STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LANSING

GRETCHEN WHITMER
GOVERNOR

ELIZABETH HERTEL
DIRECTOR

June 22, 2026

Jessica Thomas, Chief Internal Auditor
Office of Internal Audit Services
111 S. Capitol Avenue
Lansing, Michigan 48933

Dear Ms. Thomas:

In accordance with the State of Michigan Financial Management Guide, Part VII, enclosed is our final corrective action plan to address recommendations contained within the Office of the Auditor General report of the School Services Program.

All legislative inquiries should be directed to Chardae Burton, Michigan Department of Health and Human Services (MDHHS) Director of Legislative Affairs, at burtonc5@michigan.gov. All other questions regarding the corrective action plan should be directed to me at havenss2@michigan.gov.

Sincerely,

Shannah M. Havens

Shannah Havens, CPA, MBA
Director, MDHHS Bureau of Audit

Enclosure (1)

c: Executive Office
Office of the Auditor General
House and Senate Fiscal Agencies
House and Senate Oversight Committees
House and Senate Appropriations Committees
House Appropriations Subcommittee on Medicaid and Behavioral Health
Senate Appropriations Subcommittee on MDHHS
House and Senate Health Policy Committees
House Families and Veterans Committee
Senate Housing and Human Services Committee
Elizabeth Hertel, MDHHS, Director
Amy Epkey, MDHHS, Chief Operating Officer
Chardae Burton, MDHHS, Director, Legislative Affairs
Meghan Groen, MDHHS, Senior Chief Deputy Director, Health Services Administration
Laura Blodgett, MDHHS, Senior Deputy Director, Communications Administration

Michigan Department of Health and Human Services
School Services Program (391-0741-25)
Issued by the Office of the Auditor General
March 2026
Department Final Corrective Action Plan

Summary Response Matrix

	Complied	Will Comply	Partially Complied	Will Not Comply
Agrees	Finding 5	Finding 2 Finding 3 Finding 4 Finding 6	Finding 1	
Partially Agrees				
Disagrees				

Final Corrective Action Plan

<u>Finding Number 1</u>
Finding Title: Significant improvement needed in monitoring Intermediate School District (ISD) staff credentials to ensure eligible staff are included in quarterly random moment time studies random moment time studies (RMTS).

Department Response
Management Views: Michigan Department of Health and Human Services (MDHHS) agrees with the finding.

Planned Corrective Action and Milestones: MDHHS updated the interagency agreement with Michigan Department of Education (MDE) to include a defined timeline and oversight requirements for the credential review of the indirect service staff pool list. Also, MDHHS will establish a written internal monitoring process to ensure that a comprehensive credential review is conducted and maintained by both MDHHS and MDE.

In addition, MDHHS will incorporate training for the Administrative Outreach Program, Targeted Case Management, and Personal Care Services Staff Pool Lists as part of the new staff pool list training required by Center for Medicare and Medicaid Services as part of the new State Plan Amendment to enhance the monitoring of ISD staff eligibility.

Anticipated Compliance Date: July 1, 2026

Responsible Individuals:
Kevin Bauer, MDHHS
Chris Lautner, MDHHS

Finding Number 2
Finding Title: MDHHS did not have interagency agreements in place with Intermediate School Districts (ISDs).

Department Response
Management Views: MDHHS agrees with the finding.

Planned Corrective Action and Milestones: MDHHS will re-establish and properly maintain agreements with all participating ISDs using a standardized memorandum of understanding (MOU) template. Although interagency agreements were not in place, the ISDs were still required to comply with federal regulations and the Medicaid Provider Manual requirements specific to the School Services Program (SSP). MDHHS conducted audits of various ISDs, based on risk, throughout the audit period as part of fiscal oversight to ensure that payments were made in accordance with both federal regulations and the Medicaid Provider Manual.

Anticipated Compliance Date: July 1, 2026

Responsible Individual:
Chris Lautner, MDHHS

Finding Number 3
Finding Title: Routine monitoring of ISD SSP quality assurance plans needed.

Department Response
Management Views: MDHHS agrees with the finding.

Planned Corrective Action and Milestones: To strengthen oversight and ensure compliance with CMS guidance and the Medicaid Provider Manual, MDHHS will require all participating ISDs to meet defined quality assurance metrics and submit quality assurance plans as part of their interagency agreements. MDHHS policy will develop and implement a process to review ISD SSP quality assurance plans to ensure program requirements are met.

Anticipated Compliance Date: July 1, 2026

Responsible Individuals:
Kevin Bauer, MDHHS
Chris Lautner, MDHHS

Finding Number 4
Finding Title: Significant improvement needed in monitoring of the contractor's administration of the RMTS process.

Department Response
Management Views: MDHHS agrees with the finding.

Planned Corrective Action and Milestones: While MDHHS met with the contractor on a monthly basis to review performance and address issues, the department will provide additional structure and documentation.

MDHHS will revise the federally approved School Based Services (SBS) Implementation Plan to include detailed descriptions of each required monitoring mechanism and develop formal internal procedures to guide oversight. In addition, MDHHS will review the contract monitoring framework to align with State of Michigan procurement policies and provide staff training to support implementation. These corrective actions will enhance compliance and oversight to program requirements.

Anticipated Compliance Date: July 1, 2026

Responsible Individuals:
Kevin Bauer, MDHHS
Chris Lautner, MDHHS

Finding Number 5

Finding Title: Monitoring of contractor's billing practices needs improvement.

Department Response
Management Views: MDHHS agrees with the finding.

Planned Corrective Action and Milestones: MDHHS amended the contract to include a defined billing schedule and require itemized invoices, aligned with the established pricing matrix. Also, MDHHS enhanced monitoring of the contractor’s delivery order to prevent overpayments, ensure invoices are accurately applied to the executed agreement, and that only agreed-upon services have been provided. In addition, MDHHS evaluated the current contract pricing matrix, and updated the matrix to require the development of the Medicaid Eligibility Rate (MER) for each participating claiming entity on an annual basis to align with MDHHS policy and ensure the department is only paying for services provided.

Anticipated Compliance Date: Completed

Finding Number 6

Finding Title: Improved monitoring needed of the operating effectiveness of the contractor's controls and security of SSP data.

Department Response
Management Views: MDHHS agrees with the finding.

Planned Corrective Action and Milestones: MDHHS will continue to meet with the contractor monthly to review performance and ensure compliance with contract requirements. Also, MDHHS will review the most recent System and Organization Controls reports for the contractor and discuss any deficiencies identified during monthly meetings.

Anticipated Compliance Date: July 1, 2026

Responsible Individuals:
Kevin Bauer, MDHHS
Chris Lautner, MDHHS