Office of the Auditor General

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

Obtain Audit Reports

Online: audgen.michigan.gov

Phone: (517) 334-8050

Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General