Office of the Auditor General
Performance Audit Report

Utilization and Oversight of Select Michigan Public Health Institute Services and Activities

Michigan Department of Health and Human Services

September 2026

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

391-0111-26

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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Report Summary

Performance Audit
Utilization and Oversight of Select Michigan Public Health Institute (MPHI) Services and Activities
Michigan Department of Health and Human Services (MDHHS)

Report Number:
391-0111-26

Released:
September 2026

The Public Health Code, specifically Section 333.2611 of the *Michigan Compiled Laws (MCL)*, requires MDHHS to coordinate the health services research, evaluation, and demonstration and health statistical activities undertaken or supported by the department and to establish policy to administer these health services and activities. In addition, this Section indicates MDHHS may establish a nonprofit corporation, and its purpose shall be to plan, promote, and coordinate health services research with a public university or a consortium of public universities within the State. The corporation may research, evaluate, and demonstrate various activities prescribed in *MCL* Section 333.2611. In 1990, MDHHS established MPHI to meet this purpose.

Appropriations acts for fiscal years 2024 and 2025 authorized MDHHS to use one-year agreements with MPHI. From October 1, 2023 through September 30, 2025, MDHHS established and awarded MPHI 9 high-level agreements and 857 project-level agreements, totaling $435 million. MDHHS administers these agreements in conjunction with approximately 750 MPHI-employed (affiliate) staff reporting to MDHHS supervisors, as of October 2025. The appropriations acts also required MDHHS to submit semiannual reports to the Legislature.

Audit Objective	**Conclusion**
Objective 1: To assess the sufficiency of MDHHS's efforts to ensure it awards MPHI contracts and grants in compliance with applicable State laws and policies.	Sufficient, with exceptions

Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
For 2 of 20 selected agreements, MDHHS awarded MPHI $21 million in subcontracted services, including consulting services for generalized strategic management and IT related matters, without obtaining necessary approvals from the Department of Technology, Management, and Budget. In addition, for 7 selected agreements with subcontracts, the documentation MDHHS obtained supported less than 50% of the nearly $17 million awarded to MPHI (Finding 1).	X		Disagrees

Observations Related to This Audit Objective *(Continued)*	Material Condition	Reportable Condition	Agency Preliminary Response
An evaluation of current State law is likely needed to ensure consistent achievement of the Legislature's overall intent and protection of the public's interest pertaining to MDHHS's awarding of contracts and grants to MPHI (Observation 1).	Not applicable for observations.		

Audit Objective	Conclusion
Objective 2: To assess the sufficiency of MDHHS's efforts to monitor MPHI contracts and grants.	Not sufficient

Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response

Significant improvement is needed in MDHHS's monitoring of MPHI agreements. We noted:
• MDHHS frequently could not document the project information it reviewed and considered when approving final project budgets, monthly financial status reports (FSRs), and quarterly work plans of project status. For example:
  ○ Approved MPHI budgets often lacked sufficient information to assist MDHHS in monitoring the appropriateness of salary and wage, subcontractor, and subgrantee costs for which MPHI requested reimbursement.
  ○ No documentation supporting summarized cost was provided for nearly 70% of FSRs reviewed.
• MDHHS paid $108 million for FSRs prior to receiving and/or reviewing the associated quarterly work plan validating the status of work performed for the project.
• MPHI affiliate staff and/or MDHHS staff previously employed by MPHI approved almost half of all FSRs for payment to MPHI, totaling $199 million (Finding 2).
	X		Partially agrees

MDHHS approved $1.8 million of MPHI budgeted indirect costs using a higher 17.5% rate, rather than the 4.9% approved rate, for some subcontracted costs. Its oversight practices did not consistently include monitoring and/or evaluating whether adjustments of previously reimbursed indirect costs were needed (Finding 3).		X	Disagrees

Audit Objective	Conclusion
Objective 3: To assess the sufficiency of MDHHS's efforts to provide the Legislature with MPHI project and deliverables information in accordance with State law requirements.	Not sufficient

Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS's semiannual reports to the Legislature consistently lacked required information for MPHI projects. Some reports had no required information and almost 30% excluded required project and/or funding detail. In addition, none of the projects reviewed had all reports, studies, and publications produced by MPHI and its subcontractors reported to the Legislature (Finding 4).	X		Partially agrees

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September 4, 2026

Amy Epkey, Acting Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Acting Director Epkey:

This is our performance audit report on the Utilization and Oversight of Select Michigan Public Health Institute Services and Activities, Michigan Department of Health and Human Services.

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

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

Sincerely,

Doug Ringler

Doug Ringler
Auditor General

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UTILIZATION AND OVERSIGHT OF SELECT MPHI SERVICES AND ACTIVITIES

AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

AWARDING OF MPHI CONTRACTS AND GRANTS

BACKGROUND

The Public Health Code, specifically Section 333.2611 of the *Michigan Compiled Laws (MCL)*, requires the Michigan Department of Health and Human Services (MDHHS) to coordinate health services research, evaluation, and demonstration and health statistical activities undertaken or supported by the department. It also indicates MDHHS may establish a nonprofit corporation, and the purpose of the corporation shall be to plan, promote, and coordinate health services research with a public university or a consortium of public universities within the State. The corporation may research, evaluate, and demonstrate various activities prescribed in *MCL* Section 333.2611.

In July 1990, MDHHS formed the Michigan Public Health Institute* (MPHI) as a nonprofit corporation to meet this purpose. In addition to *MCL* Section 333.2611, the State's annual appropriation acts have provided authorization and requirements for MDHHS's activities with MPHI. For fiscal years 2024 and 2025, the acts authorized MDHHS to use one-year agreements* with MPHI for the design and implementation of projects and for other public health-related activities, as prescribed in the Public Health Code.

MDHHS's Bureau of Grants and Purchasing (BGP) establishes annual high-level agreements with MPHI in MDHHS's Electronic Grants Administration and Management System (EGrAMS). MDHHS's applicable program areas determine the need for a project and work with BGP to establish a project-level agreement with MPHI in EGrAMS, including an MPHI-submitted detailed budget and an agreed upon work plan for the project.

From October 1, 2023 through September 30, 2025, MDHHS established 9 high-level agreements and awarded MPHI 857 contracts and grants (project-level agreements), totaling $434.5 million, as shown in Exhibit 1.

MPHI amends the budget, as needed, during the project to delineate proposed costs. MDHHS reviews and approves the initial and amended budgets in EGrAMS. These budgets provide MDHHS with the following project information:

- Estimated project cost details for up to 13 preestablished EGrAMS budget categories for the statement of work (see Exhibit 2).
- A list of the MPHI project staff.
- Detailed subcontract and subgrant information.

** See glossary at end of report for definition.*

In addition, MDHHS requests approval from the State Administrative Board for its high-level MPHI agreements exceeding required approval thresholds.

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts to ensure it awards MPHI contracts and grants in compliance with applicable State laws and policies.

CONCLUSION

Sufficient, with exceptions.

FACTORS IMPACTING CONCLUSION

- MDHHS established formal agreements with MPHI and completed its internally required approval steps for all high-level and project-level agreements for fiscal years 2024 and 2025.
- MDHHS requested and received approval from the State Administrative Board for all high-level MPHI agreements for fiscal years 2024 and 2025, as applicable.
- MDHHS maintained documentation to support the need for establishing and/or reestablishing the project-level agreements awarded to MPHI for all of the 20 agreements we reviewed.
- One material condition* related to deficiencies in MDHHS's awarding practices related to MPHI agreements, including those with subcontracted services (Finding 1).

** See glossary at end of report for definition.*

FINDING 1

Improvements needed in MDHHS's awarding of agreements to MPHI, including those with subcontracted services.

MDHHS needs to improve its awarding practices for MPHI agreements, including those with subcontracted services. Improvements would help MDHHS ensure these agreements are appropriate, sufficiently documented, and fully comply with applicable State laws and policies.

We considered the following State laws:

- The Public Health Code, specifically *MCL* Section 333.2611, directs MDHHS to coordinate health services research, evaluation, demonstration projects, and statistical activities. This Section also permits establishment of a nonprofit corporation to "…plan, promote, and coordinate health services research with a public university or a consortium of public universities within the state." From it, MPHI was created.

- The State's annual appropriation act boilerplate for fiscal years 2024 and 2025 authorized MDHHS to use one-year agreements to contract with MPHI for the design and implementation of projects and public health-related activities prescribed in *MCL* Section 333.2611 of the Public Health Code.

- *MCL* Section 18.1279 requires MDHHS to seek review and approval by the Department of Technology, Management, and Budget (DTMB) for the acquisition of consulting services.

- *MCL* Section 18.1385 transfers the responsibility for procurement, development, and maintenance of all MDHHS IT services to DTMB.

- *MCL* Section 333.21787 allows MDHHS to consult and work with MPHI regarding its performance of regulatory and disciplinary duties specifically related to health facilities and agencies.

MDHHS established 9 high-level agreements for fiscal years 2024 and 2025, which included over 850 project-level agreements, awarding MPHI $435 million. Within the project-level agreements, MPHI further subcontracted $110 million of the projects' budgeted activities.

Our review noted:

MDHHS awarded agreements to MPHI not limited to health services and activities, including subcontracted consulting services for generalized strategic management support and IT related matters.

a. MDHHS awarded agreements to MPHI not limited to the health services and activities prescribed in *MCL* Section 333.2611, including subcontracted consulting services for generalized strategic management support and IT related matters without required approval from DTMB.

   Our review of 20 selected project-level agreements (see Exhibit 3) noted the statements of work for 2 were

primarily limited to subcontracted consulting services. The budgets for these projects totaled $21.3 million for fiscal years 2024 and 2025, and agreement documentation indicated they were for strategic support for MDHHS, which included $20.3 million (95%) for the subcontracted consulting services and $1.0 million (5%) for MPHI's indirect costs.

While *MCL* Section 333.2611 and annual appropriations act boilerplate permit MDHHS to contract with MPHI for health services research, demonstration projects, and statistical activities, *MCL* Sections 18.1279 and 18.1385 also require MDHHS to seek review and approval by DTMB for the acquisition of consulting services and to utilize DTMB for all IT services. In addition, the Legislature clarified its intent to prohibit the use of MPHI as a pass-through entity within the fiscal year 2023 appropriations act boilerplate. Further, *MCL* Section 333.2611 states the purpose of MPHI shall be to plan, promote, and coordinate health services research with a public university or a consortium of public universities within the State.

Although some of the services and activities described in the work plans for these agreements may fall within those prescribed by *MCL* Section 333.2611 and reinforced through annual appropriations act boilerplate, the vast majority were not indicative of those health services and activities prescribed in the law, nor were any of the subcontracts for research with universities (see Observation 1). The work plans primarily described generalized and broad strategic management support and IT efforts by subcontractors including, but not limited to:

- Providing strategic support to the integrated delivery engine for the "rebuild" of MDHHS, including facilitating initial problem-solving sessions and coaching MDHHS staff on how to advance solutions, providing ad-hoc support to resolve roadblocks and pressure test deliverables across the full portfolio of initiatives, supporting disciplined implementation of performance management processes, and embedding change management best practices into initiatives.

- Supporting the diagnostic and design phase of the initiative to redesign the front-line teaming model for children's services, including assessing current State performance across State and local offices and opportunities through analysis of internal MDHHS data, materials, and interviews; synthesizing problem statement and pain points to be addressed; developing potential design options/initiative blueprints for MDHHS leadership

to consider and prioritize; developing analyses to support selection and prioritization of teaming model changes; and facilitating end-to-end solution design process with MDHHS stakeholders.

- Establishing a methodology to prioritize IT initiatives to align with organizational goals over a 3-to-5-year time frame, as identified in the MDHHS Strategic Priorities fiscal year 2023-2027 plan.

- Providing portfolio-wide operational support to MDHHS's governance structure for oversight of its Children's Services Administration.

- Improving IT implementation (projects with new vendors or existing vendors on a new product) effectiveness* and delivery by streamlining/reengineering practices and processes, and optimizing resource utilization.

MDHHS informed us it considered these agreements demonstration projects executed under its authority to contract with MPHI in *MCL* Section 333.2611 and annual appropriations act boilerplate. It contends they were not subject to the State procurement policy applicable to traditional vendor consulting and/or IT contracts. As a result, MDHHS also informed us it had not requested DTMB's review and approval of the agreements. In addition, MDHHS informed us, in the absence of a statutory definition, it developed its own: *Demonstration projects, by their nature, often require strategic planning, systems analysis, operational redesign, and technology supported process improvements to test new approaches before broader implementation* (see Observation 1). However, the agreements and work plans did not indicate these were demonstration projects.

b. MDHHS often did not obtain all applicable subcontract information to fully support initial and/or amended agreements awarded to MPHI.

For 7 selected agreements with subcontracts, the subcontract information in EGrAMS supported less than 50% of the nearly $17 million awarded to MPHI for the subcontract.

Eleven of the 20 selected agreements included subcontracts individually exceeding $50,000. For 7 (64%) of these 11, MDHHS did not obtain the subcontract statement of work to support the initial agreement, or an updated statement of work to support agreement amendments or the final project budget. For these 7 agreements, the final budgets included $16.7 million of awards to MPHI for subcontracts; however, the related subcontract information provided in EGrAMS supported less than 50% of that amount, limiting MDHHS's ability to

* *See glossary at end of report for definition.*

monitor the propriety of MPHI's reimbursement request related to subcontractor costs (see Finding 2, part a.).

MDHHS procedures required a statement of work be attached in EGrAMS for any initial and/or amended agreements with subcontracts exceeding $50,000 and allowed a blank placeholder document attachment if a subcontractor was unknown at the time of the initial agreement.

MDHHS informed us it relied on its project managers to ensure the required statements of work were included and/or updated as necessary; however, as noted, this did not always occur.

We consider this finding to be a material condition because of the:

- Potential noncompliance with statutes regarding acquisition of consulting services totaling $20 million.
- Significant exception rate noted in this finding related to insufficient documentation to support MPHI subcontractor activities at the time of award, coupled with the potential risks for mispayment related to the continued absence of sufficient subcontractor documentation (see Finding 2).
- Prevalence of subcontracts in MPHI agreements, which represented $110 million (25%) of the total awards to MPHI for fiscal year 2024 and 2025.

RECOMMENDATIONS

We recommend MDHHS improve its awarding practices for MPHI agreements, including those with subcontracted services.

We also recommend MDHHS seek legislative clarification regarding its contracts with MPHI for consulting services to address ambiguities in statute and ensure MDHHS is in full compliance with and meets the intent of applicable State laws.

AGENCY PRELIMINARY RESPONSE

MDHHS disagrees. Given the length of MDHHS's preliminary response, the response and our auditor's comments to Finding 1 are presented on page 40.

OBSERVATION 1

Evaluation of current statutory language related to *MCL* Section 333.2611 is likely needed.

An evaluation of current statutory language is likely needed to help ensure the law's overall intent is consistently achieved and best serves the public's interest in the effective and efficient* management of governmental activities.

The Public Health Code, specifically *MCL* Section 333.2611, broadly requires MDHHS to coordinate the *health services research, evaluation, and demonstration and health statistical activities* undertaken or supported by the department, and to establish policy to administer these health services and activities, considering various interests including the public's interest in the effective and efficient management of governmental activities. This Section also indicates MDHHS ***may*** establish a nonprofit corporation. The purpose of the corporation ***shall*** be to plan, promote, and coordinate health services research with a public university or a consortium of public universities within the State. The corporation ***may*** *research, evaluate, and demonstrate* various activities prescribed in *MCL* Section 333.2611. In 1990, MDHHS established MPHI to meet this purpose and, for fiscal years 2024 and 2025, awarded MPHI agreements totaling $435 million (see Exhibits 1, 2, and 4).

In conjunction with the *MCL* Section, State appropriations act boilerplate language has set forth clarifications regarding some aspects of MDHHS's agreements with MPHI. For example, in fiscal year 2023 boilerplate, the Legislature clarified it did not intend for MPHI to be a pass-through, contract manager, or indirect contract manager for a contract with MDHHS for a project or other public health-related activity. In fiscal years 2024 and 2025 boilerplate, the Legislature stipulated MDHHS may develop one-year agreements and contract with MPHI for the design and implementation of projects and for public health-related activities prescribed in *MCL* Section 333.2611.

Our review noted statutory language changes may be needed to provide clarification and address the following areas:

a. MDHHS's sole use of MPHI and adherence to established policies for MPHI contracting activities.

   MDHHS informed us the annual boilerplate provides it permission to establish agreements solely with MPHI for the activities prescribed in Section 333.2611 without needing to follow State policies for establishing the agreements. While the annual boilerplate ***permits*** MDHHS to establish agreements with MPHI, the language neither prescriptively ***requires*** MDHHS to solely utilize MPHI nor exempts adherence to established State policies designed to help MDHHS consider and protect the public's interest in the efficient and effective management of government activities, as ***required*** by Section 333.2611 (also see Finding 1).

* *See glossary at end of report for definition.*

b. MDHHS's role in procurement of subcontractors and/or subgrantees for MPHI agreements.

   MDHHS informed us it often selects or assists in selecting MPHI subcontractors and/or subgrantees; however, it did not always consider whether establishing direct agreements with the subcontractors and subgrantees would be more cost beneficial and/or best protect the public's interest in the activities, as required by *MCL* Section 333.2611(2)(h). This is also notable given subcontracts and/or subgrants comprised $130 million (30%) of MDHHS's agreements with MPHI, and MDHHS routinely provided MPHI either a 4.9% or 17.5% indirect cost rate (see Finding 3) for administering sub-agreements which may not align with the Legislature's intent, as set forth in previous boilerplate addressing use of MPHI for contract management activities. Currently, *MCL* Section 333.2611 is silent regarding MDHHS's role in procuring subcontractors or identifying subgrantees related to its agreements with MPHI.

c. MDHHS's one-year agreements with MPHI.

   Boilerplate indicated MDHHS may develop one-year agreements and contract with MPHI for the design and implementation of projects and for public health-related activities prescribed in *MCL* Section 333.2611. During our review, we noted one-year agreements were frequently reestablished for multiple, consecutive one-year periods between MDHHS and MPHI, often engaging the same subcontractors for the projects. Clarified statutory language may be needed to accommodate the need for multi-year projects or to clarify when multi-year projects are acceptable.

d. MDHHS's interpretation of demonstration projects.

   MCL Section 333.2611 permits MDHHS to coordinate health services demonstrations but does not define the activities constituting such projects. In the absence of a definition, MDHHS informed us it developed its own description as follows: *Demonstration projects, by their nature, often require strategic planning, systems analysis, operational redesign, and technology-supported process improvements to test new approaches before broader implementation.* MDHHS indicated its agreements with MPHI noted within part a. of Finding 1 met their internal description and therefore should not be considered exceptions. However, some of the services provided for within these agreements were not limited to health services and activities. Clarification may be needed to ensure legislative intent is consistently achieved regarding health services demonstration projects.

e. MPHI's statutorily stated purpose and utilization of public universities.

   MCL Section 333.2611(3) states "the purpose of the corporation ***shall*** be to plan, promote, and coordinate health services research *with a public university or a consortium of public universities within the state*. The corporation may research, evaluate, and demonstrate all of the following…."; however, we noted only 8 (1%) of the 857 project-level agreements MDHHS had with MPHI included subcontracts and/or subgrants with universities and totaled about $1.5 million. Consequently, statutory clarification regarding MPHI's principal purpose and its utilization of public universities may be needed to help ensure both are consistent with legislative intent.

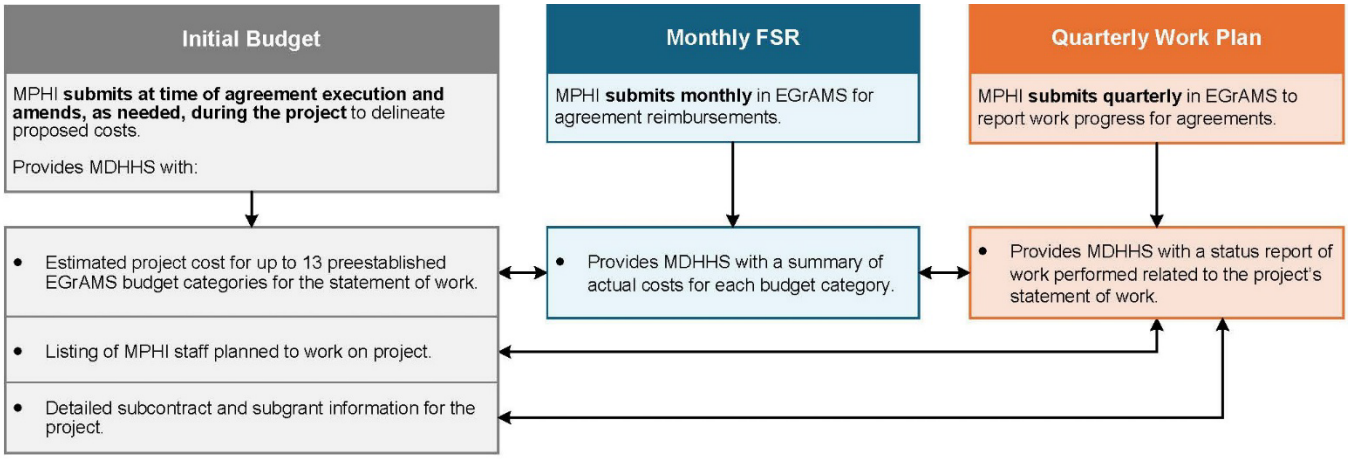
We encourage relevant stakeholders such as the Legislature, MDHHS, and/or other partners to evaluate the need for legislative clarification and/or changes to help ensure the overall purpose and MDHHS's utilization of MPHI is clear.

MONITORING OF MPHI CONTRACTS AND GRANTS

BACKGROUND

State laws and policies permit MDHHS to establish agreements with MPHI for the activities prescribed in *MCL* Section 333.2611 and require MDHHS to conduct regular monitoring to ensure performance of agreement requirements. For fiscal years 2024 and 2025, MDHHS established 9 high-level agreements with MPHI, which included over 850 underlying project-level agreements.

To monitor the project-level agreements, MDHHS utilizes information from three primary sources: a detailed initial budget, provided at the execution of the agreement; monthly financial status reports (FSRs); and quarterly work plans. The three sources of information are interrelated, and each are necessary to provide MDHHS with complete and accurate information related to its contract and grant reimbursements and progression of work, as illustrated in the following chart:



In addition to the initial budget, MDHHS's agreements with MPHI require submission of a monthly FSR for each project to receive reimbursement for the project's costs and quarterly work plans to report progress of work performed for each project. MPHI submits these documents via EGrAMS for MDHHS's review and approval of reimbursements. MDHHS staff and/or MPHI affiliate staff* review the submitted information and approve reimbursement to MPHI.

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts to monitor MPHI contracts and grants.

CONCLUSION

Not sufficient.

** See glossary at end of report for definition.*

FACTORS IMPACTING CONCLUSION

- Material condition related to MDHHS's monitoring of MPHI contract and grant agreement reimbursements and work progress (Finding 2).
- Reportable condition* related to MDHHS's oversight of indirect costs allowed in agreements with MPHI (Finding 3).
- MDHHS provided guidance to its staff within its policies and training materials for agreement monitoring in EGrAMS.

** See glossary at end of report for definition.*

FINDING 2

Improvement needed in MDHHS's monitoring of MPHI agreement reimbursements and work progress.

MDHHS needs to significantly improve its monitoring of MPHI contract and grant agreement reimbursements and work progress. Improvements would help MDHHS ensure its monitoring of MPHI budgets, financial status reports, and work plans is sufficient to reduce the risk of improper payments to MPHI.

State policies require MDHHS to conduct regular monitoring to ensure performance of agreement requirements.

We analyzed EGrAMS data and selected 20 project-level agreements to review the related budgets, 44 selected FSRs, and 77 selected work plans to assess the sufficiency of MDHHS's monitoring. Our review noted:

a. Although MDHHS could support if it approved information MPHI submitted, it did not consistently document the support reviewed and considered when making its approvals. For example:

Approved MPHI budgets frequently lacked necessary information to assist MDHHS in monitoring reimbursements for salaries and wages and subcontractor and subgrantee costs.

(1) Approved MPHI budgets often lacked sufficient information to assist MDHHS's monitoring efforts. We noted MDHHS did not ensure the final budgets provided the following information, as required:

(a) Detailed salaries and wages information for some and/or all staff working on projects for 7 (41%) of the 17 selected agreements with budgeted salaries and wages.

(b) All applicable subcontract information to support the final budget for 7 (64%) of 11 selected agreements with subcontracts individually exceeding $50,000.

(c) Subgrantee information for 2 (67%) of 3 selected agreements with subgrantees in the budget.

MDHHS permits MPHI to submit budgets without detail and amend budgets during the life of the agreement to include detail for the budget categories. MDHHS informed us it relied on MPHI to add budget detail to EGrAMS during the agreement amendment cycle. However, the budgets were never updated to include the required salary and wage, subcontract, and subgrantee information for which reimbursement was approved.

(2) Approved FSRs frequently lacked underlying support for summarized costs to facilitate MDHHS's review and/or comparison with the detailed project budgets.

We noted:

No documentation supporting the summarized cost was provided for nearly 70% of the selected FSRs reviewed.

(a) No documentation supporting the summarized cost was provided for 30 (68%) of the 44 selected FSRs reviewed.

(b) For the remaining 14 (32%), underlying support was limited to subcontractor cost information only, and MDHHS had not demonstrated how the subcontractor information provided corresponded with MPHI's approved budget and/or the summarized costs in the applicable FSR, nor obtained additional support for any of the remaining costs reported.

MDHHS's internal training materials indicate FSRs should be reviewed for accuracy, completeness, and allowability of costs prior to approval.

(3) Work plans were often submitted late, reviewed and/or approved after payments were made to MPHI, and excluded key project status information. Timely and complete work plans are instrumental for MDHHS to have a complete picture for monitoring each project agreement; however, we noted MDHHS did not always ensure MPHI work plans were:

(a) Submitted in a timely manner. For work plans submitted for fiscal years 2024 and 2025, 400 (12%) of the 3,240 were submitted more than 2 weeks late or overdue and not submitted as of December 2025. Late submissions ranged from 15 days to over a year and a half (609 days), with an average of 3.6 months (108 days) late.

MDHHS paid $108 million for the last month of the quarter FSRs prior to receiving and/or reviewing the associated quarterly work plans.

(b) Submitted and/or approved prior to MDHHS's payment approval to MPHI. We determined, for approximately 72% of the nearly 3,600 FSRs which MPHI submitted for the last month of a quarter, MDHHS approved the payment prior to MPHI submitting and/or MDHHS reviewing and approving the corresponding work plan. These

payments totaled $108 million for fiscal years 2024 and 2025.

(c) Submitted with detailed reports supporting the status of work performed on the project. Our review of 76 submitted work plans for the 20 selected agreements noted 31 (41%) had limited or no updates for one or more project line items. Missing updates were commonly related to work performed by MPHI affiliate staff.

MDHHS's internal training materials state reviews of work plan progress reports are needed to ensure submitted FSRs reflect work performed.

MDHHS informed us it relied on its program managers to ensure MPHI submitted required reports, and managers may use other sources of documentation for monitoring. However, MDHHS also informed us it had not implemented a procedure to ensure work plans were submitted and approved prior to FSR approval.

b. MDHHS did not restrict or regularly monitor FSR and work plan approvals by MPHI affiliate staff and/or MDHHS staff previously employed by MPHI to help reduce the risk of potential conflicts of interest and/or improper payments.

MPHI affiliate staff and/or MDHHS staff previously employed by MPHI approved almost half of all FSRs for payment to MPHI, totaling $199 million.

Our review of FSR and work plan data for fiscal years 2024 and 2025 noted almost half of all approvals were made by MPHI affiliate staff and/or MDHHS staff previously employed by MPHI and totaled $199 million. We noted these staff often approved all or a majority of the FSRs and corresponding work plans for a project without secondary approval. This included instances in which the MPHI affiliate staff approving FSRs for payment to and/or work plan progress of MPHI was simultaneously working on the agreement they were approving as shown in the table below:

	MPHI FSRs		MPHI Work Plans
Approver	Costs Approved (in millions)	Number (Percent) Approved	Number (Percent) Approved
MDHHS staff	$154.1	5,067 (50.8%)	1,716 (53.8%)
MPHI affiliate staff	122.2	3,502 (35.1%)	1,043 (32.7%)
MPHI affiliate staff and in MPHI's project budget	12.2	290 (2.9%)	89 (2.8%)
MDHHS staff previously employed by MPHI	64.7	1,118 (11.2%)	340 (10.7%)
Total	$353.2	9,977 (100.0%)	3,188 (100.0%)

MDHHS informed us it had not implemented controls to ensure MPHI staff included in budgets were not involved in FSR approval of their own agreements and did not believe MPHI affiliate staff and MDHHS staff who previously worked for MPHI represent a conflict for conducting reviews and executing approvals. MDHHS also indicated secondary approvals by its program managers are not required after FSR and work plan reviews and prior to payments being made to MPHI by MPHI affiliate staff.

The table below provides an illustrative example to demonstrate the impact of issues we noted in parts a. and b.:

Illustrative Example
For one sampled agreement, MDHHS paid MPHI $10.9 million for fiscal year 2024. We noted the following deficiencies with the review and approval of the related budgets, FSRs, and work plans: • MDHHS did not ensure MPHI's approved budget included a detailed list of the more than 100 associated subgrantees and the related subawards; however, MDHHS reimbursed MPHI $10.2 million for the related subawards without this information. • All FSR and work plan reviews and approvals were carried out by MPHI affiliate staff, and MDHHS could not document any secondary approvals by its program managers for the 2 FSRs or 1 work plan we selected for detailed review. • For the 2 FSRs we selected for detailed review, no documentation was obtained and/or reviewed to support the costs submitted for reimbursement at a summarized level. MDHHS indicated additional support is not required for FSR review and approval. • The 3 associated work plans we reviewed were submitted more than 2 weeks late and reimbursements for the related March 2024 FSRs, totaling $2.8 million, were made prior to receiving the March 2024 quarterly work plan.

We consider this finding to be a material condition because of the:

- High dollar amounts submitted for reimbursements, approved, and paid to MPHI.
- Frequency in which sampled items lacked sufficient information to effectively monitor the progress of agreements and fully support payments made to MPHI.
- Compounded risk resulting from the absence of multiple elements of interrelated monitoring documentation.
- Potential risk of conflicts of interest for almost half of the approved payments to MPHI; particularly, when MDHHS delegates oversight responsibility for MPHI projects to MPHI's affiliate staff. This included MPHI affiliate staff

working directly on the projects and/or individuals who were previously employed by MPHI.

RECOMMENDATION

We recommend MDHHS significantly improve its monitoring of MPHI contract and grant agreement reimbursements and work progress.

AGENCY PRELIMINARY RESPONSE

MDHHS partially agrees. Given the length of MDHHS's preliminary response, the response and our auditor's comments to Finding 2 are presented on page 43.

FINDING 3

Improvements needed in oversight of MPHI indirect costs.

MDHHS needs to strengthen its oversight of indirect costs allowed in agreements with MPHI. Improvements would help ensure indirect costs reimbursements are appropriate and consistent with contract monitoring responsibilities.

State law requires MDHHS to establish and maintain an internal control* system, including a system of practices to be followed in the functions of the department, and effective and efficient internal control techniques. State policies reinforce the implementation of sound internal control and require MDHHS to establish and maintain sound internal control over activities managed by third party organizations. State policies also require MDHHS to conduct regular contract monitoring to ensure performance of contract requirements.

MDHHS's high-level agreements with MPHI allow for MPHI to use an approved federal indirect rate in its budget calculations and financial status reporting. Applicable federal agencies provide temporary provisional rates pending establishment of the final rates based on actual cost reported for the period. The federally approved indirect cost rates for MPHI's direct and subcontracted costs effective January 1, 2022 through December 31, 2025 are shown in the table below:

MPHI Federally Approved Indirect Cost Rates

	Provisional Rate		Final Rate	
Effective Period	All Direct Costs Excluding Subcontracted Costs	Subcontracted Costs	All Direct Costs Excluding Subcontracted Costs	Subcontracted Costs
January 1 to December 31, 2022	17.5%	4.9%	16.2%	6.4%
January 1 to December 31, 2023	17.5%	4.9%	15.9%	4.7%
January 1 to December 31, 2024	17.5%	4.9%	N/A - Not finalized*	
January 1 to December 31, 2025	17.5%	4.9%	N/A - Not finalized*	

* As of September 30, 2025.

MPHI submits detailed budgets for MDHHS to review and approve within MDHHS's EGrAMS for each project-level agreement included within the high-level agreements prior to execution of the agreement. MPHI's budgets include estimated indirect costs within the various budget categories in EGrAMS. MPHI also submits monthly financial status reports with summarized actual costs incurred by the approved budget categories for each project-level agreement, and MDHHS reimburses MPHI for the actual costs.

Our review of approved budgets and financial status reports for MDHHS's project-level agreements with MPHI noted:

a. MDHHS did not always ensure MPHI's submitted and approved project-level agreement budgets applied the

* *See glossary at end of report for definition.*

appropriate federally approved indirect cost rate to subcontracted costs.

MDHHS approved $1.8 million of MPHI budgeted indirect costs with an applied rate of 17.5% rather than the applicable 4.9% rate for subcontracted costs.

Our review of MDHHS's approved budgets in EGrAMS determined 25% of the approximately 850 MPHI project-level agreements for fiscal years 2024 and 2025 included subcontracted costs within the other expenses budget category; however, the applicable federally approved indirect costs rate of 4.9% for subcontracted costs was not applied to these costs. Instead, MDHHS approved $1.8 million of indirect costs using the higher 17.5% rate.

MDHHS's internal June 2023 EGrAMS training materials informed its staff to carefully read federal indirect cost rate communications, because some have strict guidelines on the expenses to which the indirect rates may be applied. MDHHS informed us it interpreted federal indirect cost rate requirements as not applicable to contracts and indirect costs are estimated in the approved budgets. However, MDHHS's project-level agreement budgets with MPHI indicate the indirect cost rates used are the federally approved rates, and MDHHS did not ensure the correct indirect cost rate was used for some subcontracted costs.

b. MDHHS did not consistently monitor and/or evaluate whether adjustments of previously reimbursed indirect costs were needed when MPHI's approved provisional and final rates differed.

Our analysis of MPHI's indirect costs submitted from October 1, 2022 through December 31, 2023 estimated MDHHS should have evaluated $1.7 million in reimbursements for potential adjustment and/or refund because of differences in provisional and final approved indirect cost rates.

For example, during our audit period MPHI received a final approved indirect cost rate of 15.9% for January 1, 2023 through December 31, 2023; however, MDHHS had previously provided reimbursement to MPHI for this same period using 17.5%. We analyzed MPHI's indirect costs submitted within FSRs from October 1, 2022 through December 31, 2023 and estimated the reduction in the final rate resulted in $1.7 million in indirect cost reimbursements which MDHHS should have evaluated for potential adjustment and/or recovery.

MDHHS's internal grants management training materials indicate if provisional indirect cost rates are used in FSRs, the final rate will eventually need to be obtained with appropriate adjustments made.

MDHHS informed us it expects MPHI will submit reimbursement requests in accordance with federal indirect rate approvals. MDHHS indicated it has not typically amended MPHI projects for reductions in indirect costs unless reductions result in a shift of funds between budget categories in excess of allowable variances.

RECOMMENDATION	We recommend MDHHS strengthen its oversight of indirect costs allowed in agreements with MPHI.
AGENCY PRELIMINARY RESPONSE	MDHHS disagrees. Given the length of MDHHS's preliminary response, the response and our auditor's comments to Finding 3 are presented on page 44.

LEGISLATIVE REPORTING OF MPHI CONTRACTS AND GRANTS

BACKGROUND

The State's annual appropriations act boilerplate requires MDHHS to provide the Legislature with two reports of select MPHI project information on a semiannual basis: one to provide legislators with project-level descriptions of funded MPHI projects, and another to furnish copies of project reports, studies, and publications produced by MPHI in conjunction with projects funded in the previous fiscal year.

MDHHS prepares and submits the project-level description information report and delegates responsibility to MPHI for providing the copies of MPHI-produced project reports, studies, and publications via MPHI's website. MDHHS provides the Legislature with a link to MPHI's website information to satisfy MDHHS's corresponding reporting requirement for projects funded in the previous year.

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts to provide the Legislature with MPHI project and deliverable information in accordance with State law requirements.

CONCLUSION

Not sufficient.

FACTORS IMPACTING CONCLUSION

- Material condition related to MDHHS's reporting of statutorily required MPHI project information to the Legislature (Finding 4).

FINDING 4

Improvements needed in legislative reporting for MPHI agreements.

MDHHS needs to improve its efforts for reporting statutorily required MPHI project information to the Legislature. Doing so would help ensure consistent, complete, and accurate information that meets legislative requirements and decision-making needs.

Our review noted MDHHS did not report multiple items in its required semiannual reports, resulting in potential noncompliance and diminished transparency for MPHI projects funded by MDHHS. Specifically:

a. MDHHS did not ensure it reported to the Legislature all required information for MPHI projects funded by State annual appropriations.

   The annual appropriation acts require MDHHS to report a detailed project description, financing sources, detailed spending plans (including a list of all applicable MPHI subgrantees for each MPHI project funded), and other information. Our review of 20 selected MPHI project agreements noted:

   (1) No project information was reported for 2 (10%) of 20 agreements.

   The agreements totaled $10.6 million for the period May 1, 2024 through December 31, 2026. We also noted these projects were not reported within the information MPHI provided for MDHHS's legislative reporting (see part b.(1)).

   MDHHS informed us it inadvertently excluded the agreements from its legislative reporting.

   (2) No detailed project descriptions and/or appropriation line-item funding were provided for 5 (28%) of 18 selected agreements reported totaling $17.9 million for fiscal years 2024 and 2025.

   For example, for four of these projects, MDHHS's 3-to-6-word descriptions only restated the project agreement title or added very limited additional information beyond the title (see Exhibit 3).

   MDHHS informed us it used EGrAMS data for compiling its reports; however, it did not ensure the EGrAMS information consistently included detailed project descriptions and/or appropriated funding information.

   (3) No identification of MPHI's subgrantees nor the amounts allocated to each for either of the 2 selected agreements with subgrantees.

MDHHS did not report to the Legislature all required information for MPHI projects funded by State annual appropriations.

Our review noted these agreements included over 100 subgrantees who were allocated $11.8 million for fiscal years 2024 and 2025.

MDHHS informed us the EGrAMS data query it used to prepare the report had not been updated to reflect changes made in 2022 to budget category data, resulting in exclusion of the subgrantee information from its report.

b. MDHHS did not ensure all reports, studies, and publications produced by MPHI, its subcontractors, or the department were reported to the Legislature.

The annual appropriation acts require MDHHS to provide to the Legislature copies of all reports, studies, and publications produced by MPHI, its subcontractors, or the department funded with MDHHS's previous year appropriations.

We compared applicable information MPHI provided via its website with a sample of 20 MPHI project-level agreements and noted:

(1) No information was included via MPHI's website for 2 (10%) of 20 selected agreements. MDHHS informed us it inadvertently excluded these agreements from its legislative reporting. Consequently, the Legislature received no information from MDHHS directly or via MPHI related to these 2 projects (see part a.(1)).

MDHHS did not provide all reports, studies, and publications produced by MPHI, its subcontractors, or the department to the Legislature.

(2) MPHI's website information frequently did not include all reports, studies, and publications produced by MPHI, its subcontractors, or the department.

MPHI's website indicates the information provided includes only items MPHI considers key deliverable information and defines these as the final reports, studies, or publications required by legislation. MPHI also indicates it does not consider items such as intermediate reports and work plans as key deliverable information required to be included in the legislative reporting. We noted:

(a) MPHI's website lacked the required quarterly work plans of agreement progress reported to MDHHS in the deliverables MPHI reported on its website for all 18 selected agreements. This is of particular importance for 14 of

these projects because MPHI reported only that no deliverables were required.

(b) MDHHS's agreements with MPHI indicated subcontractor services related to 10 (56%) of the 18 selected agreements; however, MPHI did not include any of the required periodic progress reports for these subcontractors on its website.

MDHHS relied on MPHI's reported project information to satisfy MDHHS's legislative reporting requirements; however, MDHHS had not sought clarification to determine whether the limited information provided fully met the intended reporting requirements and decision-making needs of the Legislature.

We consider this finding to be a material condition because of the:

- Significant error rates noted in this finding related to MDHHS's reporting of MPHI projects, and the corresponding potential noncompliance with State law.
- Importance of MDHHS consistently providing complete and accurate information to facilitate and inform legislative decision-making related to MPHI projects.
- Substantial amounts allocated for MPHI projects totaling over $430 million for fiscal years 2024 and 2025.
- Large percentage of MPHI projects deemed to have no deliverables and the resulting lack of information reported for these projects.

RECOMMENDATIONS

We recommend MDHHS improve its efforts for reporting statutorily required MPHI project information to the Legislature.

We also recommend MDHHS seek legislative clarification to confirm whether its current reporting of MPHI project information meets the requirements and needs of the Legislature.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS partially agrees with recommendations.

MDHHS agrees that there are opportunities to improve statutorily required reports; however, MDHHS disagrees that work plan reports and subcontractor progress reports are required in addition to final reports.

MDHHS will strengthen internal processes for preparing legislative reports related to MPHI agreements to ensure all required information is included. To support this effort, MDHHS will develop internal procedures that will outline required steps for assessing the active agreement report prior to issuance, ensuring that all MPHI contracts, grants and appropriation line items are accurately included. The internal procedures will also establish a standardized review of MPHI project purpose statements to ensure adequate detail is included in project descriptions, and it will incorporate steps to verify the inclusion of subgrantee data prior to submission. Furthermore, MDHHS accurately maintained all required data internally, with certain information not reflected in the version submitted to the Legislature.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE*

MDHHS disagrees while simultaneously asserting it will strengthen internal processes for preparing the reports to ensure all required information is included. As stated in our finding, MDHHS had not sought clarification to determine whether the limited information provided fully meets the intended reporting requirements and decision-making needs of the Legislature. MDHHS response provides no additional information to warrant a change in our recommendation. Thus, our Finding and recommendations stand as written.

* *See glossary at end of report for definition.*

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

UTILIZATION AND OVERSIGHT OF SELECT
MICHIGAN PUBLIC HEALTH INSTITUTE SERVICES AND ACTIVITIES
Michigan Department of Health and Human Services

MDHHS High-Level Agreements With MPHI, Total Budget, Number of Project-Level Agreements, and Agreement Type
For Agreements From October 1, 2023 Through September 30, 2025

High-Level Agreement	Total Budget	Number of Project-Level Agreements	Agreement Type
Master Procurement Contract - 2025	$194,381,571	379	Contract
Master Procurement Contract - 2024	164,847,660	350	Contract
Coronavirus Response Support Program - 2024	24,834,777	29	Contract
Master Agreement Program - 2024	17,291,982	36	Grant
Coronavirus Response Support Program - 2025	15,007,251	27	Contract
Nursing Home Infection Control - 2024	9,812,007	1	Grant
Master Agreement Program - 2025	7,222,570	33	Grant
Community Violence Intervention Initiative - 2025	816,470	1	Grant
Community Violence Intervention Initiative - 2024	334,895	1	Grant
Total	$434,549,183	857	

Source: The OAG created this exhibit using MDHHS provided EGrAMS data.

UTILIZATION AND OVERSIGHT OF SELECT
MICHIGAN PUBLIC HEALTH INSTITUTE SERVICES AND ACTIVITIES
Michigan Department of Health and Human Services

Total Budgeted and Amounts Paid for MDHHS and MPHI Agreements by Expense Category
For Agreements from October 1, 2023 Through September 30, 2025

	Total Final Approved Budgeted Amount			Total Amount Paid on Financial Status Report (FSR)			
Expense Category	2024	2025	Total	2024	2025	Total	Percentage of Budget Spent
Salary and wages	$ 78,427,671	$ 83,884,444	$ 162,312,115	$ 67,896,106	$ 71,997,091	$ 139,893,197	86.2%
Contractual - professional services	42,267,052	52,680,110	94,947,162	35,045,944	46,199,763	81,245,707	85.6%
Fringe benefits	27,245,941	30,698,189	57,944,130	23,023,651	25,834,738	48,858,389	84.3%
Indirect costs	25,508,635	26,286,531	51,795,166	20,336,491	21,366,032	41,702,523	80.5%
Other expense*	20,073,005	19,085,189	39,158,194	10,940,894	11,383,125	22,324,019	57.0%
Subawards - subrecipient services	19,677,464	626,160	20,303,624	15,190,719	100,358	15,291,077	75.3%
Employee travel and training	2,406,398	2,396,508	4,802,906	1,349,710	1,263,805	2,613,515	54.4%
Supplies and materials	1,225,538	1,428,470	2,654,008	716,522	734,423	1,450,945	54.7%
Communications	193,575	160,329	353,904	90,816	92,357	183,173	51.8%
Client assistance - all other	46,596	136,000	182,596	4,999	70,349	75,348	41.3%
Capital expenditures - equipment and other	36,000	36,000	72,000			0	0.0%
Client assistance - rent	10,000	7,500	17,500	710	3,626	4,336	24.8%
Space costs	3,446	2,432	5,878			0	0.0%
Total	$ 217,121,321	$ 217,427,862	$ 434,549,183	$ 174,596,562	$ 179,045,667	$ 353,642,229	81.4%

* Included in "other expense" total final approved budget amount is $14,901,522 of budgeted subcontracted costs.

Source: The OAG created this exhibit using MDHHS provided EGrAMS data.

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UTILIZATION AND OVERSIGHT OF SELECT
MICHIGAN PUBLIC HEALTH INSTITUTE SERVICES AND ACTIVITIES
Michigan Department of Health and Human Services

Information Related to OAG's Selected 20 MDHHS and MPHI Agreements
For Agreements from October 1, 2023 Through September 30, 2025

Project-Level Agreement Information						Subcontracts and Subawards					Applicable Legislative Report		Finding Information
Agreement Title		As of December 12, 2025				Subcontract(s)[1]		Subawards		Number of Subcontracts and/or Subawards with Universities (See Observation 1)	Any Deliverables Included on MPHI's Website? (See Finding 4)	OAG Determination - all Required Deliverables Included? (See Finding 4)	This Agreement Included Exceptions Noted in Finding(s):
High-Level	Project-Level	Final Approved Budget	Total Amount Paid on FSRs	MDHHS's Project Description and Stated Purpose (See Finding 4)	Project Duration	Number	Dollar	Number	Dollar				
Community Violence Intervention Initiative - 2025	Community Violence Intervention Initiative - 2025[2]	$ 816,470	$ 743,760	To advance public health solutions to community violence. This funding will specifically advance community violence intervention strategies to enhance community safety in Michigan.	October 1, 2024 to September 30, 2026	6	$ 166,514		$	None	Not Applicable	Not Applicable	2a(1), 2a(2), 2a(3), 2b, 3a, 4a(1), and 4b(1)
Coronavirus Response Support Program - 2025	COVID-19 Immunization Support	494,427	451,623	To provide support to the MDHHS Division of Immunization in response to the Coronavirus Disease - 2019 (COVID-19) pandemic response.	October 1, 2024 to September 30, 2025					None	No	No	2a(2), 2(a)3, 4a(2), and 4b(2)
Master Agreement Program - 2024	Nursing Home Capacity Expansion	11,922,220	10,899,892	To support congregate care settings, including skilled nursing facilities, with capacity (ex. staffing) to prevent, mitigate and respond to COVID19 and other infectious agents in order to keep their residents and staff safe.	November 1, 2023 to May 10, 2024	1	206,768	106	11,114,100	None	No	No	1b, 2a(1), 2a(2), 2a(3), 2b, 4a(3), and 4b(2)
Master Agreement Program - 2025	Mental Health Emergency Preparedness Planning	1,200,000	419,317	To work with MDHHS and other stakeholders to develop a statewide mental health emergency preparedness plan.	October 1, 2024 to September 30, 2025	4	67,030	5	626,160	None	No	No	2a(1), 2a(2), 3a, 4a(3), and 4b(2)
Master Procurement Contract - 2024	Behavioral Health Database Design Support	1,300,000	329,899	To support the Department's development and implementation of a psychiatric bed registry and pertinent behavioral health databases to enhance access to Michigan's public behavioral health and developmental disabilities system.	October 1, 2023 to September 30, 2024	1	650,000			None	No	No	1b, 2a(1), 2a(2), 2a(3), and 4b(2)
Master Procurement Contract - 2024	Early On Childhood Support	66,745	54,828	To provide support for Early On services in Michigan.	October 1, 2023 to September 30, 2024	2	52,784			None	No	No	2a(2), 2a(3), 2b, 3a, 4a(2), and 4b(2)
Master Procurement Contract - 2024	Michigan Violent Death Reporting System	291,724	250,981	To provide data collection support for the Michigan Violent Death Reporting System.	October 1, 2023 to September 30, 2024	1	35,000			None	No	No	2a(2), 2a(3), 2b, 3a, and 4b(2)
Master Procurement Contract - 2024	MIKids Now Program Support	2,589,983	2,549,876	To support implementation and operation of a management framework for tracking and oversight of MIKids Now projects and related initiatives.	October 1, 2023 to September 30, 2024	4	2,415,923			None	Yes	No	1a, 1b, 2a(1), 2a(2), 2a(3), 2b, 3a, and 4b(2)
Master Procurement Contract - 2024	Opioids Settlement Website and Technical Assistance Program Support	1,234,322	691,487	To provide support to Michigan communities related to the National Opioids Settlement, including the development and maintenance of an opioid settlement website.	October 1, 2023 to September 30, 2024	3	1,092,760			3	No	No	1b, 2a(1), 2a(2), 2a(3), 2b, and 4b(2)
Master Procurement Contract - 2024	Per- and Polyfluoroalkyl Substances Environmental Health Support	8,798,300	7,144,780	To support the MDHHS Toxicology and Response Section evaluation of air, food, soil, and water samples to identify the existence of per- and polyfluoroalkyl substances and determine the existence of public health hazards.	October 1, 2023 to September 30, 2024	2	70,000			None	Yes	No	2a(1), 2a(2), 2a(3), 2b, and 4b(2)
Master Procurement Contract - 2024	Social Determinants of Health Program Support	1,390,102	1,241,284	To support the Department in planning, coordinating, aligning and implementing a social determinants of health strategy.	October 1, 2023 to September 30, 2024	6	186,843			None	Yes	No	1b, 2a(1), 2a(2), 2a(3), 2b, and 3a, 4b(2)
Master Procurement Contract - 2024	Strategic Support for MDHHS	4,975,654	2,086,835	To provide strategic support across a full portfolio, including MI Kids Now, by tracking progress, performance management, and facilitating communications and change management.	October 1, 2023 to September 30, 2024	3	4,743,235			None	No	No	2a(2), 2a(3), 4a(2), and 4b(2)
Master Procurement Contract - 2025	Action Level Exceedance Support	3,041,405	2,524,035	To support the Department's response to PFAS contamination of water.	October 1, 2024 to September 30, 2025					None	No	No	2a(1), 2a(2), 2a(3), 2b, and 4b(2)
Master Procurement Contract - 2025	Continuous Quality Improvement in Behavioral Health	450,000	222,882	To support continuing quality improvement in Department behavioral health work.	October 1, 2024 to September 30, 2025	1	250,000			None	No	No	2a(2), 4a(2), and 4b(2)
Master Procurement Contract - 2025	Healthy Homes Expansion Support	11,975,600	10,327,129	To provide support for expanded environmental investigation, lead abatement services and expanded nursing case management, with a focus on Benton Harbor residents.	October 1, 2024 to September 30, 2025	2	136,350			None	No	No	1b, 2a(1), 2a(2), 2a(3), 2b, and 4b(2)
Master Procurement Contract - 2025	Healthy Michigan Activities	11,891,564	11,500,564	To implement Healthy Michigan Activities.	October 1, 2024 to September 30, 2025	3	10,590,118			None	No	No	2a(2), 2a(3), 2b, 3a, 4a(2), and 4b(2)
Master Procurement Contract - 2025	Maternal and Child Health Block Grant Needs Assessment	160,000	155,791	To develop and implement a needs assessment, required for the federal Title V Maternal and Child Health Block Grant.	October 1, 2024 to September 30, 2025					None	No	No	2a(2), 2a(3), and 4b(2)
Master Procurement Contract - 2025	Public Health Infrastructure Grant A1	305,175	259,628	To support for evidence-based planning and growing partnerships statewide.	April 1, 2025 to September 30, 2025					None	No	No	2a(1), 2a(2), 2a(3), 2b, and 4b(2)
Master Procurement Contract - 2025	Strategic Support for MDHHS	16,350,055	14,946,231	To provide strategic support across a full portfolio, including MI Kids Now, by tracking progress, performance management, and facilitating communications and change management.	October 1, 2024 to September 30, 2025	3	15,586,325			None	Yes	No	1a, 1b, 2a(1), 2a(2), 2a(3), and 4b(2)
Nursing Home Infection Control - 2024	Nursing Home Infection Control - 2024[2]	9,812,007	5,513,859	To support structural and operational improvements to skilled nursing facilities to reduce the spread of infectious disease. These grants can be used to pay for all or a portion of the costs of infection control improvements.	May 1, 2024 to December 31, 2026			53	8,523,364	None	Not Applicable	Not Applicable	2a(1), 2a(2), 2a(3), 2b, 4a(1), and 4b(1)
		$ 89,065,753	$ 72,314,679			42	$36,249,650	164	$20,263,624	3			

[1] This includes subcontracts included in "Other Expenses" - see Finding 3.
[2] Not included in MDHHS's Legislative Reports - see Finding 4.

Source: The OAG created this exhibit using MDHHS provided EGrAMS data, information directly in EGrAMS, and MDHHS legislative reports.

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UTILIZATION AND OVERSIGHT OF SELECT
MICHIGAN PUBLIC HEALTH INSTITUTE SERVICES AND ACTIVITIES
Michigan Department of Health and Human Services

MDHHS and MPHI Total Agreement Amount by
Fiscal Year and Change From Prior Fiscal Year

For Agreements From Fiscal Years 2016 Through 2025

Fiscal Year	Total Agreement Amount	Change From Prior Year
2016	$ 83,088,432	N/A
2017	98,811,107	19%
2018	96,274,452	(3%)
2019	86,743,105	(10%)
2020	112,190,376	29%
2021	166,610,480	49%
2022	140,251,699	(16%)
2023	163,364,817	16%
2024	217,121,321	33%
2025	217,427,862	0%
Total	$ 1,381,883,651	

N/A = Not applicable.

Source: The OAG created this exhibit with MDHHS Legislative Reports for fiscal years 2016 through 2023, and MDHHS provided EGrAMS data for fiscal years 2024 and 2025.

AGENCY PRELIMINARY RESPONSE

UTILIZATION AND OVERSIGHT OF SELECT
MICHIGAN PUBLIC HEALTH INSTITUTE SERVICES AND ACTIVITIES
Michigan Department of Health and Human Services

Finding 1 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains MDHHS's preliminary response to Finding 1 and our auditor's comments providing further clarification and context where necessary.

Overall Auditor's Comment

MDHHS disagrees with the Finding and its response does not substantively address the:

- Weaknesses noted in our Finding and the related improvements needed in its awarding practices for MPHI agreements with subcontracted services.
- The recommendation to seek legislative clarification regarding its contracts with MPHI for consulting services to ensure it is in full compliance with and meeting the intent of applicable State laws.

Finding 1: Improvements needed in MDHHS's awarding of agreements to MPHI.

MDHHS provided us with the following response:

AGENCY PRELIMINARY RESPONSE	AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE
MDHHS disagrees with the conclusion that the agreements awarded to MPHI were inconsistent with statutory authority. MDHHS relied on its explicit authority under MCL 333.2611 and the annual appropriations act boilerplate, which authorizes the department to contract with MPHI for demonstration projects designed to improve the delivery, efficiency, and effectiveness of the health and welfare programs that positively impact the health and wellbeing of children and families. Demonstration projects, by their nature, often require strategic planning, systems analysis, operational redesign, and technology-supported process improvements to test new approaches before broader implementation. The cited agreements are for demonstration projects that were executed under MDHHS's statutory authority to partner with MPHI, they were not subject to the state procurement policy applicable to traditional vendor consulting contracts. Although the demonstration project objectives within the statement of work references Information Technology (IT) methodologies and practices, the subcontractor is not engaged to build, modify or configure any systems or software applications. The primary purpose of the demonstration project is to enhance operational efficiency through standardized frameworks and process improvements and review IT methodologies and not to procure, develop, or maintain MDHHS information technology services. In addition, because the project does not involve IT functions that interface with other government or vendor systems, it is not subject to state procurement requirements that apply to traditional IT contracts.	We do not dispute statute permits MDHHS to establish agreements with MPHI for *health services demonstrations*: however, the statute does not define demonstration projects and/or their purpose. As described in part a. of the finding, MDHHS awarded agreements to MPHI with work plans describing generalized and broad strategic management support and IT efforts not indicative of those confined to health services research, demonstration projects, and statistical activities. The agreements also did not indicate the activities described in the work plans were for demonstration projects. MDHHS informed us it developed this description of demonstration projects in the absence of statutory definition (See Observation 1). This detail regarding MDHHS's agreements with MPHI cited in part a. of the Finding, does not address the issue that these agreements are not restricted to the core health services and activities delineated in *MCL* Section 333.2611. The Finding included several examples of activities within the agreements not confined to those prescribed in the MCL. As summarized in the finding, the following are examples of activities described within the agreements without clear alignment with *MCL* Section 333.2611: 1. Providing strategic support to the integrated delivery engine for the "rebuild" of MDHHS, including: • Facilitating initial problem-solving sessions and coaching MDHHS staff on how to independently continue advancing a solution.

- Providing ad-hoc support to resolve roadblocks and pressure test deliverables across full portfolio of initiatives.
- Supporting disciplined implementation of performance management processes (e.g., reporting on key performance indicators, candid and proactive assessment of risks and interdependencies).
- Embedding change management best practices (e.g., role modeling, capability building) into initiatives.

2. Supporting the diagnostic and design phase of the initiative to re-design the front-line teaming model for children's services, including:
   - Assessing current state performance across state / local offices and opportunities through analysis of internal MDHHS data, materials, and interviews.
   - Synthesizing problem statement and pain points to be addressed, including potential metrics by which to measure improvement or success.
   - Developing potential design options / initiative blueprints for MDHHS leadership to consider and prioritize.
   - Developing analyses to support selection and prioritization of teaming model changes.
   - Facilitating end-to-end solution design process with MDHHS stakeholders (e.g., workshops, 1:1 interviews with senior leaders).

MDHHS also disagrees with the conclusion that subcontract documentation deficiencies represent a material condition.

Materiality is based on the auditor's judgment and evaluation of test results, and we clearly indicate within our finding the reasons why we conclude a material condition exists.

MDHHS procedures expressly allow the use of placeholder documents in EGrAMS when subcontractors have not yet been identified at the time of the initial agreement, and the finding acknowledges this practice. In the cited cases, the absence of certain documents in EGrAMS reflects the timing of uploads rather than a lack of required information; subcontractor statements of work and related materials are routinely obtained during the normal lifecycle of project management, budget revisions, and reimbursement review. The sample size underlying the finding represents less than one percent of all MPHI project-level agreements, and no evidence was identified of improper payments, unsupported costs, or misuse of subcontractor funds. However, MDHHS Financial Operations will continue to communicate and train program managers to obtain the applicable statement-of-work details to support initial and/or amended agreements, strengthen oversight of subcontracts, and ensure reimbursement requests are

MDHHS asserts it will implement processes to ensure its awarding documentation is strengthened, while simultaneously contending the related exceptions were the result of timing errors. However, the documentation was not present at the time of our review in 2026 to support MDHHS's fiscal year 2024 and/or 2025 awards. As noted in the Finding, the absence of this information limited MDHHS's ability to monitor the propriety of MPHI's payment requests (see Finding 2). Also, without supporting documentation for all FSR line items and/or work plans to support the status of work performed, neither MDHHS nor our auditors could substantiate the appropriateness of the approved payments to MPHI (see Finding 2). In addition, we noted MDHHS approved budgets of $1.8 million for MPHI indirect costs using a higher indirect cost rate than

appropriate, while also using this feedback to identify opportunities for further process improvement.

permitted in its agreement for some subcontracted costs (see Finding 3).

Sample sizes are based on the auditor's judgment to achieve the audit objectives and our sample results identified a significant exception rate.

MDHHS's response does not provide sufficient information to warrant a change in our recommendations. Therefore, our Finding and recommendations stand as written.

Go Back to Finding 1

Go to Finding 2

Finding 2 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains MDHHS's preliminary response to Finding 2 and our auditor's comments providing further clarification and context where necessary.

Overall Auditor's Comment

MDHHS indicates it partially disagrees with the Finding and, therefore, does not address the weaknesses noted related to its reliance on MPHI staff and/or MDHHS staff who previously worked for MPHI to review and approve payments to MPHI.

Finding 2: Improvement needed in MDHHS's monitoring of MPHI agreement reimbursements and work progress.

MDHHS provided us with the following response:

AGENCY PRELIMINARY RESPONSE	AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE
MDHHS partially agrees with the recommendation. *MDHHS agrees that there are opportunities to strengthen documentation and enhance consistency in monitoring MPHI reimbursements. However, MDHHS does not agree with the conclusion to restrict MPHI affiliates or former MPHI employees from approving FSRs and workplans. MPHI affiliate project managers frequently serve as project-level subject matter experts and are contractually responsible for day-to-day oversight of project activities, including the review of progress and expenditures. These responsibilities are part of the services procured from MPHI, and they represent routine project management functions. MDHHS program managers actively monitor these activities to ensure proper oversight and alignment with program expectations. In addition, MDHHS approval of all budgets and budget amendments, combined with system controls that prevent payments from exceeding approved budgeted amounts, provides strong safeguards against improper payments. No improper payments were identified during the audit.* *MDHHS Financial Operations will develop additional guidance for MDHHS program areas to support consistent, risk-based monitoring of grantees and contractors. This guidance will include expectations for reviewing all available subcontract and subgrantee detail prior to approving budgets, as well as monitoring activities throughout the lifecycle of each project to ensure that necessary budget updates are completed through amendments. In addition, MDHHS Financial Operations will provide program areas with best practices for review of reports, including coordinated approval of FSRs and workplans, to promote consistency in service delivery and reimbursement requests.*	As noted in the Finding, secondary approvals by MDHHS were not required for payments to MPHI authorized by: • MPHI's own staff, including MPHI staff working on a project for which they were approving payments to MPHI. • MDHHS staff who previously worked for MPHI. Although MDHHS contends its program managers actively monitored these activities, it often could not provide documentation to evidence program managers' monitoring efforts for the project-level agreements we reviewed that were approved by MPHI affiliates. Also, while we agree MDHHS had an EGrAMS control in place to ensure amounts requested for reimbursement did not exceed approved budgeted amounts, this control alone does not comprehensively address the risk of improper payments to MPHI that were approved by potentially biased individuals. In addition, as noted in the finding, these reimbursement approvals occurred in the absence of underlying supporting documentation for FSRs and/or insufficient work plans, which also significantly diminished MDHHS program manager's ability to ensure proper oversight and alignment of project activities with expectations. Further, without supporting documentation for all FSR line items, neither MDHHS nor our auditors could substantiate the appropriateness of the approved payments to MPHI. MDHHS's response provides no additional information to warrant a change in our recommendation. Therefore, our Finding and recommendation stand as written.

Go Back to Finding 2

Go to Finding 3

Finding 3 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains MDHHS's preliminary response to Finding 3 and our auditor's comments providing further clarification and context where necessary.

Overall Auditor's Comment

MDHHS indicates it disagrees with the Finding and, therefore, does not address the weaknesses noted in its oversight of MPHI's application of approved indirect cost rates and/or needed adjustments for previously reimbursed indirect costs when provisional and final rates differ.

Finding 3: Improvements needed in oversight of MPHI indirect costs.

MDHHS provided us with the following response:

AGENCY PRELIMINARY RESPONSE	AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE
MDHHS disagrees with the finding based on the classification of the agreements and the distinction between contractor and grantee relationships. MDHHS maintains both contracts and grants with MPHI. Although both are managed through the EGrAMS system for efficiency and documentation consistency, they are governed by different federal requirements depending on the classification type. *The costs cited by the OAG are primarily associated with procurement contracts with 96% of the costs identified in part a. and 97% in part b. relate to procurement contracts, not grant agreements. Under a procurement contract, the contractor is permitted to use a federally approved indirect cost rate. MPHI has a federally approved indirect rate and applies it consistently across both contracts and grants*	MDHHS's disagreement is contrary to the State of Michigan Financial Management Guide requirements which indicate ***for all agreement types*** MDHHS must: • Establish indirect cost provisions, regardless of funding source. • Conduct regular contract monitoring. • Recover overpayments related to prior year's costs. As noted in the Finding, MDHHS did not always ensure MPHI's submitted and approved indirect cost rates were appropriate and/or evaluate whether adjustments were needed.
For procurement contracts, MPHI performs defined deliverables on behalf of the department, consistent with a contractor relationship. The federal requirements mandating the use of federally approved indirect costs rates apply to grants, not to procurement contracts. MDHHS retains discretion to negotiate and structure costs, including indirect costs, within procurement contracts. Although MDHHS allows contractors the option to use a federally approved indirect rate, its use is not mandatory and federal rules requiring mandatory application of such rates for grants do not apply to procurement contracts. The contract terms also do not obligate MPHI to retroactively adjust or bill indirect costs based on federal indirect rates that were not in place at the time the contract was executed.	While it is accurate that MDHHS did not contractually obligate MPHI to adjust its indirect costs and/or billings, MDHHS retained its responsibility to monitor MPHI's billed costs and recover any applicable overpayments.
Consistent with procurement standards, MDHHS ensures that indirect costs are incorporated into the negotiated contract budget. This approach enhances transparency, establishes clear cost expectations at the time of execution, and aligns with procurement principles focused on negotiated pricing rather than federal grant rate compliance. Incorporating indirect costs into the contract budget reinforces fiscal oversight without altering	We agree that incorporating indirect costs into contract budgets contributes to fiscal oversight; however, monitoring the application of approved rates for reimbursements and evaluating the need for adjustments are also needed for sound fiscal oversight.

the procurement nature of the agreement or creating federal indirect rate obligations that do not apply to procurement contracts.

MDHHS's response provides no additional information to warrant a change in our recommendation. Therefore, our Finding and recommendation stand as written.

Go Back to Finding 3

Go to Finding 4

DESCRIPTION

In July 1990, MDHHS formed MPHI as a nonprofit corporation, pursuant to section 2611 of the Public Health Code (Section 333.2611 of the *Michigan Compiled Laws*, as amended).

State law permits MDHHS to utilize annual agreements with MPHI to coordinate health services research, evaluation, and demonstration and health statistical activities undertaken or supported by the department. MDHHS monitors its project-level agreements with MPHI through review and approval of project budgets, monthly FSRs, and quarterly work plans. MDHHS reports MPHI project information to the Legislature through two required semiannual reports.

MDHHS awarded MPHI over 850 project-level agreements for fiscal years 2024 and 2025 totaling $435 million (see Exhibit 1). MDHHS's BGP and multiple program areas within the department administer these agreements, in conjunction with approximately 750 MPHI affiliate staff who were reporting to MDHHS supervisors as of October 2025.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records of and processes for MDHHS's utilization and oversight of select MPHI services and activities. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives and corresponding audit procedures were directed toward concluding on MDHHS's efforts to award, monitor, and provide reports related to its agreements with MPHI. Our objectives and procedures were not directed toward concluding on:

- MPHI agreements with State departments other than MDHHS.
- MPHI's underlying records supporting the information submitted to MDHHS for its awarding, monitoring, and reporting on the agreements.

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

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2023 through September 30, 2025.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MDHHS's usage and oversight processes related to MPHI.

During our preliminary survey, we:

- Interviewed MDHHS management and staff responsible for awarding and monitoring MPHI agreements to gain an understanding of their roles and responsibilities.
- Reviewed applicable laws, policies, procedures, training materials, agreements, and other relevant information pertaining to MDHHS's utilization and monitoring of MPHI.

** See glossary at end of report for definition.*

- Conducted a walkthrough of MDHHS's high-level and project-level agreements with MPHI recorded in EGrAMS, to gain an understanding of the awarding and monitoring process and the available EGrAMS data related to the submission and approval of budgets, FSRs, and work plans.

- Interviewed MPHI executive staff to gain an understanding of select processes and procedures related to MPHI's agreements with MDHHS.

- Analyzed select EGrAMS data related to MDHHS's agreements with MPHI for October 1, 2022 through September 30, 2025 to gain an understanding of the number of agreements, total budgeted amounts approved, and total reimbursements made to MPHI.

- Analyzed MDHHS expenditure data related to MPHI reimbursements for fiscal years 2023 through 2025 and compared it with EGrAMS FSR to determine the reasonableness of total expenditure amounts submitted in FSRs.

- Reviewed MDHHS's required legislative reports to gain an understanding of MDHHS's reporting process related to its utilization of MPHI.

- Performed preliminary testing of selected MDHHS agreement's with MPHI to determine whether MDHHS's applicable awarding, monitoring, and reporting activities complied with select State laws, policies, and procedures.

OBJECTIVE 1

To assess the sufficiency of MDHHS's efforts to ensure it awards MPHI contracts and grants in compliance with applicable State laws and policies.

To accomplish this objective, we:

- Evaluated MDHHS's process to award contracts and grants (agreements) to MPHI. We randomly and judgmentally selected 20 of MDHHS's 857 agreements with MPHI for October 1, 2023 through September 30, 2025 to assess its compliance with applicable State laws and guidance. For the 20 selected agreements, we:

    - Reviewed EGrAMS data to verify MDHHS completed its required approvals of the initial project-level agreements and any related amendments.

    - Verified MDHHS maintained documentation to support the need for establishing and/or

reestablishing the project-level agreements awarded to MPHI.

  - Reviewed documents maintained in EGrAMS for 11 of the 20 selected agreements with planned subcontractor costs exceeding $50,000 in the project's final budget to determine whether:

    - MDHHS ensured the subcontract and/or applicable statement of work was attached in EGrAMS.

    - The final budgeted amount was supported by the subcontract attached in EGrAMS.

    - MDHHS was involved in the selection of MPHI's subcontractor(s).

  - Verified MDHHS ensured subawards and/or applicable statement of work supporting the project's final budget were attached in EGrAMS for 3 of 20 selected agreements with planned subawards exceeding $50,000 in the final budget.

  - Determined whether MDHHS requested approvals from DTMB for 2 of the 20 selected agreements strictly limited to the provision of consulting and/or IT-related services through MPHI subcontractors.

- Reviewed the 9 high-level agreements MDHHS established with MPHI for October 1, 2023 through September 30, 2025 to determine whether MDHHS obtained the required State Administrative Board approvals, as applicable.

- Randomly and judgmentally selected 49 of the 1,352 MPHI affiliate and non-affiliate staff identified on fiscal years 2024 and 2025 final budgets for the 804 project-level agreements with staff salaries and wages to assess the reasonableness of pay rates relative to similar Michigan Civil Service approved position descriptions.

- Analyzed EGrAMS data to determine whether MDHHS annually reawarded* project-level agreements and identified 301 projects potentially recurring annually for fiscal years 2023 through 2025. We randomly and judgmentally selected 10 of these 301 projects to evaluate whether the scope of services remained repetitive for each yearly award and reviewed MPHI legislative reports from fiscal years 2016 through 2022 to determine the initial year of award for each selected project.

* *See glossary at end of report for definition.*

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

OBJECTIVE 2

To assess the sufficiency of MDHHS's efforts to monitor MPHI contracts and grants.

To accomplish this objective, we:

- Evaluated MDHHS's process to monitor contracts and grants (agreements) with MPHI. We randomly and judgmentally selected 20 of MDHHS's 857 agreements with MPHI for October 1, 2023 through September 30, 2025 to assess the sufficiency of MDHHS's monitoring processes. For this sample of 20 agreements we:
    - Analyzed the 232 FSRs resulting in reimbursements to MPHI to determine whether they aligned with approved budgets, were submitted in a timely manner by MPHI, and appropriately approved by MDHHS. We also randomly and judgmentally selected 44 of the 232 FSRs to determine the level of supporting documentation utilized by MDHHS when reviewing and approving the FSR.
    - Reviewed the 77 associated work plans to determine the timeliness and completeness of the progress report MPHI submitted and assessed the propriety of the work plan approval.
    - Assessed the alignment of the agreement's purpose and statement of work with *MCL* Section 333.2611 of the Public Health Code.
    - Evaluated MDHHS's process to review applicable deliverables information included on MPHI's website for the project-level agreement.
- Analyzed EGrAMS data for the 9,977 monthly and final FSRs, 3,240 work plans, and the final budgets for MDHHS's 857 agreements with MPHI for October 1, 2023 through September 30, 2025. We:
    - Reviewed approvals from all 211 staff who approved the 9,977 FSRs and/or 3,188 work plans to determine appropriateness of approvals.
    - Evaluated the timeliness of the submission and approval of the FSRs and work plans.

- Assessed the status of the work plan submissions to determine whether they were submitted and/or approved prior to approval of the related quarter-end FSR's.

- Analyzed budget data to determine whether the final budgets included sufficient detail for select budget line items.

- Determined whether approved budgets applied the appropriate federally approved indirect cost rates and MDHHS evaluated the need for adjustments of previously reimbursed costs when the federally approved provisional indirect cost rates became finalized.

- Randomly and judgmentally selected 12 of 211 staff who approved FSR and work plans in EGrAMS for fiscal years 2024 and 2025 to ensure MDHHS had retained and assessed conflict of interest disclosures.

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

OBJECTIVE 3

To assess the sufficiency of MDHHS's efforts to provide the Legislature with MPHI projects and deliverables information in accordance with State law requirements.

To accomplish this objective, we:

- Evaluated the timeliness of MDHHS's submission of the two required semiannual MPHI legislative reports for fiscal years 2024 and 2025.

- Randomly and judgmentally selected 20 of MDHHS's 857 agreements with MPHI for October 1, 2023 through September 30, 2025 to assess the completeness and accuracy of required report information MDHHS provided to the Legislature, including:

    - A detailed project description, financing sources, detailed spending plans including a list of all applicable MPHI subgrantees for each MPHI project funded, and other information.

    - Copies of all reports, studies, and publications produced by MPHI, its subcontractors, or the department with MDHHS's funds appropriated in the previous fiscal year and allocated to MPHI. This included reviewing MPHI's website to

determine the information referred to in the submitted legislative report.

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

CONCLUSIONS

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

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 4 findings and 6 corresponding recommendations. MDHHS's preliminary response indicates it disagrees with 3 recommendations and partially agrees with 3 recommendations.

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

SUPPLEMENTAL INFORMATION

Our audit report includes supplemental information presented as Exhibits 1 through 4. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

affiliate staff	MPHI employee whose work is supervised by an MDHHS employee, who is not housed at MPHI's work location, and whose work location is designated by MDHHS.
agreement	An arrangement, often formal and written, between two or more groups of people. For purposes of this report, we used agreement for both contracts or grants, whether high-level or project-level, between MDHHS and MPHI.
auditor's comments to agency preliminary response	Comments the OAG includes in an audit report to comply with *Government Auditing Standards*. Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
BGP	Bureau of Grants and Purchasing.
COVID-19	The disease caused by a new coronavirus called SARS-CoV-2. The World Health Organization first learned of the new virus in December 2019.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
efficient	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
EGrAMS	Electronic Grants Administration and Management System.
FSR	financial status report.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.

IT	information technology.
material condition	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MCL	*Michigan Compiled Laws.*
MDHHS	Michigan Department of Health and Human Services.
Michigan Public Health Institute (MPHI)	A nonprofit established by MDHHS pursuant to Section 2611 of the Public Health Code.
observation	A commentary highlighting certain details or events which may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) presented in an audit finding.
OIAS	Office of Internal Audit Services.
performance audit	An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
reaward	To award again.
reportable condition	A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
SBO	State Budget Office.

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