period of performance extension requests timely, if needed. DMVA anticipates completion of corrective action by September 30, 2026.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-022
Initial Year Written: Fiscal Year 2024
Finding Title: Highway Planning and Construction, ALN 20.205, Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, and Earmarking; and Procurement and Suspension and Debarment - AASHTOWare Security Management and Access Controls

Finding: MDOT did not fully establish effective security management and access controls over the American Association of State Highway and Transportation Officials software (AASHTOWare) users.

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

Reason(s) for Recurrence: MDOT's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Corrective Action: See corrective action for Finding 2025-021.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-023
Initial Year Written: Fiscal Year 2024
Finding Title: Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - PTMS Security Management and Access Controls

Finding: MDOT did not fully establish effective security management and access controls over PTMS users.

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

Reason(s) for Recurrence: Due to a system limitation, historical user access data was deleted when an existing user received a new role.

Corrective Action: See corrective action for Finding 2025-025.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-024
Initial Year Written: Fiscal Year 2023
Finding Title: Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Grant Reimbursement Approval Procedures

Finding: EGLE did not review and approve drinking water and clean water grant reimbursement requests for 2 (9%) of 23 sampled payments to ensure the requests were reasonable and appropriate.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-025
Initial Year Written: Fiscal Year 2023

Finding Title: Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Insufficient Respite Payment Controls

Finding: MDHHS did not have sufficient controls in place to prevent or detect and correct payment errors made to respite grant recipients.

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

Reason(s) for Recurrence: Internal control and monitoring activities were not sufficient to ensure MDHHS documented its review and approval of respite grant payments in the Medical Services Administration Manual Payment System.

Corrective Action: See corrective action for Finding 2025-026.

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: 2024-026

Initial Year Written: Fiscal Year 2023

Finding Title: Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Reporting - Workfront Security Management and Access Controls

Finding: DTMB did not fully establish effective security management and access controls over Workfront.

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

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: 2024-027

Initial Year Written: Fiscal Year 2024

Finding Title: Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Subrecipient Monitoring - Subaward Information

Finding: MDOT, LEO, and the Michigan Strategic Fund (MSF) did not report to their subrecipients all subaward information as required by the Uniform Guidance.

Current Status: MDOT, LEO, and MSF partially corrected the deficiencies noted in the finding. MDOT and LEO corrected parts a. and b. of the finding, respectively.

Reason(s) for Recurrence: For part c., MSF staff incorrectly interpreted federal regulation requirements for two subrecipients. For the remaining subrecipient, although MSF implemented controls to ensure all subaward information was reported to new subrecipients, staff turnover and limitations contributed to a delay in complete communication of required subaward information to current subrecipients.

Corrective Action: See corrective action for Finding 2025-030.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-028
Initial Year Written: Fiscal Year 2024
Finding Title: Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, Subrecipient Monitoring - Subrecipient Audits

Finding: LEO, MSF, and EGLE did not properly monitor their subrecipients to ensure they complied with the Uniform Guidance.

Current Status: LEO, MSF, and EGLE partially corrected the deficiencies noted in the finding. LEO and MSF corrected part a. of the finding.

Reason(s) for Recurrence: For part b., due to an oversight, the subrecipient expenditure query was limited to only EGLE expenditure data, which prevented the identification of all subrecipients exceeding the single audit threshold.

Corrective Action: See corrective action for Finding 2025-031.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-029
Initial Year Written: Fiscal Year 2024
Finding Title: Adult Education - Basic Grants to States, ALN 84.002, Subrecipient Monitoring - During-the-Award Monitoring and Subaward Information

Finding: LEO did not complete sufficient during-the-award monitoring of its subrecipients to ensure it complied with the Uniform Guidance. In addition, LEO did not accurately report to its subrecipients all subaward information as required by the Uniform Guidance.

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

Reason(s) for Recurrence: For part a., the fiscal year 2024 final narrative reports were not fully completed because of a system error in NexSys that delayed the availability of the reports for the subrecipients.

Corrective Action: For part a., LEO completed its review of the fiscal year 2023 final narrative reports and final expenditure reports for each of the 92 subrecipients as of June 30, 2025.

Due to the NexSys system error, LEO was unable to release the fiscal year 2024 final narrative reports to subrecipients until December 29, 2025, and the reports were not submitted to LEO for review until January 30, 2026. LEO completed its review as of May 31, 2026.

With the system error now resolved, the fiscal year 2025 final narrative reports should be available to subrecipients by September 30, 2026.

LEO anticipates completing its review of the reports by December 31, 2026.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-030
Initial Year Written: Fiscal Year 2024
Finding Title: Rehabilitation Services Vocational Rehabilitation Grants to States, ALN 84.126, Reporting - Accuracy of Financial Reports

Finding: LEO did not submit accurate financial reports to the U.S. Department of Education for 2 of 4 sampled Vocational Rehabilitation Financial Reports (RSA-17).

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

Reason(s) for Recurrence: Due to the complexities of the Vocational Rehabilitation Financial Report (RSA-17), a final version of the Rehabilitation Services Administration (RSA) procedures is still in progress

Corrective Action: The LEO Finance Division completed an initial draft of the updated RSA-17 procedures. This is an ongoing project to continue to enhance preparation and reconciliation processes for RSA-17 disclosures. The LEO Finance Division is in the process of collecting feedback from RSA on the procedures which will be incorporated into an updated draft. Michigan Rehabilitation Services will then review the LEO Finance Division's updated draft and submit to RSA for final approval.

The LEO Finance Division staff and management reviewed RSA-17 training materials/webinars provided by the Vocational Rehabilitation Technical Assistance Center for Quality Management (VRTAC-QM). Additional onsite training from VRTAC-QM consultants was rescheduled for May 2026. The LEO Finance Division's updated RSA-17 procedures require initial training for all staff and management involved in RSA-17 preparation/review, as well as continuing education on an annual basis thereafter.

An additional layer of management review on RSA-17 reports was implemented for the fiscal year 2025 fourth quarter submission.

LEO anticipates completion of corrective action by September 30, 2026.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-031
Initial Year Written: Fiscal Year 2024
Finding Title: Twenty-First Century Community Learning Centers, ALN 84.287, Subrecipient Monitoring - Program Fiscal Reviews

Finding: MiLEAP did not sufficiently monitor the activities of its subrecipients to ensure federal awards are used for authorized purposes.

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

Reason(s) for Recurrence: MiLEAP continued to have limited staffing to sufficiently monitor subrecipients and develop comprehensive monitoring policies and procedures.

Corrective Action: MiLEAP implemented comprehensive monitoring policies and procedures and is currently completing fiscal reviews for the program. MiLEAP anticipates completing the fiscal reviews by August 2026.

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: 2024-032

Initial Year Written: Fiscal Year 2024

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 - MWBC Child Care System User Access

Finding: MiLEAP did not fully establish effective user access controls over the Michigan Workforce Background Check (MWBC) Child Care System.

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

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: 2024-033

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: MiLEAP and MDHHS did not ensure compliance with federal laws and regulations relating to client eligibility for CCDF Cluster child care payments for 5 (8%) of the 60 cases we reviewed.

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

Reason(s) for Recurrence: MDHHS's internal control and monitoring activities were not sufficient to ensure it maintained or appropriately considered all required verification documentation in the client's case record to support eligibility.

Corrective Action: See corrective action for Finding 2025-032.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-034
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: MiLEAP and the Department of Licensing and Regulatory Affairs did not ensure inspections to support child care providers were performed in accordance with applicable health and safety requirements to be eligible for CCDF Cluster payments.

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

Reason(s) for Recurrence: Limited resources and transition to a new system impacted the timeliness of some inspections.

Corrective Action: See corrective action for Finding 2025-033.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-035
Initial Year Written: Fiscal Year 2022
Finding Title: CCDF Cluster, ALN 93.575 and 93.596, Reporting - FFATA Reporting

Finding: MiLEAP and MDE did not have a process to ensure they submitted subaward information as required by the FFATA of 2006 and federal guidance.

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

Reason(s) for Recurrence: Corrective action was delayed due to limited resources and capacity during fiscal year 2025.

Corrective Action: See corrective action for Finding 2025-034.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-036
Initial Year Written: Fiscal Year 2023
Finding Title: CCDF Cluster, ALN 93.575 and 93.596, Subrecipient Monitoring - Subaward Information

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

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

Reason(s) for Recurrence: Due to the transition of the CCDF Cluster from MDE to MiLEAP, different forms were used for grant awards in

MiLEAP and did not include all required information. MiLEAP also had limited administrative staffing during the transition period.

Corrective Action: See corrective action for Finding 2025-035.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-037
Initial Year Written: Fiscal Year 2024
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 - MiAIMS General Controls

Finding: MDHHS and DTMB had not fully implemented effective general controls over the Michigan Adult Integrated Management System (MiAIMS) database.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-038
Initial Year Written: Fiscal Year 2024
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 - MiAIMS User Access

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

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-039
Initial Year Written: Fiscal Year 2015
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 - Transitional Medicaid Eligibility

Finding: MDHHS did not ensure renewals were processed on a timely basis for beneficiaries receiving transitional medical assistance Medicaid coverage.

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

Reason(s) for Recurrence: Due to a breakdown of internal processes, there was a delay in timely termination of some beneficiaries within the transitional medical assistance Medicaid eligibility group.

Corrective Action: See corrective action for Finding 2025-037.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-040
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 beneficiary eligibility was updated in CHAMPS.

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

Reason(s) for Recurrence: Because of system issues in Bridges, inaccurate eligibility information from Bridges was interfaced into CHAMPS, resulting in beneficiaries appearing eligible in CHAMPS in error and payments being processed based on that eligibility. Outstanding system defect fixes remain unresolved at this time primarily due to competing priorities and resource constraints within MDHHS and DTMB.

Corrective Action: See corrective action for Finding 2025-038.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-041
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, totaling \$342, for 3 (20%) of 15 sampled clients who were hospitalized while receiving Home Help Program (HHP) services and no longer met eligibility requirements.

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

Reason(s) for Recurrence: The monthly Home Help Hospitalization reports excluded some overlapping HHP services and hospitalizations due to timing differences between the report run dates and the weekly schedule updates of CHAMPS hospitalization data.

Corrective Action: See correcting action for Finding 2025-039.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-042
Initial Year Written: Fiscal Year 2024

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 Home Help Assistance

Finding: MDHHS did not obtain an updated medical needs form to ensure the HHP beneficiary met eligibility requirements for 1 of 3 HHP payments sampled.

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

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: 2024-043

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 fee-for-service (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 in 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. The overall solution is more complex than originally estimated, and the extended timeline for implementation is primarily due to competing priorities and resource constraints within MDHHS and DTMB.

Corrective Action: See corrective action for Finding 2025-040.

Audit Period: October 1, 2023 through September 30, 2024

Finding Number: 2024-044

Initial Year Written: Fiscal Year 2014

Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - MiSACWIS Security Management and Access Controls

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

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

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

For part b., the user's role was not removed due to staff oversight.

Corrective Action: See corrective action for Finding 2025-007.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-045
Initial Year Written: Fiscal Year 2011
Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Non-Financial Eligibility Documentation

Finding: MDHHS did not obtain or maintain sufficient non-financial case record documentation to support client eligibility for 1 (5%) of 22 sampled TANF-funded assistance payments.

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

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

Corrective Action: See corrective action for Finding 2025-043.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-046
Initial Year Written: Fiscal Year 2024
Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Inappropriate TANF-Funded Emergency Foster Care Assistance

Finding: MDHHS did not appropriately consider a child's circumstances to ensure the child met eligibility requirements for 1 (17%) of 6 sampled TANF-funded emergency foster care case records.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-047
Initial Year Written: Fiscal Year 2023
Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Subrecipient Monitoring - Risk Assessment and During-the-Award Monitoring

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

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

Reason(s) for Recurrence: For part a., due to staff oversight and because this was the first year TANF funded the grant, MDHHS did not complete the risk assessment.

Corrective Action: See corrective action for Finding 2025-045.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-048
Initial Year Written: Fiscal Year 2023
Finding Title: Temporary Assistance for Needy Families, ALN 93.558, Special Tests and Provisions - Child Support Non-Cooperation

Finding: MDHHS did not appropriately and timely sanction TANF families who did not cooperate with establishing paternity and child support orders in 3 (8%) of the 40 sampled case records.

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

Reason(s) for Recurrence: For part a., MDHHS internal controls were not sufficient to ensure the accurate application of TANF non-cooperation sanctions in five identified cases.

For part b., MDHHS did not ensure Bridges appropriately excluded a TANF non-cooperation sanction.

Corrective Action: See corrective action for Finding 2025-046.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-049
Initial Year Written: Fiscal Year 2023
Finding Title: Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Subrecipient Monitoring - Salesforce Security Management and Access Controls

Finding: LEO did not fully establish effective security management and access controls over the Salesforce users.

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

Reason(s) for Recurrence: LEO's internal control and monitoring activities were not sufficient to ensure all appropriate parties adhered to established policies.

Corrective Action: See corrective action for Finding 2025-047.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-050
Initial Year Written: Fiscal Year 2023
Finding Title: Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility - Assistance to Ineligible Refugees

Finding: LEO and MDHHS did not ensure compliance with federal laws and regulations relating to client eligibility.

Current Status: LEO and 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 MDHHS maintained or appropriately considered the required verification documentation in clients' case records to support eligibility.

Corrective Action: See corrective action for Finding 2025-048.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-051
Initial Year Written: Fiscal Year 2024
Finding Title: Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Reporting - Accuracy and Completeness of Financial Reports

Finding: LEO did not have an adequate process in place to ensure it submitted accurate and complete financial reports to the U.S. Department of Health and Human Services Office of Refugee Resettlement.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-052
Initial Year Written: Fiscal Year 2023
Finding Title: Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Reporting - FFATA Reporting

Finding: LEO did not ensure it reported or accurately and timely reported all Refugee and Entrant Assistance State/Replacement Designee Administered Programs (REAP) subaward information as required by FFATA.

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

Reason(s) for Recurrence: LEO's process relied on the LEO Finance Division generating a SIGMA Business Intelligence report to obtain information on new/amended subawards once they were entered in SIGMA, but delays entering subawards in SIGMA caused FFATA reporting to be late.

Corrective Action: See correcting action for Finding 2025-049.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-053
Initial Year Written: Fiscal Year 2023
Finding Title: Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566, Subrecipient Monitoring - Subrecipient Audits and Subaward Information

Finding: LEO did not properly monitor its subrecipients to ensure they complied with the Uniform Guidance.

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

Reason(s) for Recurrence: For part a., timing of final process implementation and competing reviews contributed to untimely reviews of REAP subrecipient single audits.

For part b., timing of process implementation led to an oversight where an amendment did not include all federal award information.

Corrective Action: See corrective action for Finding 2025-050.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-054
Initial Year Written: Fiscal Year 2020
Finding Title: Low-Income Home Energy Assistance, ALN 93.568, Cash Management - Recertification of Clearance Patterns

Finding: 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.

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

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-055
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, client contribution payment, and proof of energy crisis for 11 (26%) of 42 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 county/district office specialists adhered to established policies and procedures.

Corrective Action: See corrective action for Finding 2025-051.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-056
Initial Year Written: Fiscal Year 2024
Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting, Subrecipient Monitoring, and Special Tests and Provisions - EM Grants Manager Security Management and Access Controls

Finding: The Michigan Department of State Police (MSP) did not fully establish effective security management and access controls over EM Grants Manager.

Current Status: MSP corrected parts a. and b. of the finding. Part c. of the finding is no longer applicable due to updates to technical standards for systems with a low security classification.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-057
Initial Year Written: Fiscal Year 2024
Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters), ALN 97.036, Reporting - FFATA Reporting

Finding: MSP did not ensure it reported Disaster Grants - Public Assistance subaward information as required by FFATA.

Current Status: MSP corrected the deficiencies noted in the finding as of September 30, 2025.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-058
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, 2024, Finding 2024-001.

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, 2025, Summary Schedule of Prior Audit Findings, Finding 2024-001.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-059
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, 2024, Finding 2024-002.

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, 2025, Summary Schedule of Prior Audit Findings, Finding 2024-002.

Audit Period: October 1, 2023 through September 30, 2024
Finding Number: 2024-060
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, 2024, Finding 2024-003.

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, 2025, Summary Schedule of Prior Audit Findings, Finding 2024-003.



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

GRETCHEN WHITMER
GOVERNOR

JENNIFER L. FLOOD
DIRECTOR

Management Views and Corrective Action Plan

Findings Related to the Financial Statements

Finding 1

Liabilities for corporate income tax overpayments not recorded.

Management Views

The Michigan Department of Treasury (Treasury), in conjunction with the State Budget Office (SBO), disagrees with the finding. For additional details regarding the disagreement, please see the Finding 1 Agency Preliminary Response in the fiscal year 2025 Report on Internal Control, Compliance, and Other Matters for the State of Michigan Annual Comprehensive Financial Report (SOMACFR).

Planned Corrective Action

Treasury, in conjunction with SBO, disagrees with the finding and does not intend to take further action.

Anticipated Completion Date

Not applicable

Responsible Individual(s)

Suzie Nichols and Jill Trepkoski, Treasury

Finding 2

Establishing and monitoring of tax receivables and payables.

Management Views

Treasury and the Office of Financial Management (OFM) agree that internal control related to tax accruals should continue to be improved.

Planned Corrective Action

For part a., Treasury utilizes a Statewide Integrated Governmental Management Applications (SIGMA) report to auto populate revenues within the GASB 34 report, which is the underlying report used to calculate tax accruals. The SIGMA report had not been updated to identify the correct account coding for certain tax revenues. Treasury has updated the procedures to ensure the SIGMA report is updated before it is used in future GASB 34 reports. In addition, the tax accruals were updated incorrectly due to new SIGMA coding and human error. The GASB 34 workbook has been updated to include this new SIGMA coding, and Treasury will be exploring new reporting from the Tax Accrual System to help reconcile these amounts in the future. Treasury will also create review checklists to ensure review procedures identify potential future errors and to make corrections prior to sending the report to OFM.

For part b., Treasury will update procedures related to the billed taxes receivable accrual. The procedure updates will include an explanation that payments received during October and November should not be removed and explain how the business area documents these payments within the billed taxes accrual spreadsheet.

For part c., Treasury completed a system enhancement in April 2025 to restructure the data necessary to develop an appropriate estimate. Now that that system has been enhanced, Treasury needs to accumulate five years of data to formulate an appropriate estimate.

For part d., Treasury's Individual Income Tax (IIT) legacy system did not have the ability to report details related to flow-through entity (FTE) refunds. The system was replaced in November of 2025. Treasury's Accounting Services Division is building the FTE reporting capabilities within the new system and has submitted an enhancement request to analyze FTE payments by tax year to evaluate the accuracy of the prior year estimated accrual. This report enhancement is anticipated to be completed in the summer of 2026.

For part e., Treasury's IIT legacy system did not have the capability to be reconciled to SIGMA as the legacy system did not have a general ledger module. Treasury replaced this legacy system with the Michigan Modernized Integrated Tax System (MiMITS) on November 12, 2025. Treasury's Accounting Services Division started reconciling MiMITS and SIGMA on November 17, 2025.

Anticipated Completion Date

- a. July 31, 2026
- b. June 30, 2026
- c. December 9, 2030
- d. July 31, 2026
- e. Completed

Responsible Individual(s)

- a. Stacey Bliesener and Darika Egeler, Treasury
- b. Colin Ohl and Taylor Jennings, Treasury
- c. Stacey Bliesener and Darika Egeler, Treasury
- d. Stacey Bliesener and Darika Egeler, Treasury
- e. Noelani Sweet Weiland and Michael VanFarowe, Treasury

Finding 3

Various departments' financial accounting practices.

Management Views

State agencies and OFM agree that internal control should be improved to help ensure the accuracy of the accounting information recorded in the SOMACFR.

Planned Corrective Action

For part a.1., Treasury's Accounting Services Division will add an event to Treasury's internal year-end close schedule to perform a review of Michigan Economic Growth Authority information received from the business area for this year-end activity. This review will include a count of businesses for accuracy as well as a comparison of the prior year's calculations. This review will occur prior to forwarding the information to OFM.

For part a.2., Treasury will update procedures related to identifying incoming wire payments to ensure they are posted to the correct funds. The department will update procedures to include reaching out to internal Treasury staff to determine if the account coding has been provided for incoming wire payments and performing other research pertaining to identifying the correct coding. In addition, Treasury management will implement a post review process to sample records and verify staff follow procedures and post payments to correct account coding.

For part b.1., while the Department of Labor and Economic Opportunity (LEO) considers this an isolated incident caused by a misinterpretation of reports that had been received, LEO will reinforce the existing multi-layered review process between the LEO Finance Division and the LEO Grants Division by incorporating a specific validation check for technical report milestones. This enhancement, along with continued adherence to established signing authority levels, will ensure grant payment transactions strictly meet all agreement prerequisites prior to processing.

For part b.2., LEO will develop and execute procedures for a semi-annual reconciliation process for remaining and future advances with the Michigan State Housing Development Authority.

For part b.3, LEO will develop or enhance documented procedures for all federal grant reporting requirements. The procedures will include a process for reconciling federal revenue draws to expenditures.

For part c.1., the Michigan Department of Health and Human Services (MDHHS) has developed and implemented standardized checklists designed to ensure the timely collection of all program information necessary for accurate annual accrual calculations. These checklists are intended to identify programmatic changes that may affect accrual estimates, document program-level justification for year-over-year variances, and reduce the risk of errors or omissions by establishing a consistent and comprehensive information-gathering process. The checklists will be incorporated into the fiscal year 2026 accrual cycle and were distributed to program areas during May 2026, accompanied by detailed instructions outlining required completion and submission procedures.

For part c.2., MDHHS has strengthened its internal accrual calculation procedures to reduce the risk of manual errors and ensure the accurate reporting of Medicaid inpatient hospital expenditures and related receivables. The accrual is generated from a query, and the error occurred because data that should have been excluded from the query results was inadvertently included due to a keying error, which led to an incorrect calculation. A new step has been incorporated into the accrual process to specifically exclude data that is not relevant to the accrual calculation and ensure irrelevant or inappropriate data is not included in the query output. Supervisory review of detailed calculations is already part of the existing control structure and will continue as part of the strengthened process.

For part d., OFM will update its procedures to include additional factors that must be considered when calculating principal and interest related to structured settlement agreements.

For part e., the Department of Environment, Great Lakes, and Energy (EGLE) and the Michigan Department of Agriculture and Rural Development (MDARD) have implemented reconciliation processes between their information systems and the Michigan Cashiering and Receivable System (MiCaRS). Specifically, MDARD has implemented a monthly reconciliation process to verify that customer details, account coding, and invoice amounts in MiCaRS match the source data from the Licensing Portal System. MDARD completed this reconciliation for each month

during fiscal year 2026. For EGLE, the corrective action was implemented during the fourth quarter of fiscal year 2025.

For part f.1., Michigan Department of Education's (MDE) payment post processor sends an email to management after the payment jobs are run in MDE's grant management system, the Next Generation Grant, Application and Cash Management System (NexSys). MDE started attaching the Business Intelligence Detail Breakdown Payment Report, SIGMA Interface Feedback Report, and the NexSys Cash Payments Report (reconciliation) to these emails. MDE's accounting manager is included in these emails and when this is received, the accounting manager reviews the reports and initials the NexSys Cash Payments Report indicating that the reconciliation was completed and saved in the reconciliation files.

For part f.2., MDE created a SIGMA Business Intelligence report to pull manual entries in SIGMA that affect grants paid through NexSys. MDE has implemented procedures to verify the activity that was not originally generated in NexSys is recorded in NexSys on a quarterly basis. Items on the report for grants that are paid through Nexsys are researched to determine if they need to be recorded in the NexSys system. Documentation supporting each item is saved in the files to show that each item is recorded in both SIGMA and NexSys. Not all SIGMA transactions need to be entered into NexSys and that is noted on the reconciliation.

Anticipated Completion Date

- a.1. August 31, 2026
- a.2. July 15, 2026
- b.1. June 30, 2026
- b.2. September 30, 2026
- b.3. September 30, 2026
- c.1. Completed
- c.2. Completed
- d. July 31, 2026
- e. Completed
- f.1. Completed
- f.2. Completed

Responsible Individuals

- a.1. Monica Corriveau and Tracie L. Richards, Treasury
- a.2. Noelani Sweet Weiland and Rebecca Willaert, Treasury
- b.1. Chris Johnson, LEO
- b.2. Chris Johnson and Mary McGrath, LEO
- b.3. Chris Johnson, LEO
- c.1. Holli Doyle and Erin Pohl, MDHHS
- c.2. Holli Doyle and Erin Pohl, MDHHS
- d. Derek Childs, OFM
- e. Jennifer Kang and Lois Marinangeli, EGLE
Sylvia Renteria, MDARD
- f.1. Brandon Reed and Rose Zuker, MDE
- f.2. Brandon Reed and Rose Zuker, MDE

Finding 4
Access limits needed for confidential information in SIGMA.

Management Views

MDHHS and OFM agree that access to confidential information in SIGMA should be limited to appropriate users.

Planned Corrective Action

The MDHHS Bureau of Revenue Collections will store and maintain all transaction support documentation within role-based, program-specific Content Manager folders. Content Manager is a system separate from SIGMA that is used for document retention. This will ensure that access to confidential information is appropriately restricted based on user roles and program responsibilities.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jeff Wyman, MDHHS

Finding 5
Financial accounting practices related to capital assets.

Management Views

The Michigan Department of Transportation (MDOT) and OFM agree that internal control should be improved to monitor the accuracy of the State's capital assets recorded in the SOMACFR.

Planned Corrective Action

For part a., MDOT has added clarifying language to its internal capital asset reporting procedures specifying the proper use of acquisition types and what to do if the scenario repeats itself.

For part b., MDOT implemented an additional report that calculates days since last activity to assist with timely reclassification efforts. MDOT will review the report at year-end to identify programs with inactivity to determine if the asset is complete, and internal capital asset reporting procedures were updated to outline use of the report.

Anticipated Completion Date

- a. Completed
- b. Completed

Responsible Individual(s)

- a. Karmen Puruleski, Kari Linn, and Adam Feldpausch, MDOT
- b. Karmen Puruleski, Kari Linn, and Adam Feldpausch, MDOT

Findings Related to Federal Awards

Finding 2025-001

SIGMA High-Risk Activity Monitoring

Management Views

The Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) agrees with the finding.

Planned Corrective Action

MiLEAP started monitoring its high-risk activity report weekly to ensure users performed only authorized override actions in SIGMA beginning June 20, 2025.

Anticipated Completion Date

Completed

Responsible Individual(s)

Lora MacKay, MiLEAP

Dawn Lake, MiLEAP

Erica Nowland, MiLEAP

Finding 2025-002

DTMB, IT General Controls

Management Views

The Department of Technology, Management, and Budget (DTMB) agrees it did not perform the annual review of privileged accounts for the operating system servers. As stated in the finding, DTMB performed the recertification process after the issue was brought to its attention.

Planned Corrective Action

DTMB performed its user access recertification processes in November 2025.

Anticipated Completion Date

Completed

Responsible Individual(s)

Manny Rosales, DTMB

Finding 2025-003

Bridges Interface Controls

Management Views

DTMB agrees with the finding.

Planned Corrective Action

DTMB will establish a process to verify that the total number of processed, exception, and skipped records matches the number of records read from the data source. DTMB will investigate discrepancies identified through this validation process and implement appropriate corrective measures to resolve the issues.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Nathan Buckwalter, DTMB

Finding 2025-004

Bridges Security Management and Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For parts a., b., c., and d., MDHHS implemented the Database Security Application (DSA) on October 2, 2023, which includes documenting incompatible role exception requests and user access request approvals, semi-annual review of privileged users, and annual review for all users. Security management and access control processes will continue to be a standing agenda item for ongoing quarterly training sessions with local office security coordinators (LOSC).

For parts a., c., and d., the Access Management Section began implementing a process to conduct quarterly reconciliations of the DSA to the Bridges Integrated Automated Eligibility Determination System (Bridges) during March 2025. Due to the complexity of the reconciliations and time constraints, MDHHS requested the Bridges technical team to develop a consolidated Excel based report to add a level of automation to the process. The report is now available on an ad hoc basis, and the Access Management Section began utilizing it during April 2026 to conduct reviews and provide remediation with the LOSCs and end users. Full automation of the report remains in progress due to significant competing priorities and limited resources.

For part b., MDHHS implemented the automated DSA periodic access review process (PAR) during January 2026 to review all users every 90 days, instead of the current 180 days for privileged users. MDHHS updated its policy to require initiation of the PAR in the DSA for all users every 90 days, without exception, to comply with State standards.

For part e., MDHHS local office directors, district managers, or designees review a monthly sample of high-risk Bridges transactions to ensure documentation was properly maintained. Beginning September 2024, MDHHS Business Service Centers (BSC) implemented a monitoring process to ensure monthly reviews are completed by the local offices timely and that the documentation is properly maintained. To strengthen compliance, MDHHS will reinforce expectations through manager training and emphasize the requirement to maintain complete records and to sign and date all review reports within 30 days of the report run date. Additional training sessions will be repeated as needed to ensure consistent adherence to documentation and timeliness standards across all local offices.

Anticipated Completion Date

a., c., and d. Ongoing

b. Completed

e. September 30, 2026

Responsible Individual(s)

- a., b., c., and d. Tim Kwast, MDHHS
- e. Tim Kwast and Veronica Maxson, MDHHS

Finding 2025-005
Income Eligibility and Verification System

Management Views

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

For part c., MDHHS disagrees with the conclusion that a process is not fully established to monitor the electronic notifications provided to county/district office caseworkers to ensure they utilized the Income Eligibility and Verification System (IEVS) information to determine the recipients' eligibility. MDHHS had policies and procedures in place during fiscal year 2025 to help ensure monitoring of electronic notifications occurred. Review of IEVS information is fully incorporated into the case read procedure governed by Bridges Administrative Manual 301 and further detailed in accompanying desk aids and reading guides. The MDHHS Economic Stability Administration (ESA) also provides regular direction and reminders regarding case read requirements through ESA memos.

For part e., MDHHS disagrees that IEVS information is required to be requested and obtained for Medicaid Cluster Healthy Kids, Healthy Michigan Plan, Children's Health Insurance Program (CHIP) Healthy Kids, and MiChild modified adjusted gross income (MAGI) based recipients since eligibility is verified upon determination through the MAGI eligibility determination process.

MAGI verification rules are contained within federal regulation 42 *CFR* 435.603, which describes electronic verification through the Federal Data Services Hub, reasonable compatibility standards, and verification at application and renewal. The Centers for Medicare and Medicaid Services (CMS) MAGI Application and Eligibility Process Implementation Guides describe MAGI verification as a streamlined, electronic process using the federal hub and state data sources with no reference to IEVS. The IEVS rules are contained within federal regulations 42 *CFR* 435.940 through 42 *CFR* 435.965 and are part of the non-MAGI verification framework.

Planned Corrective Action

For parts a. and b., MDHHS ESA will continue to provide guidance and training to local office specialists on timely and appropriate use of IEVS when the information is critical to current eligibility determinations. MDHHS ESA will also continue to evaluate potential technical and automated solutions related to IEVS data to help ensure its proper utilization and timeliness.

For parts c. and e., MDHHS disagrees with the finding and does not intend to take further action.

For part d., MDHHS is collaborating with other work areas to identify potential solutions to establish and implement IEVS interfaces for adoption subsidy recipients funded by the Temporary Assistance for Needy Families (TANF) program.

Anticipated Completion Date

- a. and b. Ongoing
- c. Not applicable

- d. MDHHS has not yet determined an anticipated completion date because the date is dependent on the potential solutions identified.
- e. Not applicable

Responsible Individual(s)

- a., b., and c. Veronica Maxson and Mariah Schaefer, MDHHS
- d. Kathonya Triplett, MDHHS
- e. Logan Dreasky, MDHHS

Finding 2025-006
ADP Security Program

Management Views

MDHHS and DTMB agree with the finding.

Planned Corrective Action

For 2 of the 3 systems cited, the Authority to Operate (ATO) was successfully re-established on July 8, 2025, and October 10, 2025, respectively. For the remaining system, MDHHS and DTMB will complete a comprehensive update to the System Security Plan, incorporate all missing control assessments into the risk analysis, and implement the ATO by August 30, 2026.

Anticipated Completion Date

August 30, 2026

Responsible Individual(s)

- Nathan Buckwalter, DTMB
- Heather Frick, DTMB
- Veronica Maxson, MDHHS
- Jim Bowen, MDHHS
- Kasi Hunziger, MDHHS
- Lyndia Deromedi, MDHHS

Finding 2025-007
MiSACWIS Security Management and Access Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., MDHHS currently has a process in place to review the user narrative describing the incompatible role exceptions within the DSA Michigan Statewide Automated Child Welfare Information System (MiSACWIS) request as part of the approval process. Also, MDHHS added an incompatible role form in the DSA MiSACWIS request with automated routing for appropriate approval on November 11, 2025. In addition, MDHHS provides ongoing education during the quarterly LOSC webinars, where guidance is shared with the LOSCs on security management and access control topics, such as the correct procedures for processing system access requests.

For part b., during April 2025, MDHHS updated the renewal processing start date to 15 days earlier to ensure renewal requests are reviewed prior to the annual recertification date.

Anticipated Completion Date

Completed

Responsible Individual(s)

Tim Kwast, MDHHS
Alana Lowe, MDHHS

Finding 2025-008

CHAMPS Eligibility Interface Errors

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has strengthened its processes to ensure that documentation is maintained for all eligibility records identified with errors and excluded from the Community Health Automated Medicaid Processing System (CHAMPS) interface processing. Bridges, as the system of record for eligibility, continues to generate reports identifying potential duplicate identification numbers (ID) for local office staff to review and merge the records when they determine the IDs represent the same individual. Until this review and merging process is completed, CHAMPS rejects these potential duplicate records to prevent duplicate beneficiary payments under different CHAMPS Medicaid IDs.

In April 2026, MDHHS implemented a weekly query to identify potential duplicate IDs rejected by CHAMPS that were not captured on the standard Bridges reports and therefore require additional review. These records are forwarded to the MDHHS Enrollment Services Section for manual assessment to determine whether they represent new beneficiaries or existing beneficiaries associated with a different CHAMPS Medicaid ID. The Enrollment Services Section then completes the appropriate resolution and ensures the required documentation is maintained.

Anticipated Completion Date

Completed

Responsible Individual(s)

Jonathan Bair, MDHHS

Finding 2025-009

MDE, Security Management and Access Controls

Management Views

MDE agrees with the finding.

Planned Corrective Action

For part a., management will review the exceptions with the team responsible for processing security forms to reinforce appropriate review and processing. MDE will also implement an

automated security access request process, which will eliminate any human error as a result of processing forms.

For part b., management will refine the NexSys annual recertification process to reduce errors. NexSys staff will improve internal user list reviews and confirm completeness during the upcoming recertification cycle prior to management's final review.

MDE is currently developing an automated process to handle the annual recertification of the Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS) users and anticipates implementation in September 2026.

For part c., MDE updated the procedure for disabling accounts in April 2026 to strengthen and clarify the process to ensure MDE disables inactive user accounts after 18 months.

Anticipated Completion Date

- a. May 2027
- b. NexSys: October 2026
GEMS/MARS: September 2026
- c. Completed

Responsible Individual(s)

Monica Butler, MDE
Joshua Long, MDE
Drew Finkbeiner, MDE

Finding 2025-010

MDE, Change Management Process

Management Views

MDE partially agrees with the finding. MDE agrees that testing results were not fully documented. However, MDE does not agree that post-implementation validation could be performed. The scan-vulnerability process could not be performed in the production environment in this instance without significantly impacting system performance for users, making post-implementation validation infeasible.

Planned Corrective Action

MDE management will review the testing documentation maintained in DevOps for all tickets classified as tasks and associated with change management activities and deployments and will remind staff of the required documentation standards for all DevOps tickets linked to a deployment. Additionally, MDE will evaluate whether an alternative method of validating the scan-vulnerability process in production is feasible. If no alternative method is identified, MDE will document that post-implementation validation cannot be performed due to system constraints.

Anticipated Completion Date

December 31, 2026

Responsible Individual(s)

Monica Butler, MDE

Finding 2025-011
MDHHS - FFATA Reporting

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is actively pursuing the implementation of an application programming interface (API) for the submission of the Federal Funding Accountability and Transparency Act (FFATA) data to the federal system, the System for Award Management (SAM), to improve both timeliness and accuracy through automation. This API will connect the Electronic Grants Administration and Management System (EGrAMS) with SAM, enabling backend communication between the systems and allowing SAM to automatically retrieve data directly from EGrAMS.

To ensure accurate reporting until the API is established, MDHHS will continue reviewing validation errors when submitting web-based information to SAM and will work with the SAM federal helpline to report federal system issues and identify interim alternatives to submit the required data. Also, MDHHS implemented an enhancement in August 2025 that validates federal funding sources in EGrAMS against their effective dates, reducing coding errors and improving data reliability. In addition, MDHHS modified the query used to obtain certain FFATA data elements during fiscal year 2026 to improve accuracy of reporting.

Anticipated Completion Date

December 31, 2027

Responsible Individual(s)

Matt Blackburn, MDHHS
Jeanette Hensler, MDHHS
Rebecca Jones, MDHHS

Finding 2025-012
SNAP Cluster, ALN 10.551 and 10.561 and Summer Electronic Benefits Transfer Program for Children, ALN 10.646 - System and Organization Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is currently evaluating the two System and Organization Controls (SOC) reports and will document the evaluation and determination of whether a review is required. Based on these evaluations, if MDHHS determines reviews are required, MDHHS will document the SOC report reviews by June 30, 2026.

Also, MDHHS will assess the current SOC review process and implement any needed improvements to ensure subservice organizations are properly evaluated, formally documented, and that SOC report reviews are submitted within 60 days of receiving each report, by September 30, 2026.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Tony Weber, MDHHS
Veronica Maxson, MDHHS
Dani Wager, MDHHS
Tim Kubu, MDHHS

Finding 2025-013
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 identified exceptions for parts a. and c. However, MDHHS disagrees that 2 Medicaid cases and 11 CHIP cases with MAGI determinations cited in part b. lacked documentation supporting the eligibility determination. CMS has determined that a reasonable compatibility indicator can be used for CMS audit purposes to determine if the attested income information was electronically verified for MAGI cases. For this reason, MDHHS disagrees that documentation was not maintained.

The State of Michigan (SOM) MiIntegrate system communicates with various electronic State and federal trusted data sources and sends information from these sources, along with the beneficiaries' attested income, to the SOM MAGI Rules Engine where the MAGI eligibility determination is made. As part of the MAGI eligibility determination, a reasonable compatibility test is completed to determine if beneficiary/applicant attested income is within a specified percentage of the trusted data sources or if the attested and verified income are below the threshold for the applicable program. The results of the MAGI eligibility determination are sent back to MiIntegrate using an Account Transfer (AT) packet that contains the results. MiIntegrate then communicates the results to the SOM MAGI Viewer and Bridges using an AT packet and Bridges stores the AT packet number only that can be used to view the details of the AT packet within the SOM MAGI Viewer. The version of the AT packet within the MAGI Viewer also contains a reasonable compatibility indicator that documents the outcome of the reasonable compatibility test and supports the SOM MAGI Rules Engine eligibility decision.

MDHHS stores the AT packet information, including facts essential to the eligibility determination, within MiIntegrate and the MAGI viewer instead of Bridges to help protect and secure the federal income tax data and unemployment data used for the determination. The AT packet for each individual determination can be retrieved from the MAGI Viewer using the AT packet number stored in each beneficiary's case file within Bridges. MDHHS is not aware of any federal regulations that preclude MDHHS from storing this information in a separate, secure system to ensure appropriate data protection and access controls required by federal and State laws.

Planned Corrective Action

To address the exceptions identified that are not related to MAGI-based income verification results, MDHHS developed mandatory training protocols for eligibility specialists, and the first Medicaid audit-focused mandatory training was implemented in June 2025. 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 within the electronic case file.

For the exception that did not contain the appropriate coverage termination date, MDHHS reviewed the case and determined that the beneficiary remained eligible to transition to another aid category, and therefore no improper payments occurred. MDHHS will identify the system issue that produced the incorrect termination date and will implement a system fix if necessary. Should such an improvement be identified, it will be submitted through the Departmental Work Intake Process for prioritization and implementation by the Bridges technical team.

MDHHS maintains that documentation supporting MAGI eligibility determinations is retained within MilIntegrate and the MAGI Viewer and therefore disagrees that case file documentation was not maintained. As such, no further corrective action is planned.

Anticipated Completion Date

June 30, 2027

Responsible Individual(s)

Logan Dreasky, MDHHS
Brant Cole, MDHHS
Mariah Schaefer, MDHHS

Finding 2025-014

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 implemented a system update in Bridges to ensure new cases are correctly assigned to either CHIP or Medicaid, and all remaining existing cases were updated during fiscal year 2025, eliminating the need for the quarterly manual reclassification. MDHHS discontinued the manual reclassification process during fiscal year 2026 and transferred the expenditures back to Medicaid for the individuals identified in the finding.

Anticipated Completion Date

Completed

Responsible Individual(s)

Brant Cole, MDHHS
Crystal Kline, MDHHS

Finding 2025-015

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 amended the Pharmacy Benefits Manager, Prepaid Inpatient Health Plan (PIHP), MI Choice Waiver Program (MI Choice), Integrated Care Organization, Medicaid Health Plan (MHP), and Dental Health Plan contracts to require that signatures are obtained on the Provider Screening Information Collection Tool (PSICT) forms and returned timely when contracts and waivers are renewed and extended. MDHHS obtained all signatures on the PSICT forms effective February 19, 2026, for the fiscal year 2026 contract cycle and will continue to send an annual reminder to the managed care entities to report any change in ownership to MDHHS within 35 days.

In addition, MDHHS continues to review provider agreements as part of its monitoring process conducted for all MI Choice entities. MDHHS's fiscal year 2025 review of fiscal year 2024 provider agreements for MI Choice entities was completed by March 31, 2026, and will be ongoing during the Administrative Quality Assurance Review process as outlined in the waiver application that was approved by CMS. Currently the fiscal year 2026 MI Choice contracts state PSICTs must be submitted by September 1 ahead of the new contract renewal, but this will be amended for fiscal year 2026 and subsequent contracts to indicate the PSICT must be submitted to MDHHS upon contract renewal. MDHHS will continue to remind MI Choice entities to submit the PSICT timely and according to contract requirements.

Anticipated Completion Date

July 31, 2026

Responsible Individual(s)

Heather Hill, MDHHS

Kim Heinicke, MDHHS

Finding 2025-016

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 part a., MDHHS will evaluate and enhance the current process to ensure all overpayment-related receivables are timely and accurately reported for inclusion in the quarterly statement of expenditures reports (CMS-64 and CMS-21 reports).

For part b., MDHHS will implement a review process to verify that all manually entered federal medical assistance percentage (FMAP) rates for CHAMPS receivables are accurate. Additionally, MDHHS will evaluate and enhance current procedures to ensure the date of payment is consistently entered to generate the correct FMAP rate for all overpayments within the Adult Services Authorized Payments system.

Anticipated Completion Date

September 30, 2027

Responsible Individual(s)
Rebecca Jones, MDHHS
Darryl Walker, MDHHS
Jessica Moy, MDHHS
Shemin Blundell, MDHHS
Michelle Popowich, MDHHS

Finding 2025-017
Medicaid Cluster, ALN 93.775, 93.777, and 93.778 and Children's Health Insurance Program, ALN 93.767 - Provider Screening

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
During April 2026, MDHHS notified all relevant program areas of the CHAMPS screening requirement and will provide recurring reminders and updates during monthly program operations meetings. MDHHS is also working across its internal program teams to ensure that plans and providers are aware of this requirement and are completing the required registration.

In addition, to strengthen screening of out-of-state Managed Care Organization rendering providers, MDHHS will implement a system enhancement that will enforce CHAMPS registration for out-of-state providers by rejecting encounter claims for providers that are not properly registered. MDHHS anticipates full implementation of this system enhancement by December 31, 2027.

Anticipated Completion Date
December 31, 2027

Responsible Individual(s)
Keith White, MDHHS
Chris Parker, MDHHS

Finding 2025-018
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 updated and strengthened its medical loss ratio (MLR) reporting instructions and comparison template for the MHP Comprehensive Health Care Plan (CHCP), Dental Health Plans, and MI Choice to ensure clearer expectations and alignment with federal requirements. The CHCP and MI Choice programs cited in the fiscal year 2024 audit did not have any identified issues during the fiscal year 2025 audit, demonstrating the impact of MDHHS's efforts to improve internal controls and monitoring activities to ensure all submitted MLR reports are completed in accordance with federal regulations. MDHHS updated the MLR reporting instructions and the comparison template for the PIHPs to clarify federal requirements and

ensure consistency across all managed care programs and distributed them to the PIHPs during May 2026.

MDHHS will strengthen its internal tracking and review process to ensure inclusion of the federally required comparison to audited financial statements in all MLR submissions by September 1, 2026. This verification step, currently in place for PIHPs, will be expanded to all managed care entity types. MDHHS will document this verification and follow up with the managed care entity when the comparison is missing or incomplete to ensure compliance with federal regulations.

Anticipated Completion Date

September 1, 2026

Responsible Individual(s)

Kristen Morningstar, MDHHS

Keith White, MDHHS

Chris Parker, MDHHS

Finding 2025-019

MARIS Change Management Process

Management Views

MDHHS agrees that the procedural step of formalizing post implementation validation documentation was not completed for this specific request for change. MDHHS emphasizes that active operational monitoring of the Medicaid Audit Recovery and Investigation System (MARIS) environment occurred post deployment, mitigating the risk of unauthorized or inappropriate changes impacting the system's secure operation.

In addition, MDHHS notes that verbal approval for the deployment was provided during a meeting with DTMB, and both parties proceeded with the understanding that the change was authorized. The absence of required written documentation was an administrative oversight stemming from a breakdown in the established interagency communication workflow, where DTMB did not send the standard notification email prompting the business owner's formal sign-off.

Planned Corrective Action

The MDHHS Office of Inspector General (OIG) formalized a communication protocol with DTMB to ensure the change management documentation lifecycle is completed. During April 2026, DTMB and the OIG implemented the use of Azure DevOps for monitoring scheduled MARIS implementation dates and documenting approvals.

Anticipated Completion Date

Completed

Responsible Individual(s)

Casey Barton, MDHHS

Finding 2025-020

Foster Care Title IV-E, ALN 93.658 and Adoption Assistance, ALN 93.659 - Accuracy of Financial Reports

Management Views

MDHHS disagrees with the finding. The expenditures noted were recorded through MDHHS's normal, federally approved Public Assistance Cost Allocation Plan cost allocation process. As part of this process, certain administrative costs are not identifiable or allocable to federal programs until the allocation is completed. At that point, MDHHS recognizes these costs as expenditures in the CB-496 report in the quarter in which the allocation occurs and the costs are assigned to the grant. Consistent with this approach, MDHHS has historically reported these amounts as current quarter expenditures.

MDHHS previously consulted with the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF) on the appropriate use of the prior quarter adjustment column, and MDHHS was verbally instructed to no longer record these administrative costs as adjustments since this is part of the normal cost allocation process. ACF approves the CB-496 reports in the federal system and ensures the final award amount reconciles with the amounts reported. This approval process supports the reporting approach used by MDHHS is both consistent with prior guidance and accepted by ACF through its approval and award process.

Planned Corrective Action

Although MDHHS disagrees with the finding, MDHHS sought written guidance from ACF and will follow up to obtain clarification on the appropriate reporting of administrative costs.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Rebecca Jones, MDHHS

Finding 2025-021

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - AASHTOWare Security Management and Access Controls

Management Views

MDOT agrees it did not fully establish effective security management and access controls over the American Association of State Highway and Transportation Officials software (AASHTOWare) users.

Planned Corrective Action

For part a., the MDOT Office of Enterprise Information Management (EIM), Bureau of Field Services-Construction Field Services Division, and Bureau of Development-Design Division will collaborate and provide oversight to ensure that internal user access for AASHTOWare is reviewed at least annually. MDOT will implement an improved process, which will be facilitated by the designated system security administrators, to ensure an internal user review at least annually.

For part b., MDOT worked with DTMB in May 2026 to correct and enhance the auto-disabler function of the AASHTOWare program. In addition, MDOT will continue to monitor this functionality as part of its improved access control process to ensure users who have not accessed AASHTOWare within 365 days for internal user accounts and 18 months for external user accounts are disabled timely.

Anticipated Completion Date

- a. September 30, 2026
- b. Completed

Responsible Individual(s)

Mark Shulick, MDOT
Dan Burns, MDOT
Kristin Schuster, MDOT
Dee Parker, MDOT
Lindsey Renner, MDOT
Jason Gutting, MDOT
Kyle Nelson, MDOT
Andy Esch, MDOT

Finding 2025-022

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - Concur Security Management and Access Controls

Management Views

The Michigan Strategic Fund (MSF) agrees that Concur was not written as an exception in the identified policy but disagrees that there is a control deficiency. MSF maintains effective controls within its control environment that effectively mitigate risks associated with exempting Concur from the identified policy and provide reasonable assurance MSF is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Planned Corrective Action

Based on the factors that led MSF to exempt Concur from SECU.01.020.01 (Access Control Standard), including risk assessments and MSF's existing control environment, Concur will be included in the policy as a written exception.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Alex Fox, MSF
Ian McCorvie, MSF
Calvin Myers, MSF
William Chaffee, MSF

Finding 2025-023

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - EGrAMS Security Management and Access Controls

Management Views

LEO agrees with the finding.

Planned Corrective Action

For part a., LEO has a process to maintain documentation and support for internal users. For external users, LEO will ask the vendor to upgrade the system so it logs every external user activation, including the approving LEO staff member's name and the timestamp, rather than overwriting previous external user activation records.

For part b., LEO established a user reconciliation process in March 2026 that will be managed by the LEO Grants Division.

For part c., LEO will change its policy requiring the disablement of user accounts inactive for over 60 days to comply with SOM Technical Standard 1340.00.020.01 (Access Control Standard). LEO will work with DTMB to complete a system security plan so user accounts will be automatically deactivated after 60 days of inactivity. LEO will also explore options to address the issue of EGrAMS users who typically only access the system every 90 days to complete required system reports.

Anticipated Completion Date

- a. December 31, 2026
- b. Completed
- c. December 31, 2026

Responsible Individual(s)

Jason Hamblin, LEO

Finding 2025-024

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - MiSSG Security Management and Access Controls

Management Views

MiLEAP agrees with the finding.

Planned Corrective Action

For part a., for the exceptions noted in the finding, MiLEAP had the contractors complete the access forms and has approved their access. MiLEAP also updated its procedures to ensure that contractors complete the Michigan Student Aid Scholarships and Grants (MiSSG) access forms before access is granted to the system.

For part b., MiLEAP updated its procedures to ensure that it maintains sufficient documentation of its recertification review of internal users.

Anticipated Completion Date

Completed

Responsible Individual(s)
Diann Cosme, MiLEAP

Finding 2025-025
Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - PTMS Security Management and Access Controls

Management Views

MDOT agrees that security management and access controls should be fully established for the Public Transportation Management System (PTMS).

Planned Corrective Action

Because PTMS is a legacy system that is being retired, MDOT will not re-create historical user data that was deleted due to a system limitation. Rather, MDOT EIM and the MDOT Office of Passenger Transportation (OPT) will collaborate and provide oversight to ensure that the new system, the Public Transportation Information Management System (PTIMS), which is scheduled for full implementation August 31, 2026, has fully established security management and access controls and that there is pertinent documentation regarding users' roles. Also, EIM and OPT will continue to ensure that PTMS, and PTIMS after its implementation, user access is reviewed at least annually in accordance with SOM Technical Standard 1340.00.040.01 (Audit and Accountability Standard). Under the existing process, the designated system security administrators obtain, verify, and document the written approval for all identified users, and access is modified/removed timely and as appropriate based on responses received or removed when no response is received.

Anticipated Completion Date
September 2026

Responsible Individual(s)
Sandy Lovell, MDOT
Gina Huhn, MDOT
Jean Ruestman, MDOT
Kyle Nelson, MDOT
Andy Esch, MDOT

Finding 2025-026
Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - Insufficient Respite Payment Controls

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS implemented a post-payment review process for the final respite payments issued through the Medical Services Administration Manual Payment System during fiscal year 2025 and finalized the review during fiscal year 2026, noting no improper payments. As all respite payments concluded at the end of fiscal year 2025, this review is no longer applicable moving forward.

Anticipated Completion Date
Completed

Responsible Individual(s)
Crystal Kline, MDHHS

Finding 2025-027
Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - Salesforce Security Management and Access Controls

Management Views

MSF agrees that Salesforce was not written as an exception in the identified policy but disagrees that there is a control deficiency. MSF maintains effective controls within its control environment that effectively mitigate risks associated with exempting Salesforce from the identified policy and provide reasonable assurance MSF is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Planned Corrective Action

Based on the factors that led MSF to exempt Salesforce from SECU.01.020.01 (Access Control Standard), including risk assessments and MSF's existing control environment, Salesforce will be included in the policy as a written exception.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Alex Fox, MSF
Ian McCorvie, MSF
Calvin Myers, MSF
William Chaffee, MSF

Finding 2025-028
Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - Suspension and Debarment Process

Management Views

DTMB agrees with the finding.

Planned Corrective Action

DTMB management will evaluate the current policy and procedures for verifying whether a potential vendor has been debarred or suspended prior to contract execution or issuing a purchase order. Following this assessment, management will make necessary adjustments to the policy and communicate the applicable procedures to all employees involved in the process.

Anticipated Completion Date
December 31, 2026

Responsible Individual(s)
Phillip Jeffery, DTMB

Finding 2025-029

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - MiGrants Security Management and Access Controls

Management Views

The Department of Natural Resources (DNR) agrees with the finding.

Planned Corrective Action

DNR recognizes the importance of maintaining strong security and access controls for the MiGrants system. While DNR has updated many internal processes to align with revised SOM technical standards, additional actions are needed to further strengthen its controls and ensure comprehensive documentation.

For part a., each DNR division administrator will maintain thorough documentation of all internal roles assigned related to MiGrants access and verify adequate justification is provided for each role assigned. Each division administrator will be responsible for creating a procedure that identifies the process that captures appropriate approval information for the internal roles assigned by their division. The system administrator will establish a shared repository in a centralized location where the information is stored.

For part b., DNR will implement a formal recertification review for all MiGrants users annually, ensuring that supporting documentation is complete and properly retained.

For part c., DNR received an exception in June 2026 from the DTMB Technical Review Board to SOM Technical Standard 1340.00.020.01 (Access Control Standard) that extends the requirement for disabling inactive user accounts from 60 days to 365 days.

Anticipated Completion Date

- a. February 28, 2027
- b. December 31, 2026
- c. Completed

Responsible Individual(s)

Leah Babcock, DNR
Bobbi Audette, DNR
Kerry Grey, DNR

Finding 2025-030

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - Subaward Information

Management Views

MSF agrees with the finding. While each grant agreement included a list of allowable costs by subrecipients, the agreements did not explicitly disallow research and development (R&D) costs and did not identify the subrecipient's indirect cost rate. No expenditures of disallowed costs were identified.

Planned Corrective Action

MSF will inform all applicable current subrecipients that funding is not intended to support R&D activities and indirect costs are not eligible costs.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Chris Rishko, MSF

Finding 2025-031

Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 - Subrecipient Audits

Management Views

EGLE and DNR agree with the finding.

Planned Corrective Action

For part a., the EGLE Budget Unit within the EGLE Finance Division has updated system access to reflect the correct permissions. The subrecipient expenditure query now displays statewide expenditures as intended. This correction is currently in place, and EGLE will continue to monitor access to ensure accuracy going forward.

For part b., DNR did not sufficiently update its existing process and procedures for monitoring subrecipients when the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program was introduced. Consequently, certain recipients paid from the federal accounting fund code established for CSLFRF were inadvertently excluded from DNR's review.

DNR revised its subrecipient monitoring procedures to ensure that future subrecipient expenditure queries capture all entities receiving federal funds from DNR. The updated procedures incorporate the appropriate DNR federal accounting fund codes when running expenditure queries in SIGMA Business Intelligence for all fiscal years going forward. DNR also implemented and conducted an annual review of its subrecipient monitoring process and procedures to identify any new federal programs and ensure the corresponding federal accounting fund codes are appropriately captured.

Anticipated Completion Date

Completed

Responsible Individual(s)

- a. Jon Doyle, EGLE
Daniel Lance, EGLE
- b. Brian W. Schimke, DNR
Rob Eisinger, DNR
Marty Clark, DNR

Finding 2025-032
CCDF Cluster, ALN 93.575 and 93.596 - Client Eligibility

Management Views

MiLEAP and MDHHS agree with the finding.

Planned Corrective Action

MiLEAP and MDHHS ESA will continue to work together to help ensure compliance with client eligibility requirements by providing guidance on updated policies, processes and noted trends to local office and BSC staff. To increase subject-matter proficiency and improve consistency in eligibility determinations, MDHHS plans to begin implementing a Child Development and Care specialized staffing model within the Universal Case Load system statewide in July 2026. MDHHS Child Development and Care specialized staff will continue to utilize the Child Development and Care eligibility checklist for applications and redeterminations, and MDHHS will begin implementing a statewide review process based on identified errors by July 2026. MDHHS, in collaboration with MiLEAP, will continue to meet weekly to review common errors and root causes, address trends and questions received through the Child Development and Care Policy mailbox, and identify improvement and adjustment strategies.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Lisa Brewer-Walraven, MiLEAP

Mariah Schaefer, MDHHS

Gayle Vail, MDHHS

Finding 2025-033
CCDF Cluster, ALN 93.575 and 93.596 - Provider Health and Safety Requirements

Management Views

MiLEAP agrees with the finding.

Planned Corrective Action

To improve compliance and inspection timeliness, MiLEAP will take the following key steps:

- Enhanced regional oversight: The Child Care Licensing Bureau (CCLB) will utilize monitoring features within the Child Care Hub Information Records Portal (CCHIRP) to proactively track inspection due dates and identify providers approaching annual inspection deadlines. Consultants, lead workers, and area managers will utilize automated reporting dashboards and task notifications to monitor upcoming inspections and overdue activities in real time.

CCLB will establish standardized supervisory review procedures by November 30, 2026, requiring regional management to review inspection completion status on a monthly basis to ensure timely intervention when inspections are at risk of exceeding the required timeframe.

In addition, CCLB leadership will monitor statewide inspection completion rates, overdue inspections, and regional trends through recurring data reviews to identify systemic issues and implement timely corrective actions.

- Ongoing Technology and Process Improvements: CCLB will continue enhancing the functionality and oversight capabilities within CCHIRP to ensure the system supports current, efficient, and effective inspection processes. Ongoing system improvements will focus on strengthening workflow management, maintaining up-to-date task guidance and tracking mechanisms, and improving the accuracy and visibility of inspection timelines and required activities.

Anticipated Completion Date

Ongoing

Responsible Individual(s)

Courtney Adams, MiLEAP

Scott Bettys, MiLEAP

Erika Bigelow, MiLEAP

Monica Sturdivant, MiLEAP

Finding 2025-034

CCDF Cluster, ALN 93.575 and 93.596 - FFATA Reporting

Management Views

MiLEAP agrees with the finding.

Planned Corrective Action

MiLEAP implemented a process for FFATA reporting in September 2025 and also hired additional staff in fiscal year 2026 who are responsible for reporting required FFATA data for all federal grants to ensure subaward information is reported timely.

Anticipated Completion Date

Completed

Responsible Individual(s)

Lora MacKay, MiLEAP

Dawn Lake, MiLEAP

Finding 2025-035

CCDF Cluster, ALN 93.575 and 93.596 - Subaward Information

Management Views

MiLEAP agrees with the finding.

Planned Corrective Action

MiLEAP finalized grant procedures for reviewing award documents in July 2025, which includes utilizing a new grant template to ensure all requirements are included on each award. MiLEAP also hired a procurement manager in fiscal year 2025 that is responsible for including the needed information into all subrecipient grant agreements.

Anticipated Completion Date:
Completed

Responsible Individual(s)
Amanda Lopez, MiLEAP
Brandon Colby, MiLEAP

Finding 2025-036
Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - MiAIMS User Access

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
The MDHHS Access Management Section will continue to perform the monthly Michigan Adult Integrated Management System (MiAIMS)-to-DSA user reconciliation, resolve discrepancies, and provide LOSCs with a summary of results. As part of strengthening access controls, the MDHHS Access Management Section discontinued the practice of issuing advance notices prior to access termination, which previously allowed additional time for the user to complete recertification. Going forward, any active MiAIMS user who does not have a corresponding approved DSA request will have their access terminated as part of the monthly reconciliation process.

Anticipated Completion Date
Completed

Responsible Individual(s)
Cynthia Farrell, MDHHS
Tim Kwast, MDHHS

Finding 2025-037
Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Transitional Medicaid Eligibility

Management Views
MDHHS agrees that renewals for certain beneficiaries within the 16,682 of the total 375,345 beneficiaries receiving transitional medical assistance (TMA) during the audit period were not processed in a timely manner. MDHHS also notes that if a beneficiary was misclassified in an incorrect aid category but remained eligible to transition to another Medicaid aid category, no improper payments would have occurred. During the audit testing period, MDHHS had a limited timeframe to conduct manual validation making it infeasible to determine whether improper classifications were associated with all 16,682 beneficiaries identified.

Planned Corrective Action
As part of the regular eligibility redetermination process, MDHHS has already ended TMA for approximately 14,300 of the 16,682 beneficiaries cited as of January 2026. MDHHS will continue to complete a full review of the remaining beneficiaries to confirm the current eligibility status of these beneficiaries and assess whether they should remain in TMA, transition to another Medicaid aid category, or have their coverage closed if they are no longer eligible.

While some individuals may no longer meet TMA criteria, many may be eligible for other Medicaid coverage, and this will be assessed through the follow-up review. MDHHS will complete the review, and establish an ongoing process to monitor redetermination metrics, by September 2026.

In December 2025, MDHHS enhanced MI Reports functionality for redetermination reports used to manage the eligibility renewal process to improve timely processing of redeterminations. Also, MDHHS evaluated system functionality related to the timeliness of TMA renewals and identified that the system currently creates one alert for beneficiaries with multiple program renewals. To ensure TMA renewals are processed on a timely basis, MDHHS is collaborating with the Bridges technical team to implement a system enhancement that will generate a separate TMA-specific redetermination alert. This enhancement is expected to be implemented by December 2026.

Anticipated Completion Date
December 2026

Responsible Individual(s)
Jamy Hengesbach, MDHHS
Mariah Schaefer, MDHHS

Finding 2025-038
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 continues to work with DTMB on the underlying issues in Bridges causing the overpayments, as well as developing mitigation strategies to temporarily address the overpayment concerns while more permanent system solutions are developed. As part of the Departmental Work Intake Process, MDHHS submitted work requests for prioritization to implement larger system changes that will resolve the remaining synchronization issues.

Anticipated Completion Date
MDHHS will determine an anticipated completion date after the work requests have been prioritized.

Responsible Individual(s)
Jamy Hengesbach, MDHHS

Finding 2025-039
Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Ineligible HHP Payments

Management Views
MDHHS agrees with the finding.

Planned Corrective Action

MDHHS generates and distributes a monthly hospitalization report to adult services supervisors, who then distribute to adult services workers as part of the post-payment review process. During February 2025, MDHHS issued an Adult Services Notification to managers and directors reminding local office management of the expectation to thoroughly monitor and review the hospitalization reports to ensure timely and accurate action is taken by adult services workers. MDHHS also reissued the Home Help Recoupment Process training and procedural resources during February 2025 to adult services workers who manage Home Help cases to ensure process steps are consistently followed. In addition, during February 2026, MDHHS issued recoupments for the two clients identified by the Office of the Auditor General as part of the audit finding.

During June 2025, MDHHS enhanced the monthly hospitalization report to improve data accuracy for identified service overlaps and ensure timely recovery of payments. However, MDHHS identified timing differences between the report run dates and the weekly schedule updates of CHAMPS hospitalization data that could result in incomplete hospitalization data within the monthly monitoring report. To ensure all relevant records are captured and promptly recover payments to clients hospitalized while receiving Home Help Program services who no longer met eligibility requirements, the timing of the report has been modified.

Anticipated Completion Date

Completed

Responsible Individual(s)

Elaina Brown, MDHHS

Finding 2025-040

Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Practitioner Reimbursement

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

In March 2025, MDHHS implemented an interface fix to resolve multiple system issues and eliminate limitations that contributed to retroactive disenrollment. MDHHS has also submitted a work request for a system enhancement within Bridges to prevent recurrence of retroactive eligibility removals and improve the accuracy of eligibility across systems. In addition, MDHHS will evaluate additional potential processes to identify and resolve discrepancies between eligibility and enrollment data across systems, thereby reducing the risk of improper payments.

Anticipated Completion Date

MDHHS will determine an anticipated completion date after the work request has been prioritized.

Responsible Individual(s)

Jamy Hengesbach, MDHHS

Finding 2025-041
Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Medical Records

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will continue to reinforce provider responsibilities related to documentation and record retention. As part of the annual communication plan, MDHHS issues provider alerts twice per year to remind providers of the MDHHS record retention policy and post payment review process. The most recent provider alert was issued on January 5, 2026, and communicated to providers the importance of maintaining appropriate documentation for services provided.

The provider was not responsive to MDHHS's request for documentation for the exception identified. As a result, MDHHS voided the associated claim on February 11, 2026, recouped the full payment, and notified the provider of the action taken.

Anticipated Completion Date

Completed

Responsible Individual(s)

Alexis Bond, MDHHS

Finding 2025-042
Medicaid Cluster, ALN 93.775, 93.777, and 93.778 - Benefits Monitoring Program

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

For part a., for the one identified exception, MDHHS notified the MHP that the enrollment notification letter was not sent in a timely manner. To ensure compliance moving forward, the MHP Benefits Monitoring Program (BMP) care managers were provided training in February 2026 on the BMP process, emphasizing the importance of verifying that enrollment notification letters are created and sent to members within the required timeframe. MDHHS believes this is an isolated incident, however, MDHHS obtained and reviewed each MHP's documented step-by-step enrollment process to confirm that it includes the generation and distribution of the enrollment notification letter.

For part b., MDHHS implemented a monitoring process in February 2026. As part of this process, the Enrolled Research Report is reviewed weekly to ensure all required 24-month reviews are identified and completed in a timely manner.

Anticipated Completion Date

Completed

Responsible Individual(s)

Torey Schlaufman, MDHHS

Finding 2025-043

Temporary Assistance for Needy Families, ALN 93.558 - Non-Financial Eligibility Documentation

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS will issue a memo to reinforce documentation requirements for TANF eligibility determinations by September 30, 2026. The memo will clarify expectations for obtaining, uploading, and retaining all required non-financial eligibility verifications in accordance with federal regulations and MDHHS policy. MDHHS will also address each individual case-specific issue with the appropriate local office.

In addition, these findings will be addressed as part of TANF mandatory audit training for local office staff scheduled in July 2026. This training will emphasize the importance of maintaining complete eligibility records, proper use of the Work and Self Sufficiency Rules (DHS-1538) form, verification of age and relationship, and timely completion of the Family Automated Screening Tool.

Further, MDHHS ESA policy staff are working with the MDHHS Bridges technical team to implement a system modification during September 2026 that will enhance the application review process.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Bethany Cabanaw, MDHHS
Kenton Schulze, MDHHS
Brian Sanborn, MDHHS
Ashley Soper, MDHHS

Finding 2025-044

Temporary Assistance for Needy Families, ALN 93.558 - Inappropriate TANF-Funded Emergency Foster Care Assistance

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS redetermined the Foster Care Title IV-E (Title IV-E) eligibility after the birth certificate was received and the youth was determined to be Title IV-E eligible. MDHHS has already reclassified the funds to the appropriate funding source, allowing the department to claim Title IV-E for the eligible placement, and repaying any TANF overpayments.

Reconciliations between different fund sources, or recoupments for overpayments, will be created within 30 calendar days of receipt of supporting documentation and approved timely by management. All recoupment and reconciliation records will be approved by management no later than September 30 each fiscal year to ensure compliance with year-end requirements.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Nancy Berger, MDHHS

Finding 2025-045
Temporary Assistance for Needy Families, ALN 93.558 - Risk Assessments

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
For the one subrecipient, the annual subrecipient risk assessment was completed in fiscal year 2026 in accordance with federal requirements and incorporated into the subrecipient monitoring plan. Moving forward, MDHHS will ensure the risk assessment is completed annually, properly documented, and incorporated into the annual subrecipient monitoring plan.

Anticipated Completion Date
Completed

Responsible Individual(s)
Lynn Hedges, MDHHS

Finding 2025-046
Temporary Assistance for Needy Families, ALN 93.558 - Child Support Non-Cooperation

Management Views
MDHHS agrees with the finding.

Planned Corrective Action
MDHHS ESA will review each finding with the local offices responsible for the identified error cases. MDHHS ESA will issue a memo to local office staff by September 30, 2026, emphasizing the importance of taking appropriate action when clients are either cooperating or not cooperating with child support requirements.

Additionally, MDHHS ESA policy staff will collaborate with the Bridges technical team by September 30, 2026, to determine whether system enhancements are needed to ensure sanctions and cooperations are applied in a timely manner. If enhancements are determined to be necessary, a Bridges work request will be developed and scheduled according to established processes and timeframes.

Anticipated Completion Date
MDHHS has not yet determined an anticipated completion date because the date is dependent on the potential system enhancements identified.

Responsible Individual(s)
Bethany Cabanaw, MDHHS
Kenton Schultz, MDHHS
Brian Sanborn, MDHHS

Finding 2025-047

Refugee and Entrant Assistance State/Replacement Designees Administered Programs, ALN 93.566 - Salesforce Security Management and Access Controls

Management Views

LEO agrees with the finding. For part a., the LEO Office of Global Michigan (OGM) maintains a limited number of internal Salesforce user licenses. As a result, internal user access is inherently constrained and proactively monitored based on employment status. LEO OGM's existing process for validating continued need is tied to personnel changes: internal user access remains appropriate as long as the employee occupies a position with assigned Salesforce responsibilities, and access is removed when employees separate or move to roles that do not require use of the system.

Because license allocation is strictly managed and user roles are position-based, LEO OGM has considered this process to constitute ongoing monitoring rather than an annual recertification process. However, LEO OGM acknowledges that this practice does not fully meet the specific requirement for a documented annual review as noted in SOM Technical Standard 1340.00.020.01 (Access Control Standard).

Planned Corrective Action

For part a., LEO OGM will formalize and implement an internal user account review process, including conducting and documenting an annual review of all user access accounts in accordance with the Access Control Standard.

For part b., LEO OGM will work collaboratively with program and system administrators to strengthen controls around identifying and timely deactivating inactive internal and external user accounts. LEO OGM will establish clearer procedures, increase review frequency, and document the actions taken to ensure accounts exceeding inactivity thresholds are disabled consistently and timely.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Ben Cabanaw, LEO
Nicole Adams, LEO

Finding 2025-048

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566 - Assistance to Ineligible Refugees

Management Views

LEO and MDHHS agree with the finding.

Planned Corrective Action

MDHHS acknowledges that documentation supporting compliance with refugee cash assistance work registry requirements must be consistently maintained in the electronic case record. The issue identified pertains to documentation of ongoing work registration requirements within the case record to maintain eligibility, noting that the clients were eligible at the time of application approval. Beginning January 2026, MDHHS implemented a monthly manual review of active cases to ensure required documentation is present.

MDHHS is also pursuing a Bridges system enhancement to automate generation and storage of the DHS-4785R (Refugee Employment Program Appointment Notice) in the electronic case file. This enhancement will be submitted through the Departmental Work Intake Process for prioritization and implementation by the Bridges technical team.

Anticipated Completion Date

MDHHS has not yet determined an anticipated completion date because the date is dependent on the priority assigned to the system enhancement as determined by the Departmental Work Intake Process.

Responsible Individual(s)

Benjamin Cabanaw, LEO
Nicole Adams, LEO
Bethany Cabanaw, MDHHS
Kent Schulze, MDHHS
Mariah Schaefer, MDHHS

Finding 2025-049

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566 - FFATA Reporting

Management Views

LEO agrees with the finding. LEO is fully committed to improving its FFATA process. It is LEO's position that the switch from the FFATA Subaward Reporting System to SAM for FFATA reporting in March 2025 contributed to some of the cited deficiencies.

Planned Corrective Action

The LEO Finance Division is currently working with the LEO Grants Division to determine a better process of notification for new subawards and amendments so that they can be reported within the required timeframe. The process will be documented in an updated formal procedure which focuses on timely communication as the primary control and SIGMA Business Intelligence queries as a secondary control to ensure completeness of reporting.

Anticipated Completion Date

June 30, 2026

Responsible Individual(s)

Heidi Parker, LEO
Chris Johnson, LEO

Finding 2025-050

Refugee and Entrant Assistance State/Replacement Designee Administered Programs, ALN 93.566 - Subrecipient Audits and Subaward Information

Management Views

LEO agrees with the finding.

Planned Corrective Action

For part a., LEO implemented a standardized single audit review process, including a robust tracking mechanism, in the third quarter of fiscal year 2025. LEO subsequently reviewed all nine Refugee and Entrant Assistance State/Replacement Designee Administered Programs subrecipient single audit reports identified in the finding during the first and second quarters of fiscal year 2026.

LEO will continue to implement its standardized single audit review process to ensure that all required subrecipient single audit reports are identified, obtained, reviewed, and issued a management decision letter within the federal six-month resolution deadline when applicable, maintaining full compliance with Uniform Guidance requirements.

For part b., LEO implemented new procedures as of March 31, 2026, where the LEO OGM grants administrator and LEO grants analyst perform segregated duties to ensure the required subaward information is provided within the initial grant agreement and within subsequent amendments, as required.

Anticipated Completion Date

- a. June 30, 2026
- b. Completed

Responsible Individual(s)

Allen Williams, LEO
Christopher Blondell, LEO
Benjamin Cabanaw, LEO
Nicole Adams, LEO

Finding 2025-051

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

In May 2025, MDHHS issued memo 2025-20, which implemented mandatory training requirements for all eligibility staff and their managers to address audit-related findings. The State Emergency Relief (SER) training courses occur biannually, in March and August, and cover verification of client income, client contribution payments, and proof of energy crisis.

To ensure accuracy of payment processing, in October 2025, MDHHS issued memo 2025-48 which implemented the mandatory SER Reconciliation Report requirement. As part of this updated process, each county office must run the SER Energy Reconciliation Report weekly

and review all energy-related payments to ensure accuracy and confirm that required documentation is maintained.

In addition, MDHHS will continue to communicate with BSCs and local offices regarding the requirements to maintain sufficient documentation to support SER processing through formal internal communication channels. MDHHS will also continue to provide direct SER guidance and clarification through the SER mailbox.

Further, MDHHS will explore a potential system enhancement that will provide automated solutions for an added layer of efficiency and compliance. Should such an improvement be identified, it will be submitted through the Departmental Work Intake Process for prioritization and implementation by the Bridges technical team.

Anticipated Completion Date

MDHHS has not yet determined an anticipated completion date because the completion date is dependent on the priority assigned to system enhancements as determined by the Departmental Work Intake Process.

Responsible Individual(s)

Bethany Cabanaw, MDHHS
Kent Schulze, MDHHS
Julie McLaughlin, MDHHS

Finding 2025-052

Low-Income Home Energy Assistance, ALN 93.568 - Subrecipient Audits

Management Views

The Department of Licensing and Regulatory Affairs (LARA) agrees with the finding.

Planned Corrective Action

The current Michigan Public Service Commission (MPSC) Michigan Energy Assistance Program (MEAP) Request for Proposal (RFP) response template requires each recipient of federal Low-Income Home Energy Assistance Program funds to indicate whether they have filed a single audit report and to provide the Federal Audit Clearinghouse filing date for verification. While the MEAP Section, within LARA, did verify compliance, it acknowledges that the reviews were not formally documented.

Beginning in October 2024, the MEAP Section started updating its internal manual to document the processes used by the grant administrator and manager to monitor MEAP subrecipients. However, the grant administrator position became vacant in mid-December 2024 before the updates to the internal manual could be completed. During the same period, new legislation amended both the MEAP and the Low-Income Energy Assistance Fund, requiring substantial updates to the existing RFP to reflect new statutory requirements and additional funding. As a result, the MEAP Section staff had to assume additional responsibilities while onboarding and training a new grant administrator as of March 31, 2025. The MEAP Section staff will complete the procedural updates to the internal manual by August 1, 2026.

The MEAP Section will also establish a single audit checklist for subrecipient monitoring that complies with federal regulations 2 *CFR* 200.501, 2 *CFR* 200.332(f), and 2 *CFR* 200.521(d). The MEAP Section manager will review the checklists and supporting documentation annually

for accuracy and completeness, and will ensure the requirements set forth in the internal manual are being followed.

Anticipated Completion Date

August 1, 2026

Responsible Individual(s)

Anne Armstrong, LARA

Wanda Clavon Jones, LARA

Finding 2025-053

Adoption Assistance, ALN 93.659 - Annual Adoption Savings Calculation and Accounting Report

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS has reviewed the query used to determine the information reported within the Annual Adoption Savings Calculation and Accounting report and has identified the changes necessary to improve the accuracy of the savings reported to HHS. To ensure accurate reporting moving forward, MDHHS will develop a new query by January 1, 2027, that incorporates the foster care initial funding determination and includes built-in validation controls. This new query will also ensure the applicable or non-applicable status is assigned accurately and is not determined more than once.

MDHHS will also conduct a comprehensive review of all previously reported cases to verify the accuracy of each case's applicable or non-applicable status. Following review completion, MDHHS will submit a revised report to HHS to correct any inaccuracies identified in the previously reported adoption savings. MDHHS anticipates completing the review by January 1, 2027, and submitting the revised report to HHS by February 28, 2027.

Anticipated Completion Date

February 28, 2027

Responsible Individual(s)

Heather Williams, MDHHS

Kim Borja, MDHHS

Kathonya Triplett, MDHHS

Rebecca Jones, MDHHS

Tiffany Clarke, MDHHS

Teresa Laurin, MDHHS

Finding 2025-054

Adoption Assistance, ALN 93.659 - Lack of Fingerprint Background Checks

Management Views

MDHHS disagrees that completion of fingerprint-based background checks within 12 months of adoption finalization are a condition of eligibility for adoption assistance payments. Federal law

42 USC 671(a)(20) requires states to complete a fingerprint-based criminal background check before a prospective adoptive parent may be finally approved for placement; however, federal statute does not mandate additional or subsequent fingerprint-based criminal history rechecks after placement approval as a condition of eligibility for adoption assistance payments.

Michigan's Title IV-E State Plan incorporates the safety requirements mandated by federal law 42 USC 671(a)(20) and cites MDHHS policy ADM 0520 (Background Checks, Clearances, Criminal History Checks, and Fingerprinting). ADM 0520 governs all background checks, clearances, criminal history checks, and fingerprinting requirements that MDHHS must complete for foster care and adoptive home providers. The policy establishes the department's comprehensive safety-check framework and is not limited to adoption assistance eligibility determinations. Rather, ADM 0520 outlines the procedures MDHHS uses to meet federal and State safety requirements for approving and supervising foster and adoptive placements, including checks conducted both before placement approval and those completed afterward to ensure the ongoing safety and well-being of children under MDHHS supervision.

For all cases sampled, fingerprint-based clearances were completed within 12 months of the family's approval for placement, and documentation of these clearances is included in the adoption assistance file. Therefore, MDHHS is compliant with all applicable federal and State requirements for adoption assistance payments.

Planned Corrective Action

MDHHS will clarify policy to explicitly distinguish safety-driven clearances from federally required placement-approval checks, including clarification that the required prerequisite for adoptive placement and adoption assistance payments is completion of fingerprint-based clearances within 12 months of approval.

Anticipated Completion Date

December 1, 2026

Responsible Individual(s)

Heather Williams, MDHHS
Kim Borja, MDHHS
Kathonya Triplett, MDHHS

Finding 2025-055

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

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is modifying the process to obtain the required post-expenditure report data to ensure all individuals receiving Social Services Block Grant supported services are appropriately included. Also, MDHHS will add a program validation step to review the applicable federal regulations and confirm the data extracted is accurate and complete. In addition, MDHHS will revise and resubmit the fiscal year 2025 report by September 30, 2026.

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Tiffany Clarke, MDHHS
Rebecca Jones, MDHHS
Mary Lou Mahoney, MDHHS
Aimee McDaniel, MDHHS

Findings Identified by Other Auditors

Finding 2025-056

WIOA Cluster, ALN 17.258, 17.259, and 17.278

Management Views

LEO agrees with the finding. LEO management recognizes the importance of timely and accurate FFATA reporting and acknowledges that internal processes can be strengthened to better support reporting consistency, particularly during high-volume periods such as quarter-end. LEO remains committed to compliance and continuous improvement.

Planned Corrective Action

LEO will improve existing FFATA reporting processes by reinforcing internal timelines, clarifying staff responsibilities, and implementing an additional review step prior to submission to help ensure subaward information is reported timely and accurately. Management will train appropriate staff responsible for FFATA reporting to strengthen understanding of reporting requirements, deadlines, and review expectations. These improvements are intended to enhance process consistency, improve communication, and reduce the likelihood of future timing or minor reporting discrepancies. LEO will enhance documented procedures that outline specific FFATA reporting processes related to the Workforce Innovation and Opportunity Act (WIOA).

Anticipated Completion Date

September 30, 2026

Responsible Individual(s)

Arica Johnson, LEO

Finding 2025-057

Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, ALN 20.106

Management Views

MDOT agrees that policies and procedures should be implemented to ensure that equipment and real property purchased with federal funds is properly tracked, recorded, and safeguarded.

Planned Corrective Action

MDOT will work with the Federal Aviation Administration to address variances between the Uniform Guidance requirements and program guidance so that policies and procedures can be updated as necessary.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Bryan Budds, MDOT

Finding 2025-058

Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, ALN 20.106

Management Views

MDOT agrees that it did not ensure weekly certified payrolls were obtained from contractors.

Planned Corrective Action

MDOT will provide training and guidance to pertinent staff to help ensure contract compliance and that weekly certified payrolls are obtained from contractors. In addition, MDOT will review existing procedures to assess whether updates are needed.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Bryan Budds, MDOT

Finding 2025-059

Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs, ALN 20.106

Management Views

MDOT agrees that it did not ensure revenues and program income generated by non-commercial airports were expended for airport capital or operating costs, the local airport system, or other local facilities.

Planned Corrective Action

MDOT will review existing procedures, including the MDOT Office of Aeronautics Project Manager/Engineering Manual and block grant conditions, to assess whether updates are needed and if resources will be prioritized to help ensure monitoring and oversight efforts are performed relating to revenue and program income requirements.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Bryan Budds, MDOT

Finding 2025-060
Coronavirus Capital Projects Fund, ALN 21.029

Management Views

LEO agrees with the finding.

Planned Corrective Action

The LEO Finance Division and the LEO Grants Division have identified the deficiencies that led to the audit finding. LEO will correct the internal FFATA reporting process to ensure that new and amended subaward contract information is received by the LEO Finance Division in a timely manner and in accordance with FFATA requirements. LEO will utilize the EGrAMS vendor to update software functionality that will generate an email notification to the LEO Finance Division when a grant agreement is finalized or amended. This notification will ensure communication with the LEO Finance Division occurs in a timely manner and in accordance with FFATA requirements.

Anticipated Completion Date

June 30, 2026

Responsible Individual(s)

Jennifer Duffey, LEO
Heidi Parker, LEO

Finding 2025-061
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), ALN 93.323 and
Block Grants for Prevention and Treatment of Substance Abuse, ALN 93.959

Management Views

MDHHS agrees with the finding.

Planned Corrective Action

MDHHS is actively pursuing the implementation of an API for the submission of FFATA data to the federal system, SAM, to improve both timeliness and accuracy through automation. This API will connect EGrAMS with SAM, enabling backend communication between the systems and allowing SAM to automatically retrieve data directly from EGrAMS.

To ensure accurate reporting until the API is established, MDHHS will continue reviewing validation errors when submitting web-based information to SAM and will work with the SAM federal helpline to report federal system issues and identify interim alternatives to submit the required data. Also, MDHHS implemented an enhancement in August 2025 that validates federal funding sources in EGrAMS against their effective dates, reducing coding errors and improving data reliability. In addition, the query used to obtain certain FFATA data elements was modified during fiscal year 2026 to improve accuracy of reporting.

Anticipated Completion Date

December 31, 2027

Responsible Individual(s)
Matt Blackburn, MDHHS
Jeanette Hensler, MDHHS
Rebecca Jones, MDHHS

Finding 2025-062
Child and Adult Care Food Program, ALN 10.558

Management Views

MDE agrees with the finding. The COVID-19 SOM travel ban in fiscal year 2020 and MDE being short staffed disrupted the Child and Adult Care Food Program (CACFP) review cycle and contributed to the Review Master Spreadsheet being out of date. Due to the review cycle disruption and extended time frame between reviews, sponsors who had reviews due from 2020 onward were higher risk even if there were no previous serious management problems, fast growth, or other risk factors identified under federal regulation 7 *CFR* 226.6(m)(6).

Planned Corrective Action

MDE CACFP staff have worked diligently while short staffed to prioritize reviews out of compliance with the established two-to-three-year rotation per federal regulation 7 *CFR* 226.6 (m)(6). Reviews completed in fiscal year 2025 targeted reviews out of compliance. For fiscal year 2026, reviews that were to be completed from 2017 through 2020 have been prioritized as higher risk based on the duration between reviews. To complete the reviews more quickly, the MDE Office of Nutrition Services has published an RFP for review contractors to complete out of compliance reviews in all MDE federal nutrition programs. The RFP closed May 8, 2026, with a projected start date of June 2026. The end date is to be determined based on the candidate selected and scope of contract.

Currently, progress towards the completion of the fiscal year reviews is discussed biweekly during analyst and departmental manager updates and is monitored quarterly by the departmental manager through completion of the 33 1/3 report. This report indicates that the state agency is working towards the completion of reviews on 33 1/3 of its actively participating sponsors each fiscal year. The departmental manager shares this information with the analyst staff and the MDE CACFP supervisor to ensure the unit is on track with regulations.

MDE CACFP has reinstated its current policy and procedure for review prioritization for fiscal year 2026 and expects reviews to be back in compliance with the two-to-three-year rotation by September 30, 2028. MDE created a new application analyst position to assist the departmental manager with program integrity and quality control and MDE is currently in the hiring process. Currently analysts, working with their departmental manager, are prioritizing and triaging reviews in their assigned territory based on length since prior review, along with other high-risk factors. Ongoing, the risk factor(s) of sponsors will be assessed annually by each analyst with input from the departmental manager in an end of fiscal year planning meeting for the upcoming fiscal year review schedule. The risk factor(s) will be entered into the Review Master Spreadsheet by the analysts and monitored for quality control by the new application analyst and the departmental manager quarterly.

While the Review Master Spreadsheet was out of date, the fiscal year 2025 completed reviews were recorded in the MDE CACFP review compliance system, GEMS/MARS. The current departmental manager was using this system to generate the GEMS/MARS fiscal year 2025

Review Status report to track compliance. This report shows that although the Review Master Spreadsheet was out of date, reviews had been completed.

MDE is currently using the Review Status report to restore fiscal year 2025 on the Review Master Spreadsheet, along with the individual reviewer spreadsheets, and anticipates updates will be completed by September 30, 2026. For ongoing maintenance, analysts and/or the departmental manager will enter the reviews completed on an ongoing basis as reviews are completed and they will be reviewed for quality control by the new application analyst and departmental manager quarterly.

Anticipated Completion Date
September 30, 2028

Responsible Individual(s)
Melissa Lonsberry, MDE
Lynn Cavett, MDE

Finding 2025-063
Special Education Cluster (IDEA), ALN 84.027 and 84.173

Management Views

MDE disagrees with the finding. MDE maintains that its current monitoring approach satisfies federal requirements.

The MDE Office of Special Education's (OSE) monitoring framework is consistent with the risk-based requirements of the Uniform Guidance (2 *CFR* 200.332). The Uniform Guidance does not require routine review of underlying supporting documentation for every subrecipient in every monitoring cycle. Rather, source documentation review is one available monitoring tool, which MDE OSE uses, when warranted, based on risk, audit results, identified concerns, or other relevant information.

MDE OSE's monitoring activities include budget review and approval, budget-to-actual analysis, review of expenditure activity, direct engagement and technical assistance with subrecipients, review of single audit reports, issuance of management decisions (when applicable), and enhanced review procedures for higher-risk subrecipients. These activities collectively provide reasonable assurance that funds are used for authorized purposes and in compliance with applicable requirements. MDE OSE also notes that subrecipient single audits have not routinely identified questioned costs or significant noncompliance, which supports the effectiveness of the existing monitoring framework.

Planned Corrective Action

MDE disagrees with the finding and does not believe corrective action is required to resolve noncompliance. However, MDE OSE will update its internal monitoring procedures to document the circumstances under which expenditure sampling may be performed for medium- and low-risk subrecipients to enhance clarity of MDE OSE procedures.

Anticipated Completion Date
September 30, 2026

Responsible Individual(s)
Sean McLaughlin, MDE

Finding 2025-064

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, 2025, Corrective Action Plan, Finding 2025-001.

Finding 2025-065

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, 2025, Corrective Action Plan, Finding 2025-002.

Finding 2025-066

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, 2025, Corrective Action Plan, Finding 2025-003.

Finding 2025-067

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, 2025, Corrective Action Plan, Finding 2025-004.

GLOSSARY

LIST OF ABBREVIATIONS

ACF	Administration for Children and Families.	CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act of 2021.
ADM	Adoptive Services Manual.	CSLFRF	Coronavirus State and Local Fiscal Recovery Funds.
ADP	automated data processing.	DMVA	Department of Military and Veterans Affairs.
ALN	Assistance Listing Number.	DNR	Department of Natural Resources.
ARRA	American Recovery and Reinvestment Act of 2009.	DSA	Database Security Application.
ASAP	Adult Services Authorized Payments.	DTMB	Department of Technology, Management, and Budget.
ASM	Adult Services Manual.	EBT	electronic benefits transfer.
AT	account transfer.	ECF	electronic case files.
ATO	authority to operate.	EGLE	Department of Environment, Great Lakes, and Energy.
BMP	Benefits Monitoring Program.	EGrAMS	Electronic Grants Administration and Management System.
Bridges	Bridges Integrated Automated Eligibility Determination System.	EIM	Office of Enterprise Information Management.
BSC	Business Service Centers.	ELC	Epidemiology and Laboratory Capacity for Infectious Diseases.
CARES	Coronavirus Aid, Relief, and Economic Security.	ESA	Economic Stability Administration.
CCDF	Child Care and Development Fund.	FAA	Federal Aviation Administration.
CCLB	Child Care Licensing Bureau.	FAC	federal audit clearinghouse.
CDC	Centers for Disease Control and Prevention.	FAIN	Federal Award Identification Number.
CFR	<i>Code of Federal Regulations.</i>	FEMA	Federal Emergency Management Agency.
CHAMPS	Community Health Automated Medicaid Processing System.	FFATA	Federal Funding Accountability and Transparency Act.
CHCP	Comprehensive Health Care Plan.	FFEL	Federal Family Education Loans.
CHIP	Children's Health Insurance Program.	FFS	fee-for-service.
CMA	Cash and Medical Assistance.	FISCAM	Federal Information System Controls Audit Manual.
CMS	Centers for Medicare and Medicaid Services.		
COVID-19	coronavirus disease of 2019.		

FMAP	federal medical assistance percentage.	MARIS	Medicaid Audit Recovery and Investigation System.
FMG	State of Michigan Financial Management Guide.	MARS	Management of Awards to Recipients System.
FSRS	FFATA Subaward Reporting System.	MCO	managed care organization.
FTE	flow-through entity.	MDARD	Michigan Department of Agriculture and Rural Development.
GAAS	auditing standards generally accepted in the United States of America.	MDE	Michigan Department of Education.
GAO	U.S. Government Accountability Office.	MDHHS	Michigan Department of Health and Human Services.
GEMS/MARS	Grant Electronic Monitoring System/Michigan Administrative Review System.	MDOT	Michigan Department of Transportation.
HHP	Home Help Program.	MEAP	Michigan Energy Assistance Program.
HHS	U.S. Department of Health and Human Services.	MEDC	Michigan Economic Development Corporation.
ICO	Integrated Care Organization.	MEGS+	Michigan Electronic Grants System Plus.
IDEA	Individuals with Disabilities Education Act.	MHP	Medicaid Health Plan.
IEVS	Income Eligibility and Verification System.	MiAIMS	Michigan Adult Integrated Management System.
IIT	individual income tax.	MiCARS	Michigan Cashiering and Receivable System.
IRS	Internal Revenue Service.	MI Choice	MI Choice Waiver Program.
IT	information technology.	MiLEAP	Michigan Department of Lifelong Education, Advancement, and Potential.
LARA	Department of Licensing and Regulatory Affairs.	MiND	Michigan Nutrition Data.
LEA	local educational agency.	MiSACWIS	Michigan Statewide Automated Child Welfare Information System.
LEO	Department of Labor and Economic Opportunity.	MiSSG	Michigan Student Aid Scholarships and Grants.
LEO-IC	LEO Internal Controls Unit.	MI-WIC	Michigan Women, Infants, and Children.
LIHEAP	Low-Income Home Energy Assistance Program.	MLR	medical loss ratio.
LOSC	Local Office Security Coordinators.	MSAPay	Medical Services Administration Manual Payment System.
MAGI	modified adjusted gross income.		

MSF	Michigan Strategic Fund.
MSHDA	Michigan State Housing Development Authority.
MSP	Michigan Department of State Police.
MWBC	Michigan Workforce Background Check.
NexSys	Next Generation Grant, Application and Cash Management System.
O&M	Operations and Maintenance.
OES	Office of Educational Supports.
OFM	Office of Financial Management.
OGM	Office of Global Michigan.
OMB	U.S. Office of Management and Budget.
PACAP	Public Assistance Cost Allocation Plan.
PBM	Pharmacy Benefits Manager.
PBRA	Project-Based Rental Assistance.
PERM	payment error rate measurement.
PHE	public health emergency.
PIHP	Prepaid Inpatient Health Plan.
PSICT	Provider Screening Information Collection Tool.
PTMS	Public Transportation Management System.
R&D	research and development.

REAP	Refugee and Entrant Assistance State/Replacement Designee Administered Programs.
RSA-17	Vocational Rehabilitation Financial Report.
SAM	System for Award Management.
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.
SOMACFR	<i>State of Michigan Annual Comprehensive Financial Report.</i>
SOS	SIGMA Operations and Support.
SSA	Social Security Administration.
SSBG	Social Services Block Grant.
TANF	Temporary Assistance for Needy Families.
TMA	transitional medical assistance.
Treasury	Michigan Department of Treasury.
UEI	unique entity identifier.
UIA	Unemployment Insurance Agency.
USC	<i>United States Code.</i>
USDOE	U.S. Department of Education.

GLOSSARY OF TERMS

access controls	Controls protecting 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 the audited entity did not comply, in all material respects, with the cited compliance requirements 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 providing 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 having 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 setup of a system. Configuration can refer to either hardware or software or the combination of both.
COVID-19	The disease caused by a 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 using 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 not allowing 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 not allowing 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 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 applied 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 cost	Questioned cost specifically identified by the auditor.
likely questioned cost	The auditor's best estimate of total questioned costs, not just the known questioned costs. Likely questioned costs are developed by extrapolating from audit evidence obtained, for example, by projecting known questioned costs identified in an audit sample to the entire population from which the sample was drawn. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the likely questioned costs, not just the known questioned costs.
low-risk auditee	As provided for in the Uniform Guidance, an auditee potentially qualifying 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 causing 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 potentially having 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 a reasonable possibility exists 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 a reasonable possibility exists 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 which 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 which may be

communicated to management in accordance with *Government Auditing Standards*.

pass-through entity

A nonfederal entity providing a federal award to a subrecipient to carry out a federal program.

principle of least privilege

The practice of limiting access to the minimal level which will allow normal functioning. Applied to employees, the principle of least privilege translates to giving people the lowest level of user access rights they can have and still do their jobs. The principle is also applied to things other than people, including programs and processes.

privileged account

An account having access to all commands and files on an operating system or database management system.

qualified opinion

A type of modified opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes:

- a. Misstatements, individually or in the aggregate, are material but not pervasive to the financial statements or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.
- b. A scope limitation or material noncompliance exists with one or more of the cited compliance requirements applicable to a major federal program.

questioned cost

An amount, expended or received from a federal award, that in the auditor's judgment: (1) is noncompliant or suspected noncompliant with federal statutes, regulations, or the terms and conditions of the federal award; (2) at the time of the audit, lacked adequate documentation to support compliance; or (3) appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances. The questioned cost amount under (2) is calculated as if the portion of a transaction that lacked adequate documentation were confirmed noncompliant.

There are no questioned costs solely because of (1) deficiencies in internal control or (2) noncompliance with the reporting type of compliance requirement (described in the *OMB Compliance Supplement*) if this noncompliance does not affect the amount expended or received from the federal award.

Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C.

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.
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 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 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 potentially having 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 suite supporting budgeting, accounting, purchasing, human resource management, and other financial management activities.
subrecipient	A nonfederal entity receiving a subaward from a pass-through entity to carry out part of a federal program but does not include an individual who is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.
System and Organization Controls (SOC) report	<p>Designed to help organizations providing services to user entities build trust and confidence in their delivery processes and controls through a report by an independent certificated public accountant (CPA). Each type of SOC report is designed to meet specific user needs:</p> <ul style="list-style-type: none"> • SOC 1 (Report on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting) - Intended for user entities and the CPAs auditing their financial statements in evaluating the effect

of the service organization's controls on the user entities' financial statements.

- SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Process Integrity, Confidentiality, or Privacy) - Intended for a broad range of users needing 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 affecting the security, availability, or processing integrity of the systems a service organization employs to process user entities' information, or the confidentiality or privacy of information, but not having the need for or the knowledge necessary to make effective user 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 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 applicable to each major federal program.

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