

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

**Medicaid Non-Emergency Medical
Transportation Services**

Michigan Department of Health and Human Services

October 2026

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Report Summary

Follow-Up Report

Medicaid Non-Emergency Medical Transportation (NEMT) Services

Michigan Department of Health and Human Services (MDHHS)

Report Number:
391-0715-20F

Released:
October 2026

We conducted this follow-up to determine whether MDHHS had taken appropriate corrective measures in response to the two material conditions noted in our March 2022 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
Finding 1 - Material condition Improved controls needed over transportation provider eligibility verification. Agency agreed.	Partially complied	<u>Reportable condition</u> exists. See <u>Finding 1</u> .	Agrees
Finding 2 - Material condition Monitoring of broker contract needs improvement. Agency agreed.	Partially complied	Reportable condition exists. See <u>Finding 2</u> .	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

October 13, 2026

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

Acting Director Epkey:

This is our follow-up report on the two material conditions (Findings 1 and 2) and two corresponding recommendations reported in the performance audit of [Medicaid Non-Emergency Medical Transportation Services](#), Michigan Department of Health and Human Services. That audit report was issued and distributed in March 2022.

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

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the two material conditions* (Findings 1 and 2) and two corresponding recommendations reported in our performance audit* on Medicaid Non-Emergency Medical Transportation Services (NEMT), Michigan Department of Health and Human Services (MDHHS), issued in March 2022.

PURPOSE OF FOLLOW-UP

To determine whether MDHHS had taken appropriate corrective measures to address our corresponding recommendations.

DESCRIPTION

Title XIX of the Social Security Act establishes the Medicaid program, and Title 42, Part 431, section 53 of the *Code of Federal Regulations* requires MDHHS to ensure necessary transportation is provided for Medicaid beneficiaries to and from covered services including medical, dental, vision, mental health, and substance abuse appointments.

To qualify for NEMT services, an individual must be an active Medicaid beneficiary*; obtain, when necessary, a certification of medical need from a Medicaid-enrolled medical professional (e.g., physician); and have no other means of transportation available. Eligible beneficiaries with access to a vehicle, and who can drive themselves, are eligible to receive mileage reimbursement. MDHHS coordinates transportation for eligible beneficiaries through its contracted transportation broker* (ModivCare Solutions), contracted Medicaid Health Plans (MHPs), and its local offices.

NEMT expenditures totaled \$160.5 million (\$55.9 million General Fund/general purpose) for the period October 1, 2024 through March 31, 2026, including \$4.5 million, \$135.2 million, and \$20.8 million paid for services provided by the broker, MHPs, and local offices, respectively.

* See glossary at end of report for definition.

PRIOR AUDIT FINDINGS AND RECOMMENDATIONS; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSIONS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

FINDING 1

Audit Finding Classification: Material condition.

Summary of the March 2022 Finding:

MDHHS did not ensure the transportation providers met eligibility requirements, potentially exposing beneficiaries to unnecessary health and safety risks and subjecting MDHHS to sanctions or disallowances by the federal grantor agency for noncompliance.

Our review of documentation for claims or payments for which the drivers were not the beneficiaries or the beneficiaries' family member noted MDHHS did not ensure:

- a. The broker verified or maintained documentation supporting provider eligibility. Specifically, for the 144 unique drivers we reviewed, the broker could not provide documentation it verified driver's licenses for 6.3% of drivers, vehicle registrations for 12.5% of drivers, and motor vehicle insurance for 33.3% of drivers; nor could it provide documentation it conducted criminal history background checks for 8.3% of drivers, and sex offender registry checks for 9.0% of drivers.
- b. MHPs verified or maintained documentation supporting provider eligibility. Specifically, for the 139 unique drivers we reviewed, the MHPs could not provide documentation they verified driver's licenses for 30.2% of drivers, vehicle registrations for 33.8% of drivers, and motor vehicle insurance for 24.5% of drivers; nor could they provide documentation they conducted criminal history background checks for 25.2% of drivers, and sex offender registry checks for 28.1% of drivers.
- c. Its local offices verified or maintained documentation supporting provider eligibility. Specifically, for the 57 unique drivers we reviewed, the local offices could not provide documentation they verified driver's licenses for 29.8% of drivers, vehicle registrations for 100% of drivers, and motor vehicle insurance for 24.6% of drivers; nor could they provide documentation they conducted criminal history background checks for 12.3% of drivers, and sex offender registry checks for 12.3% of drivers.

Recommendation Reported in March 2022:

We recommended MDHHS ensure its various NEMT coordinators maintain all required transportation provider eligibility documentation.

AGENCY PLAN TO COMPLY*

On October 27, 2022, MDHHS indicated it complied with the recommendation. Specifically, MDHHS stated it:

- Continued to require the NEMT broker to maintain documentation to support provider eligibility and required most transportation provider drivers to continue to enroll in the Community Health Automated Medicaid Processing System (CHAMPS) to allow for certain data checks to be performed.
- Continued to require MHPs to have written credentialing and recredentialing policies and procedures in place to ensure providers are qualified to perform services.
- Continued to require transportation provider drivers and volunteer drivers for the local offices to enroll in CHAMPS to allow for certain data checks to be performed.
- Implemented a process for monthly random sampling of NEMT records in October 2022 to review documentation requirements to ensure completion and accuracy of record keeping and require corrective action when deficiencies are identified.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition* exists.

We verified MDHHS continued to require NEMT brokers to maintain documentation and drivers to enroll in CHAMPS, MHPs to have written credentialing and recredentialing policies and procedures, and transportation provider drivers and volunteer drivers for local offices to enroll in CHAMPS.

Specifically, our follow-up noted MDHHS:

- a. Partially complied.

MDHHS began implementing a monthly random sample review of NEMT broker records in October 2022 to ensure the broker verified and maintained documentation supporting provider eligibility; however, MDHHS stated because of a lack of staffing it did not consistently complete the reviews until November 2025, continuing through the end of our review.

We reviewed documentation for three of MDHHS's monthly reviews and noted MDHHS appropriately sent a summary letter to the broker outlining deficiencies it noted in each of the three reviews regarding expired CHAMPS enrollment. While MDHHS obtained documentation from the broker demonstrating all identified CHAMPS enrollment issues were corrected, MDHHS did not

* See glossary at end of report for definition.

document corrective actions taken or consistently require the broker complete a formal corrective action plan to ensure similar issues did not continue to occur.

b. Complied.

MDHHS clarified its requirements for MHP's NEMT monitoring in fiscal year 2025 to include a review of driver qualifications. MDHHS also began reviewing MHP's driver qualification policies and procedures as part of its fiscal year 2025 contract monitoring compliance review process to ensure they included requirements to verify and maintain documentation supporting provider eligibility. We noted MDHHS's compliance review checklists for fiscal year 2025 and 2026 indicated all nine MHPs met the policy and procedure requirements and MHPs completed the required NEMT monitoring documentation and annual evaluation report. We also reviewed the supporting documentation for three MHPs and noted all three submitted the required driver qualification policies and procedures and provided their NEMT monitoring documentation and annual evaluation report, which included a review of driver qualifications for fiscal years 2025 and 2026.

c. Partially complied.

MDHHS informed us it developed a quarterly NEMT random record review process in January 2024, in which it selects local offices on a rotating basis to ensure local offices verified and maintained documentation supporting provider eligibility. We reviewed documentation for MDHHS's quarterly reviews completed between October 1, 2024 and March 31, 2026 and noted:

- 26 (33%) of the 80 local offices did not complete any reviews during fiscal year 2025, although its procedure required each local office to be selected at least once per year.
- For the local offices who did complete one or more reviews, MDHHS only required review of one beneficiary record.
- MDHHS's procedure did not require an overall analysis of Statewide results or development of corrective actions for identified issues to ensure similar issues did not continue to occur.

**FOLLOW-UP
RECOMMENDATION**

We again recommend MDHHS ensure its various NEMT coordinators maintain all required transportation provider eligibility documentation.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees with the finding. MDHHS continually seeks opportunities to strengthen program operations and improve oversight of NEMT eligibility verification.

For part a., MDHHS will continue to consistently conduct monthly reviews of NEMT broker records to ensure the broker verified and maintained documentation supporting provider eligibility. Each review will include documentation of all issues identified, the corrective actions taken by the broker and MDHHS, and verification that all issues were resolved. MDHHS will also issue a formal corrective action plan when warranted, including when repeat issues are identified, to ensure remediation of deficiencies.

MDHHS will clearly distinguish between formal vendor corrective action plans and routine corrective actions that are communicated through regular meetings, email, and phone conversations. Strengthening documentation and oversight of both routine and formal corrective actions will ensure improved compliance with NEMT provider eligibility requirements and prevent lapses in CHAMPS enrollment.

For part c., MDHHS will increase the required sample size for local office reviews to ensure a more comprehensive assessment of compliance with documentation requirements. Also, MDHHS will adopt a new review format using Microsoft Forms, allowing real-time monitoring of completion status and improved reporting on the accuracy and completeness of reviews. In addition, MDHHS will develop a user guide to serve as a training tool for staff, supporting consistent application of the updated review process across all local offices. These actions are intended to enhance consistency, strengthen documentation practices, and improve overall program integrity.

FINDING 2

Audit Finding Classification: Material condition.

Summary of the March 2022 Finding:

MDHHS needs to better monitor its broker contract. Our review of the NEMT contract, complaints received by MDHHS, and two MDHHS on-site compliance reviews noted MDHHS did not:

- a. Ensure the broker maintained documentation to support encounter claims*.
- b. Follow up on the deficiencies identified in its two compliance reviews regarding pick-up and on-time performance and medical needs forms.
- c. Review the on-time performance for appointments requirement during the 2019 compliance review even though it identified deficiencies during the 2018 compliance review.
- d. Verify the accuracy of the call center abandonment rates self-reported by the broker to ensure the abandonment rate remained below 10% for 95% of the time.
- e. Ensure the broker appropriately addressed beneficiary complaints. Our review of the 427 complaints MDHHS received through its beneficiary hotline and transferred to the broker noted the broker's complaint database did not include 156 complaints, and MDHHS did not monitor the broker's response to the remaining 271 complaints to ensure they were resolved appropriately.
- f. Assess any penalties against the broker during the audit period.
- g. Evaluate the cost-effectiveness* of the rate structure utilized to pay the broker.

Recommendation Reported in March 2022:

We recommended that MDHHS better monitor its broker contract.

AGENCY PLAN TO COMPLY

On October 27, 2022, MDHHS indicated it complied with the recommendation. Specifically, MDHHS stated it:

- Enhanced encounter data quality checks for encounters submitted by the broker and enhanced its monitoring and follow up of its NEMT services contract.
- Implemented a formal vendor corrective action plan to address on-time performance and medical needs form deficiencies.

* See glossary at end of report for definition.

- Would follow Department of Technology, Management, and Budget parameters for defining service level agreement assessments/penalties, as necessary, in the future.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition exists.

We verified MDHHS enhanced its encounter data quality checks for encounters submitted by the broker and its monitoring and follow up of its NEMT services contract. We also verified MDHHS implemented a formal vendor corrective action plan.

Specifically, our follow-up noted MDHHS:

- Partially complied.

MDHHS began implementing a monthly random sample of NEMT broker records in October 2022 to ensure the broker maintained documentation to support submitted encounter claims; however, we noted MDHHS did not require the broker complete a formal corrective action plan for identified deficiencies (see Finding 1 follow-up conclusion, part a. for more details).

- Not applicable.

MDHHS no longer completes compliance reviews for its NEMT broker and instead it performs a monthly random sample review of NEMT broker records.

- Not applicable.

MDHHS no longer completes compliance reviews for its NEMT broker and instead it performs a monthly random sample review of NEMT broker records.

- Did not comply.

MDHHS informed us it did not implement any new policies, procedures, or other measures to verify the accuracy of the call center abandonment rates self-reported by the broker.

- Complied.

MDHHS began fully utilizing its complaint tracking log in April 2026 to help ensure the broker appropriately addressed beneficiary complaints. We reviewed MDHHS's complaint log from January 2026 through July 2026 and noted it contained information such as complaint number, date the complaint was sent to the broker, and the date MDHHS received the resolution from the broker.

f. Did not comply.

MDHHS identified reoccurring issues in each of its monthly random samples of NEMT broker record reviews completed during the period from November 2025 through May 2026; however, we noted MDHHS did not assess penalties against the broker as outlined in the contract.

g. Complied.

MDHHS completed a cost-effectiveness review of the rate structure utilized to pay the broker in January 2025 and updated the contract accordingly.

**FOLLOW-UP
RECOMMENDATION**

We again recommend MDHHS better monitor its broker contract.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees with the finding. MDHHS will continue to identify opportunities to improve oversight over NEMT broker performance and eligibility verification.

For part a., MDHHS will continue to conduct monthly reviews of NEMT broker records, including encounter claims, and to ensure the broker verified and maintained documentation supporting provider eligibility. MDHHS will also issue a formal corrective action plan when warranted, including when repeat issues are identified, to ensure remediation of deficiencies.

MDHHS will clearly distinguish between formal vendor corrective action plans and routine corrective actions that are communicated through regular meetings, email, and phone conversations. Strengthening documentation and oversight of both routine and formal corrective actions will improve monitoring of the broker contract and ensure compliance with NEMT provider eligibility requirements.

For part d., MDHHS will establish and implement procedures to verify call center abandonment rates. To support this effort, MDHHS has worked with the broker to obtain phone system data that will allow MDHHS to perform a monthly audit of random dates, using call center data from the month prior to the audit month. This process will strengthen oversight of call center performance measures and ensure alignment with contractual requirements.

For part f., MDHHS will continue to monitor broker performance and evaluate whether credits are warranted due to lack of adequate progress towards contract compliance. The broker has demonstrated appropriate responsiveness and progressive improvement toward compliance upon notification of corrective actions needed. MDHHS determined that assessment of credits

was not warranted during the audit period because the broker consistently took corrective steps and showed measurable progress toward resolution.

FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES

METHODOLOGY

We reviewed MDHHS's corrective action plan and applicable laws, regulations, sections of MDHHS's Medicaid State Plan and provider manual, policies and procedures, and contracts between MDHHS and its broker and select MHPs. We also interviewed applicable MDHHS management and staff and reviewed relevant documentation and data related to the administration of NEMT services. Specifically, for:

- Finding 1, we:
 - Reviewed MDHHS's procedure for conducting its monthly random sample review of NEMT broker records to gain an understanding of their process.
 - Randomly selected 3 of 12 monthly random samples of NEMT broker records for dates of service, from January 2025 through December 2025, which were completed by MDHHS from November 2025 through May 2026, to determine whether MDHHS monitored the brokers maintenance of documentation supporting NEMT provider eligibility and sent summary deficiency letters, when applicable.
 - Reviewed MDHHS's contract monitoring compliance review process, including the contract monitoring plan specific to NEMT services, and its completed compliance review checklist summaries for all nine MHPs for fiscal years 2025 and 2026 to determine if the MHPs were found to have met established contract requirements.
 - Randomly and judgmentally sampled 3 of 9 MHPs, which were contracted to provide NEMT services at any point from October 1, 2024 through March 31, 2026, to verify MDHHS received the MHP's NEMT driver qualification policies and procedures, and the MHPs completed NEMT monitoring documentation and required annual evaluation report as part of MDHHS's annual contract monitoring compliance review process.
 - Evaluated MDHHS's procedure for completing quarterly random samples of local offices' NEMT beneficiary records which are used to confirm local offices verified and maintained documentation to support provider eligibility.
 - Reviewed documentation for all of MDHHS's quarterly reviews completed between October 1, 2024 and March 31, 2026 to determine if MDHHS

ensured each of its local offices reviewed one or more NEMT beneficiary records at least once per year, as required by its procedures.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations. Our judgmental sample was selected to gain an understanding of the process, and we could not project those results to the respective population.

- Finding 2, we:
 - Reviewed MDHHS's encounter data quality checks for encounters submitted by the broker and the formal vendor corrective action plan MDHHS implemented with the broker.
 - Reviewed MDHHS's procedure for conducting its monthly random sample review of NEMT broker records to gain an understanding of their process.
 - Randomly selected 3 of 12 monthly random samples of NEMT broker records for dates of service, from January 2025 through December 2025, which were completed by MDHHS from November 2025 through May 2026, to determine whether MDHHS monitored the broker's maintenance of documentation supporting submitted NEMT encounter claims and sent summary deficiency letters, when applicable.

Our random sample was selected to eliminate bias and enable us to project the results to the respective populations.

- Interviewed MDHHS management and staff to determine if MDHHS completed a compliance review process for its NEMT broker and developed a process to verify the accuracy of call center abandonment rates self-reported by the broker.
- Reviewed MDHHS's complaint tracking log utilized from January 2026 through July 2026 to determine if it was sufficient to ensure the broker addressed beneficiary complaints transferred from MDHHS to its NEMT broker.
- Reconciled complaints MDHHS received through its beneficiary hotline to its complaint tracking log for the period from October 2024 to March 2026 to ensure MDHHS was appropriately tracking complaints shared with its NEMT broker.

- Reviewed MDHHS's monthly random sample synopsis of NEMT broker record reviews completed from November 2025 through May 2026 to determine if MDHHS identified any issues which require penalties to be assessed against the broker.
- Inquired with MDHHS management and staff to determine if MDHHS assessed any penalties against the broker.
- Obtained MDHHS's documentation of its cost-effectiveness review of the rate structure utilized to pay the broker.

PERIOD

Our follow-up generally covered October 1, 2024 through March 31, 2026.

**AGENCY
RESPONSES**

Our follow-up report contains 2 recommendations. MDHHS agrees with both recommendations.

The agency preliminary response to each of the follow-up recommendations 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.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> for an audited agency to develop a plan to comply with Office of the Auditor General audit recommendations and submit the plan 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 the 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.
beneficiary	An individual who has been determined to be Medicaid eligible.
broker	The transportation brokerage company MDHHS used to arrange and provide NEMT services for beneficiaries residing in Macomb, Oakland, and Wayne counties.
CHAMPS	Community Health Automated Medicaid Processing System.
effectiveness	Success in achieving mission and goals.
encounter claim	Detailed data about individual services provided by MHPs or the broker. The level of detail about each service reported is similar to a standard claim form.
material condition	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MHP	Medicaid Health Plan.
NEMT	non-emergency medical transportation.
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.
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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