

ATTACHMENT 1
PROGRAM INTEGRITY ASSESSMENT SUPPLEMENT
 Low Income Home Energy Assistance Program (LIHEAP)

ABSTRACT:

HHS is requiring further detail from States on their FY2011 plans for preventing and detecting fraud, abuse, and improper payments. HHS is also requiring that States highlight and describe all elements of this FY2011 plan which represent improvements or changes to the State's FY2010 plan for preventing and detecting fraud, abuse and improper payment prevention.

State, Tribe or Territory (and grant official): **MICHIGAN**

Date/Fiscal
 Year:
2011

RECENT AUDIT FINDINGS

Describe any audit findings of material weaknesses and reportable conditions, questioned costs and other findings cited in FY2010 or the prior three years, in annual audits, State monitoring assessments, Inspector General reviews, or other Government Agency reviews of LIHEAP agency finances.	Please describe whether the cited audit findings or relevant operations have been resolved or corrected. If not, please describe the plan and timeline for doing so in FY2011.	If there is no plan in place, please explain why not.	Necessary outcomes from these systems and strategies

The most recent Single Audit states in-part:

Low-Income Home Energy Assistance, CFDA 93.568

U.S. Department of Health and Human Services	CFDA 93.568 Low-Income Home Energy Assistance
Award Number:	Award Period:
G 06 B1 MILEA	10-1-2005 - 9-30-2008
G 07 B1 MILIEA	10-1-2006 - 9-30-2008
G 07 01 MILIE2	10-1-2006 - 9-30-2008
G 08 B1 MILEA	10-1-2007 - 9-30-2009
	Questioned Costs: \$3,842

DHS's internal control over the Low-Income Home Energy Assistance Program (LIHEAP) did not ensure its compliance with federal laws and regulations regarding activities allowed or unallowed; allowable cost/cost principles, and eligibility. Our review disclosed material weaknesses in internal control and material noncompliance regarding allowable costs/cost principles. As a result, we issued a qualified opinion on compliance with federal laws and regulations for LIHEAP.

Internal control that does not ensure compliance with State and federal laws and regulations could result in sanctions, disallowances, and/or future reductions in LIHEAP awards.

Federal expenditures for LIHEAP totaled approximately \$250.1 million for the two-year period ended September 30, 2008. We identified known questioned costs of \$3,842 and known and likely questioned costs totaling \$19,730,411.

Our exceptions by compliance area are as follows:

- a. Activities Allowed or Unallowed
DHS internal control did not ensure that expenditures incurred were for activities allowed. Our audit tests disclosed:

- (1) DHS did not maintain applications to document that the

See next page.

N/A

The timely and thorough resolution of weaknesses or reportable conditions as revealed by the audit.

<p>client requested services or made accurate disclosures in 11 (14%) of 76 State Emergency Relief (SER) energy expenditures reviewed. We questioned costs in the amount of \$2,454, in the Allowable Costs/Cost Principles section (item b.(1)) of this finding.</p> <p>Federal law 42 USC 8624(b) allows DHS to use LIHEAP funds to intervene in energy crisis situations of low-income households. DHS policy requires a signed application to ensure that a client requested energy crisis intervention and that the client's income and emergency need disclosures complied with federal allowable activity requirements.</p> <p>(2) As discussed in the Allowable Cost/Cost Principles section (item b.(1)(c)) of this finding, DHS did not maintain documentation to support a valid energy related emergency in 5 (7%) of 76 SER energy expenditures reviewed. We questioned the costs in item b.(1) of this finding.</p> <p>Federal law 42 USC 8624(b)(1) allows DHS to use LIHEAP funds to intervene in household energy related emergencies.</p> <p>b. <u>Allowable Costs/Cost Principles</u> DHS's internal control did not ensure the propriety of LIHEAP expenditures. As a result, we questioned costs totaling \$3,842. Our audit tests disclosed:</p> <p>(1) DHS did not ensure that LIHEAP expenditures met the requirements of federal regulation 45 CFR 96.30. We questioned costs of \$3,824.</p> <p>Federal regulation 45 CFR 96.30 requires that DHS's fiscal control and accounting procedures permit the tracing of LIHEAP funds to document that DHS did not use LIHEAP funds in violation of the restrictions and prohibitions of LIHEAP laws and federal regulations. Our review disclosed:</p> <p>(a) DHS did not maintain documentation to support</p>	<p>For findings in a-b1:</p> <ol style="list-style-type: none"> 1. DHS field offices will continue to stress the importance of appropriate documentation with eligibility staff. 2. Documentation supporting benefit eligibility will be reviewed during supervisor case readings as well as field office program reviews. 3. L-Letter 09-012 serves as a reminder about the importance of documentation, proper case packets and caseload reconciliation. 4. Staff will also be reminded to review the administrative handbook manual for information on proper case file retention and disposition. This will ensure that all case materials are retained for the proper length of time. 	
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<p>that all requirements of DHS's LIHEAP State Plan were met for 9 (12%) of 76 SER energy expenditures reviewed.</p> <p>(b) DHS did not properly authorize the client's energy related emergency assistance payment for 11 (14%) of 76 SER energy expenditures reviewed.</p> <p>(c) DHS did not maintain documentation to support the energy related emergency and the payment amount issued for 6 (8%) of 76 SER energy expenditures reviewed.</p>	<p>(2) DHS needs to improve its internal control over the monitoring of its home heating credit (HHC) vendor to help ensure the propriety and compliance of HHC transactions. We questioned costs totaling \$18.</p> <p>OMB Circular A-133, section 210(f) requires DHS to ensure compliance for HHC transactions for which the vendor is responsible for program compliance or for reviewing vendor records to determine program compliance. DHS established an interagency agreement with the Department of Treasury that specified that the Department of Treasury was a DHS vendor. The interagency agreement requires the Department of Treasury to develop the HHC claim form (MI-104OCR-7), process HHC claims, determine claimant eligibility, and issue HHC to eligible claimants in accordance with Section 206.527a of the <i>Michigan Compiled Laws</i>. DHS reimbursed the Department of Treasury \$133.8 million for HHC transactions during the two-year period ended September 30, 2008. Our review disclosed:</p> <p>(a) The Department of Treasury did not correctly calculate the HHC for 2 (7%) of 28 HHC claims reviewed. In both instances, the Department of Treasury did not verify the accuracy of the tax payer's HHC calculation before issuing the payment.</p>	<p>N/A</p>
<p>For findings in b2:</p> <p>1. The Department of Treasury, which administers the Home Heating Credit, has established a threshold for auditing purposes. The LIHEAP program office is in discussion with the Department of Treasury to implement electronic auditing oversight to increase error detection.</p> <p>2. System changes are being completed to aid in the reconciliation process of electronic files from Department of Treasury.</p>		

(b) The Department of Treasury did not pay the proper amount for 1 (4%) of 28 HHC claims reviewed. The Department of Treasury properly calculated the claimant's credit; however, it overpaid the claimant's calculated credit. We questioned costs of \$18.

(c) DHS had not implemented a process to periodically reconcile HHC claim detail information provided by the Department of Treasury in electronic format to the Department of Treasury's reimbursement billings and summary reports provided in paper format.

DHS received reimbursement billings from the Department of Treasury with summary reports of claims processed and mailed by the Department of Treasury. DHS reconciled the reimbursement billing amounts to the summary reports prior to authorizing payment to the Department of Treasury. The Department of Treasury also provided DHS with an electronic file of the detailed claims processed and mailed by the Department of Treasury. DHS did not reconcile the electronic data to the summary data provided with the reimbursement billings.

We reviewed 28 of the 469 HHC processing runs included in the reimbursement billings selected in our review. We noted that the detailed claim information in the electronic file did not support the Department of Treasury reimbursement billings for 12 (43%) of the 28 HHC processing runs. For these 28 HHC processing runs, the detailed information in the electronic file totaled \$8,873,698 and the Treasury reimbursement billings totaled \$11,184,568, resulting in the reimbursement billings exceeding the total electronic claim detail information by \$1,010,749. DHS was unable to provide documentation to support

<p>why the reimbursement billings was greater than the detailed claim information in the electronic file.</p> <p>DHS local office staff use the detailed claim information in the electronic file as a factor in calculating the amount of a client's energy related emergency assistance payment. A periodic reconciliation of the detailed claim information in the electronic file to the reimbursement billings would help ensure that DHS local office staff has complete and accurate HHC detailed claim information.</p> <p>By establishing effective monitoring of the Department of Treasury's processing of HHC payments, DHS could ensure that the Department of Treasury obtains the necessary information to verify claimants' HHC claims and pays claimants the correct amount.</p>	<p>N/A</p>
<p>c. <u>Eligibility</u></p> <p>DHS needs to improve its internal control over eligibility documentation for SER energy expenditures. Our audit tests disclosed:</p> <p>(1) As discussed in the Activities Allowed or Unallowed section (item a.(1)) of this finding, DHS did not maintain applications to document that the client made accurate disclosures in 11 (14%) of 76 SER energy expenditures reviewed. We questioned costs for 3 of these expenditures totaling \$1,203, in the Allowable Costs/Cost Principles section (item b.(1)) of this finding. DHS policy requires a signed application to ensure that a client requested energy crisis intervention and that the client's income and emergency need disclosures complied with federal eligibility requirements. The other 8 expenditures were for clients were that were categorically eligible or the clients' files contained documents other than the required application to support the clients' eligibility.</p> <p>(2) DHS local office staff did not certify client eligibility for 20 (26%)</p>	<p>For findings in c: DHS's Bridges integrated eligibility system includes functionality requiring documentation used for benefit eligibility determinations to be recorded within this system. In addition, we have an online application that is retained in the system and does not require that a paper copy be placed in a record. Information regarding the amount needed to prevent shutoff or restore service is now automatically entered into the system via a webservice with participating providers. This is real-time</p>

of 76 SER energy expenditures reviewed. We questioned costs for 3 of these expenditures totaling \$1,203, in the Allowable Costs/Cost Principles section (item b.(1)) of this finding. DHS policy requires local office staff to certify by signature that a client met income and emergency need federal eligibility requirements. The other 17 expenditures were for clients were that were categorically eligible or the clients' files contained documents other than the required application to support the clients' eligibility.

information that is used in place of a paper bill. The Bridges system retains all data collected and entered by the eligibility staff, determines eligibility, displays the budget, creates and mails client correspondence, generates payments after certification of the application by the eligibility staff, creates reports for all expenditures and demographic data and provides for data-matching with other systems.

N/A

Public Assistance Cost Allocation Plan
 Our audit of DHS's Public Assistance Cost Allocation Plan (PACAP) for the period October 1, 2006 through September 30, 2008 disclosed that DHS was in substantial compliance with federal requirements for the PACAP. However, as described in the attachment, we identified noncompliance related to submitting an amendment to the cost allocation plan. We have not reported any questioned costs.

There were no findings for the Cost Allocation Plan; therefore, there is no further action to take.

DHS used a PACAP to distribute costs of approximately \$1.7 billion to federally funded programs for the period October 1, 2006 through September 30, 2008.

We reviewed 13 DHS PACAP cost pools and approximately \$1.6 billion in related federal indirect charges for the 2-year period ended September 30, 2008.

Public Assistance Cost Allocation Plan (PACAP)

U.S. Department of Health and Human Services	CFDA 93.568: Low-Income Home Energy Assistance
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<p>Award Number: G 06 B1 MI LIEA G 07 B1 MI LIEA G 07 01 MI LIE2</p>	<p>Award Period: 10/01/2005-09/30/2007 10/01/2006-09/30/2008 10/01/2006-09/30/2008</p>
<p>Questioned Costs: \$ 0</p>	

DHS did not amend its cost allocation plan or submit an amendment to the U.S. Department of Human Services, Division of Cost Allocation (DCA), in accordance with Federal requirements. As a result, the DCA is not aware of and has not approved allocation methodologies used by the State.

Noncompliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions in federal awards.

DHS incurs a significant amount of costs that benefit more than one federal program, such as the salaries of local DHS office employees who determine client eligibility for several federal programs. DHS assigns the costs that cannot be directly charged to a specific federal program to cost pools. The costs assigned to these pools are then allocated to the federal programs in which they benefit. During our audit period, DHS had approximately 63 cost pools.

To implement corrective action for a prior audit finding, DHS changed its method of allocating local office first line supervision based on the distribution of the relative number of workers they supervise. Beginning fiscal year 2007-08, DHS accounted for all local office first line supervision in the same cost pool, to be allocated using the same methodology. However, DHS did not amend their methodology language for the affected cost pools and did not submit this amendment to the Federal Government.

Title 45, part 95 of the *Code of Federal Regulations* (CFR) states the State shall promptly amend the cost allocation plan and submit the amended plan to the DCA Director if the State plan is amended so as to affect the allocation of costs.

Government Accountability Office (GAO) LHEAP Audit Findings

1. Michigan provided \$3,900 in benefits to a US Postal Service employee whose \$50,000 salary exceeded the maximum income threshold of \$43,500. The employee told investigators that she was not employed when she applied. U.S. Postal Service salary records demonstrated and the U.S. Postal Service OIG confirmed that she was employed at the time.
2. Michigan provided \$2,200 in benefits, above the \$1,100 maximum benefit limit. The household automatically received duplicate benefits for being enrolled in Medicaid and SNAP.

For finding #1:

The caseworker acted properly based on the information available since Michigan is unable to retrieve federal salary data but the state has pursued a fraud referral on this client.

For finding #2:

This has been resolved since the Bridges computer system tracks recipient ID numbers to prevent recipients from receiving duplicate assistance.

COMPLIANCE MONITORING

<p>Describe the State's FY2010 strategies that will continue in FY2011 for monitoring compliance with State and Federal LIHEAP policies and procedures by the State and local administering agencies.</p> <p>DHS policy requires case reviews for all probationary employees. Eligibility cannot be certified and payments cannot be made until a supervisory review has been completed and the case transaction is approved in the Bridges application.</p> <p>LIHEAP payments made by exception require local office management review, additional review by the program office and must be approved in the Bridges application prior to issuance.</p> <p>Fiscal staff must reconcile LIHEAP payments and the bills used to make the payments with their ES-440 accounting report. Any discrepancy is researched and rectified. Any overpayment is pursued for refund.</p> <p>The policy office takes immediate action to update policy and procedural requirements when required. There are several ways to communicate immediate changes to the field to ensure knowledge of procedural and policy changes. One method of correspondence which is regularly used by DHS is an L-letter, or directive to the field. L-Letters are available to all employees and are archived within the Michigan Department of Human Services Intranet for easy reference.</p> <p>L-Letter L-08-166 was issued in an ongoing effort to resolve case discrepancies while ensuring accurate benefit amounts, various reports are sent to the field on a regular basis. These reports should be addressed timely to ensure that proper payments are being issued.</p>	<p>Please highlight any strategies for compliance monitoring from your plan which will be newly implemented as of FY2011.</p>	<p>If you don't have a firm compliance monitoring system in place for FY11, please describe how the State is verifying that LIHEAP policy and procedures are being followed.</p>	<p>Necessary outcomes from these systems and strategies</p>
	<p>Michigan plans to issue updated notification to the field stressing the importance of accuracy and providing guidelines and requirements for LIHEAP case reading.</p>	<p>N/A</p>	<p>A sound methodology, with a schedule for regular monitoring and a more effective monitoring tool to gather information.</p>

Local office staff is also notified by L-letter of case reading requirements. In addition, written policy includes instructions and criteria for case reading.

DEPARTMENT POLICY FOR CASE READING REVIEWS

Local office management resources should be invested in case reading activities. This includes:

- Selecting the case.
- Completing the review.
- Documenting and communicating the findings.
- Monitoring and following up.
- Planning corrective actions.

Overview

A process analysis approach to case reading focuses on systems, policy and procedures in an effort to prevent errors rather than just correct them.

Case readings collect information to improve the accuracy and efficiency of program management and the delivery of services. First and second-line managers, quality analysts, lead workers and other designated local office staff may conduct the readings.

Case Review

The case review may be either a **general, specific or targeted** read. A general read is a review of all eligibility factors for the program(s) read. A specific read is a review of a limited number of eligibility factors identified for a predetermined reason. A targeted read is a review of a limited number of eligibility factors identified by central office for a predetermined reason.

The local office determines the need for evaluation and selects the cases for a general or specific read. Process analysis, accuracy of policy implementation, a special project, worker experience, or other reasons may prompt a review.

<p>one of the sources listed below. Cases are selected randomly by allowing each case an equal chance to be selected.</p> <p>Computer-generated reports - list cases with certain identifying characteristics</p> <p>Special Run Reports - used for special projects</p> <p>Case Actions - based on the experience of specialists</p> <p>How To Read a Case</p> <p>A case is reviewed by comparing the actions taken by the specialist to the verification and documentation in the record and determining whether policy was correctly applied in a timely manner.</p> <p>Use form DHS-4331, Assistance Payments Case Reading, to record and communicate the findings. Check the factors listed on the DHS-4331 to determine that all necessary actions were taken. Use the comment section to inform the specialist of any required action and the reason. Post a follow-up for any action to be completed. The comment section is also used to give positive feedback.</p> <p>For some actions, oral communication with the specialist promotes better understanding and offers an opportunity to solicit suggestions for improving systems and processes.</p> <p>Use the Case Reading Guide with the DHS-4331 for consistency in the way factors are reviewed. The guide asks questions for each factor listed on the DSS-4331. The case reading guide is intended to help achieve consistency in the way cases are read. The questions are designed to lead the reader to correct case reading results.</p> <p>The case reading guide, along with the DHS-4331, Assistance Payments Case Reading, is a tool to help identify error-prone areas that might require further attention. It is not intended to cover all specific policy situations and exceptions. Likewise, all questions do not apply to every program.</p> <p>A secondary use of this guide is as a self-assessment tool. DHS specialists can use the guide to see whether required case actions were taken.</p>	<p>Michigan is currently creating an updated case reading form for LIHEAP benefits. This form is being designed to follow the workflow of the Bridges computer system to enhance the case read process. This new form will allow for the case reader to document if all required information has been verified and entered appropriately in the system. This will ensure the proper issuance of LIHEAP benefits have been given.</p>
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<p>exceptions. Likewise, all questions do not apply to every program.</p> <p>A secondary use of this guide is as a self-assessment tool. DHS specialists can use the guide to see whether required case actions were taken.</p> <p>Data Evaluation</p> <p>The information from case reading may be used to identify unmet needs in programs and areas of policy. Local office staff should decide whether policy clarification, policy revision, local office procedural changes or training is appropriate to pursue.</p> <p>General case reading data may also be compiled, summarized and reported upwards. However, a roll-up of case reading data cannot be assumed to be statistically valid due to issues such as lack of a random sample, managers using different selection criteria, and managers using different case reading methods. Targeted case readings may be designed to avoid these problems, through careful planning.</p> <p>Questions for SER Case Review</p> <p>Some of the questions listed below may be addressed on the reading form.</p> <p>The questions which are unique to SER are addressed here.</p> <p>Is there a current signed DHS-1514 and DHS-1171 in the case?</p> <p>Was the emergency request registered timely?</p> <p>Is the emergency a covered service?</p> <p>Were repeat request criteria and required payments correctly determined and documented?</p> <p>Will the payment resolve the emergency?</p> <p>If the emergency was approved, did the case meet the asset limit?</p>			
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<p>Was the need verified and documented?</p> <p>Was all projected income for the 30-day budget period used in doing the budget?</p> <p>Does the requested need meet the affordability criteria?</p> <p>If there were excess income and/or cash assets, did the client make the copayment?</p> <p>Were potential resources explored and necessary repay agreements signed?</p> <p>Was the amount authorized within the maximum allowed?</p> <p>If an exception was granted, is the necessary documentation in the case?</p> <p>Was the client sent a DHS-1419, Decision Notice?</p>		
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FRAUD REPORTING MECHANISMS

<p>For FY2010 activities continuing in FY2011, please describe all (a) mechanisms available to the public for reporting cases of suspected LIHEAP fraud, waste or abuse? [These may include telephone hotlines, websites, email addresses, etc.] (b) strategies for advertising these resources.</p>	<p>Please highlight any tools or mechanisms from your plan which will be newly implemented in FY2011, and the timeline for that implementation.</p>	<p>If you don't have any tools or mechanisms available to the public to prevent fraud or improper payments, please describe your plan for involving all citizens and stakeholders involved with your program in detecting fraud.</p>	<p>Necessary outcomes of these strategies and systems</p>
<p>DHS currently has over 2600 active energy providers. DHS maintains a close relationship with providers and has regular contact with many of them. The department relies on the information shared by the providers regarding possible fraud and/or overissuances by our mutual customers.</p> <p>Providers give information which can be useful in clarifying discrepant information reported by clients, offer information on overpayments and share information on a clients' living arrangement, including address changes that may not be known to the department. The information provided may prevent incorrect issuance of benefits or be used by the department to recover over-issued benefits, including those received fraudulently.</p> <p>The Emergency Relief Manual (ERM), Bridges Administrative Manual (BAM), and the Accounting Manual (ACM), provide guidance and policy to DHS staff.</p> <p>ERM 401 states: An SER overpayment is an amount of assistance issued that the SER group was not eligible to receive. The Department attempts to obtain repayment from the SER group of all SER overpayments.</p> <p>SER overpayments are recouped only by requesting the SER group to repay the amount overpaid in cash (cash recoupment).</p> <p>Inform the local office fiscal unit when an SER overpayment is discovered.</p>	<p>All referrals for overissuances will be sent to recoupment specialists, after eligibility specialists determine if the overissuance is due to agency or client error. The recoupment specialists will review and process all overissuances. They will pursue repayments of any misissued funds and maintain recoupment reports.</p>	<p>N/A</p>	<p>Clear lines of communication for citizens, grantees, clients, and employees to use in pointing out potential cases of fraud or improper payments to State administrative</p>

Provide the fiscal unit with the amount of the overpayment and the date the overpayment was issued. The fiscal unit collects receipts and records cash payments from the SER group. No other local office staff collects or accepts any cash payments.

The Accounting Manual outlines the process for establishing an account receivable record for repayment when an overissuance is identified. Local office fiscal staff must also follow procedures in the Accounting Manual for cash recoupment on inactive cases.

Fiscal staff must reconcile LIHEAP payments and the bills used to make the payments with their ES-440 accounting report. Any discrepancy is researched and rectified. Any overpayment is pursued for refund.

BAM 700 provides policy and procedures for handling benefit overissuances. It includes the following Fraud Hotline procedures:

WELFARE FRAUD HOTLINE REFERRAL PROCEDURES

A toll-free hotline number (1-800-222-8558) is provided to the public for use in filing complaints regarding all programs where possible fraudulent activities may be occurring. The Customer Service Unit located in central office receives these calls. An electronic database is now available to refer, monitor and dispose of fraud referrals.

Hotlines, including Fraud Reporting are available at this link;
<http://www.michigan.gov/dhs/0,1607,7-124-8994-17514--,00.html>

L-Letter 07-071 was issued regarding the DHS Fraud Hotline Referral System. Beginning June 1, 2007, Fraud Hotline Referrals are entered into an electronic database. This database was developed to respond to audit findings that have indicated that DHS provides fraud referrals to the local offices but does not have a way to centrally monitor the disposition of the referrals. Fraud referrals that come through the toll free fraud number or Web site will go to a designated fraud coordinator in each local office via email. The coordinator will send the fraud referral to the appropriate worker and their FIM for investigation. The investigation findings will be reported back to the fraud coordinator electronically and then back to central office for monitoring.

