MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF THE

SUITABILITY OF CHILD DEVELOPMENT AND CARE PROGRAM PROVIDERS

DEPARTMENT OF HUMAN SERVICES

July 2008

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

431-0299-05

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REPORT SUMMARY

Performance Audit
Suitability of Child Development and Care Program Providers
Department of Human Services

Report Number:
431-0299-05

Released:
July 2008

The Department of Human Services (DHS) is responsible for enrolling, licensing, and registering child day-care providers and for determining their suitability to provide child day-care services. DHS enrolls child day-care aides and relative care providers solely to provide child day-care services to Child Development and Care (CDC) Program children. DHS issues licenses and registrations for child day-care centers, family day-care homes, and group day-care homes. Licensed and registered providers are eligible to provide care for both CDC Program children and children of the general public.

During the period October 5, 2003 through March 4, 2006, DHS authorized 116,585 child day-care providers to care for 273,364 CDC Program children. Through various criminal history and background information checks, we identified approximately 1,900 unsuitable child day-care providers that DHS had authorized to provide childcare services. As a result, DHS potentially placed approximately 4,600 CDC Program children at risk. We determined that each of these individuals were unsuitable childcare providers because they were one or more of the following: a substantiated perpetrator of child abuse and/or neglect; convicted of a crime that DHS considered terminable; a publicly registered sex offender; convicted of a serious and dangerous crime that DHS did not include in its terminable crimes and codes list; incarcerated in State prison at the time DHS authorized them to provide childcare; or under Department of Corrections (DOC) parole supervision restrictions that limited contact with children.

Throughout our audit, we notified DHS of our findings so that DHS could take appropriate action to prevent the unsuitable providers we identified from providing child day-care services. Upon our notification, DHS closed the unsuitable child day-care providers we identified who were actively providing childcare services and took the appropriate action to prevent their future reenrollment as child day-care providers. In addition, based on our audit findings, DHS revised its CDC criminal history checks policy in April 2007 to include preenrollment criminal history checks for day-care aides, relative care providers, and adult household members of relative care providers and to expand its list of terminable crime codes.

Audit Objective:
To assess the effectiveness of DHS efforts to detect unsuitable individuals and prevent them from providing child day-care services.

Audit Conclusion:
We concluded that DHS efforts were not effective in detecting unsuitable individuals and preventing them from providing child day-care services. We noted nine material conditions (Findings 1 through 9) and one reportable condition (Finding 10).

Material Conditions:
DHS's Central Registry records check processes were not effective in identifying individuals with substantiated histories as perpetrators of child abuse and/or neglect and preventing them from providing child day-care services (Finding 1).

DHS had not implemented effective controls to detect day-care aide and relative care provider applicants with unsuitable criminal histories and prevent their enrollment as child day-care providers (Finding 2).

DHS did not include a review of the Public Sex Offender Registry (PSOR) in its criminal history check procedures for child day-care providers to help detect publicly registered sex offenders and prevent them from providing child day-care services (Finding 3).

DHS did not consistently perform monthly Internet Criminal History Access Tool (ICHAT) records checks to identify active child day-care providers with unsuitable criminal convictions. Also, DHS had not implemented controls to help ensure that its monthly ICHAT records check process worked effectively to detect active child day-care providers with DHS-defined terminable convictions recorded in their ICHAT record. Further, DHS did not include inactive child day-care providers in its monthly ICHAT records check process. (Finding 4)

DHS had not implemented effective controls to help ensure that its terminable crimes and codes list was complete and included the crime description and conviction coding information necessary to identify unsuitable child day-care providers that could potentially pose harm to a child and prevent them from providing child day-care services (Finding 5).

DHS's controls were not effective in ensuring that updated terminable crimes and codes lists were distributed to DHS local offices in a timely manner and contained complete information (Finding 6).

DHS had not implemented controls to help ensure that it obtained criminal history background information for adult household members who relative care providers reported were living in their homes or updated criminal history background information for adult household members who family and group day-care home providers reported were living in their homes. Also, DHS had not implemented controls to help ensure that it periodically evaluated the Central Registry status of adult household members who relative care providers reported were living in their homes. Further, DHS could utilize internal and publicly available information to help identify unreported adult household members of relative care providers. (Finding 7)

DHS had not implemented effective controls to help ensure that it periodically obtained updated criminal histories of child day-care center licensees, licensee designees, and program directors during the two-year period between licensure and renewal (Finding 8).

DHS did not conduct checks of DOC's Offender Tracking Information System (OTIS) records prior to enrolling day-care aides and relative care providers to help detect unsuitable individuals and prevent them from providing child day-care services (Finding 9).

Reportable Condition:
DHS should strengthen controls over its child day-care provider records to help ensure that it obtains and maintains accurate and complete date-of-birth information for all child day-care providers (Finding 10).

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Agency Responses:
Our audit report contains 10 findings and 14 corresponding recommendations. DHS's preliminary response indicates that it agrees with all of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

July 22, 2008

Mr. Ismael Ahmed, Director
Department of Human Services
Grand Tower
Lansing, Michigan

Dear Mr. Ahmed:

This is our report on the performance audit of the Suitability of Child Development and Care Program Providers, Department of Human Services.

This report contains our report summary; description; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, findings, recommendations, and agency preliminary responses; four exhibits, presented as supplemental information; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

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

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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DEPARTMENT OF HUMAN SERVICES

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Description

The Department of Human Services (DHS) administers the Child Development and Care (CDC) Program* and is responsible for enrolling, licensing, and registering child day-care providers*. The goal* of the CDC Program is to preserve the family unit and to promote its economic independence and self-sufficiency by promoting safe, affordable, and accessible quality childcare for qualified Michigan families. The CDC Program provides payment for child day-care services for qualifying families when the parent(s) or substitute parent(s) is unavailable to provide child day-care because of employment; participation in approved education or employment preparation programs; participation in an approved treatment program for a physical, mental, or emotional condition; and/or participation in high school completion classes. CDC Program assistance is available when each parent/substitute parent* and child is eligible and when an eligible provider provides the child day-care service. Child day-care providers are eligible to receive CDC Program payments when enrolled, licensed, or registered by DHS.

DHS classifies child day-care providers in two broad categories: (1) enrolled* child day-care providers and (2) licensed and registered* child day-care providers. DHS enrolls day-care aides* and relative care providers* solely to provide child day-care services to CDC Program eligible children, not children of the general public. DHS's Bureau of Children and Adult Licensing (BCAL) issues licenses and registrations for child day-care centers*, family day-care homes*, and group day-care homes*. Licensed and registered providers are eligible to provide care for both CDC Program children and children of the general public and are regulated by BCAL. BCAL's mission* is to ensure protection of children who are receiving day care from licensed agencies and homes as required by Act 116, P.A. 1973*, as amended, and other applicable laws. Exhibit 1, presented as supplemental information, illustrates the number of active* child day-care providers by provider type as of September 30, 2006, the type of children served by the provider, and the number of children the provider may care for at one time.

DHS's BCAL policy requires that it enroll, license, and register only suitable individuals to provide child day-care. DHS defines suitability*, as it relates to child day-care licensing, as the fitness and appropriateness of a person to carry out the duties, responsibilities, and services that are conducive to the welfare of children in care. DHS determines the suitability of child day-care providers and provider applicants* by

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

evaluating convictions of crimes specified in the Good Moral Character Act of 1974, P.A. 381 (Sections 338.41 - 338.47 of the *Michigan Compiled Laws*), offenses listed in Section 2 of the Sex Offenders Registration Act of 1994, P.A. 295 (Section 28.722 of the *Michigan Compiled Laws*), and other offenses DHS considers to indicate potential harm to a child. DHS does not specifically define suitability for enrolled day-care aides and relative care providers. However, DHS considers active child day-care providers and applicants convicted of these specified crimes, or listed on its Central Registry* as a perpetrator* of child abuse* and/or neglect*, to evidence a lack of good moral character and to be unsuitable* to provide child day-care services (see Exhibit 2, presented as supplemental information).

DHS uses various procedures and sources to analyze an individual's background information and to determine suitability to provide child day-care services. The methods, frequencies, and sources DHS uses to determine the background and suitability of applicants and active child day-care providers varies according to the type of child day-care provider and are primarily based on statutory requirements for licensed and registered providers and on DHS policy for enrolled providers. DHS also analyzes the suitability of adult household members* residing in the homes of applicants and active child day-care providers using similar procedures and sources. We summarized DHS procedures and sources for determining child day-care provider suitability by provider type in Exhibit 2.

During the period October 5, 2003 through March 4, 2006, DHS authorized* 116,585 child day-care providers to care for 273,364 CDC Program children. CDC Program expenditures for the day-care services totaled $1.1 billion. We summarized the CDC Program payments by provider type in Exhibit 3, presented as supplemental information.

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

Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objective

The objective of our performance audit* of the Suitability of Child Development and Care (CDC) Program Providers, Department of Human Services (DHS), was to assess the effectiveness* of DHS efforts to detect unsuitable individuals and prevent them from providing child day-care services.

Audit Scope

Our audit scope was to examine the program and other records of the Child Development and Care Program. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances. Our audit procedures, performed from July 2005 through May 2007, included examination of CDC Program records primarily for the period October 5, 2003 through March 4, 2006.

Supplemental information was provided by DHS and is presented in Exhibits 1 and 3. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Audit Methodology

To accomplish our objective, we interviewed CDC Program staff, Bureau of Children and Adult Licensing (BCAL) staff, DHS local office staff, and Department of Information Technology staff. We reviewed applicable State statutes, administrative rules, and CDC Program policies and procedures. We obtained an understanding of DHS policies and procedures for determining suitability of child day-care provider applicants, determining continued suitability of active child day-care providers, denying child day-care provider eligibility to unsuitable applicants, and terminating active providers determined to be unsuitable. We performed tests of DHS management control* to detect unsuitable applicants and child day-care providers and prevent them from providing day-care services.

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

We focused our review on CDC Program child day-care providers that provided child day-care services during the period October 5, 2003 through March 4, 2006. We compared all DHS child day-care provider records to DHS's Central Registry records, the Michigan Department of State Police's Public Sex Offender Registry* (PSOR) and Internet Criminal History Access Tool* (ICHAT) records, and the Department of Corrections' Offender Tracking Information System* (OTIS) and Corrections Management Information System* (CMIS) records to help determine the suitability of applicant and active child day-care providers and to assess actions taken by DHS. We obtained these records primarily during the period June 1, 2006 through May 16, 2007. Our review was limited to the information contained in the records related to child day-care providers that received CDC Program payment for child day-care services during the period October 5, 2003 through March 4, 2006.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 10 findings and 14 corresponding recommendations. DHS's preliminary response indicates that it agrees with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require DHS to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

Within the scope of this audit, we followed up 1 of the 7 recommendations from our May 2005 performance audit of the Child Day Care and Child Welfare Licensing Divisions, Office of Child and Adult Licensing, Department of Human Services (63-432-03). DHS did not comply with the recommendation; therefore, we have repeated the recommendation in this report.

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

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF DHS EFFORTS IN DETECTING UNSUITABLE INDIVIDUALS AND PREVENTING THEM FROM PROVIDING CHILD DAY-CARE SERVICES

COMMENT

Audit Summary: During the period October 5, 2003 through March 4, 2006, the Department of Human Services (DHS) authorized 116,585 child day-care providers to care for 273,364 Child Development and Care (CDC) Program children. Our audit identified approximately 1,900 unsuitable child day-care providers that DHS had authorized to provide childcare services. As a result, DHS potentially placed approximately 4,600 CDC Program children at risk. We determined that each of these individuals were unsuitable childcare providers because they were one or more of the following: a substantiated perpetrator of child abuse and/or neglect; convicted of a crime that DHS considered terminable*; a publicly registered sex offender; convicted of a serious and dangerous crime that DHS did not include in its terminable crimes and codes list*; incarcerated* in State prison at the time DHS authorized them to provide childcare; or under Department of Corrections (DOC) parole supervision restrictions that limited contact with children.

In some cases, the unsuitable child day-care providers we identified were actively providing childcare services for CDC Program children at the time of our review. When this occurred, we immediately notified DHS so that DHS could take the appropriate action. We also notified DHS of the unsuitable providers we identified that were inactive* at the time of our review so that DHS could take the necessary action to prevent the providers' future reenrollment as child day-care providers. (Findings 1 and 3 through 6)

Audit Objective: To assess the effectiveness of DHS efforts to detect unsuitable individuals and prevent them from providing child day-care services.

DHS policies require that a child day-care provider's enrollment, license, and/or registration be denied or terminated if the provider has an unsuitable criminal conviction history or is registered on the Central Registry as a perpetrator of child abuse and/or neglect. We used this requirement as the common criteria for our findings and to conclude on our audit objective.

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

Audit Conclusion: We concluded that DHS efforts were not effective in detecting unsuitable individuals and preventing them from providing child day-care services. Our audit disclosed 9 material conditions*:

- DHS's Central Registry records check processes were not effective in identifying individuals with substantiated histories as perpetrators of child abuse and/or neglect and preventing them from providing child day-care services (Finding 1).

- DHS had not implemented effective controls to detect day-care aide and relative care provider applicants with unsuitable criminal histories and prevent their enrollment as child day-care providers (Finding 2).

- DHS did not include a review of the Public Sex Offender Registry (PSOR) in its criminal history check procedures for child day-care providers to help detect publicly registered sex offenders and prevent them from providing child day-care services (Finding 3).

- DHS did not consistently perform monthly Internet Criminal History Access Tool (ICHAT) records checks to identify active child day-care providers with unsuitable criminal convictions. Also, DHS had not implemented controls to help ensure that its monthly ICHAT records check process worked effectively to detect active child day-care providers with DHS-defined terminable convictions recorded in their ICHAT record. Further, DHS did not include inactive child day-care providers in its monthly ICHAT records check process. (Finding 4)

- DHS had not implemented effective controls to help ensure that its terminable crimes and codes list was complete and included the crime description and conviction coding information necessary to identify unsuitable child day-care providers that could potentially pose harm to a child and prevent them from providing child day-care services (Finding 5).

- DHS's controls were not effective in ensuring that updated terminable crimes and codes lists were distributed to DHS local offices in a timely manner and contained complete information (Finding 6).

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

- DHS had not implemented controls to help ensure that it obtained criminal history background information for adult household members who relative care providers reported were living in their homes or updated criminal history background information for adult household members who family and group day-care home providers reported were living in their homes. Also, DHS had not implemented controls to help ensure that it periodically evaluated the Central Registry status of adult household members who relative care providers reported were living in their homes. Further, DHS could utilize internal and publicly available information to help identify unreported adult household members of relative care providers. (Finding 7)

- DHS had not implemented effective controls to help ensure that it periodically obtained updated criminal histories of child day-care center licensees*, licensee designees*, and program directors* during the two-year period between licensure and renewal (Finding 8).

- DHS did not conduct checks of DOC's Offender Tracking Information System (OTIS) records prior to enrolling day-care aides and relative care providers to help detect unsuitable individuals and prevent them from providing child day-care services (Finding 9).

Our audit also disclosed one reportable condition* related to DHS child day-care provider records (Finding 10).

FINDING

1. Central Registry Records Check Processes

DHS's Central Registry records check processes were not effective in identifying individuals with substantiated histories as perpetrators of child abuse and/or neglect and preventing them from providing child day-care services. As a result, DHS authorized 428 unsuitable individuals listed on its Central Registry as perpetrators of child abuse and neglect to provide child day-care services for 1,018 CDC Program children.

Section 722.627(1) of the *Michigan Compiled Laws* requires DHS to maintain a Central Registry that contains the names of individuals who have had a child

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

protective services complaint filed against them and for whom a preponderance of evidence exists to substantiate that the individuals abused or neglected their children and there is a high risk of future harm to the children within their care. The individuals listed on the Central Registry may or may not have been convicted of a crime. DHS policies require a check of its Central Registry records for child day-care provider applicants prior to their enrollment, licensure, or registration.

DHS policies require DHS to deny the applicant child day-care provider eligibility if the Central Registry records check indicated that the applicant was a perpetrator of child abuse and/or neglect. Further, DHS policies require weekly automated Central Registry records checks for active child day-care providers and immediate termination of child day-care provider eligibility when an active child day-care provider was identified as a Central Registry perpetrator. In addition, when DHS identifies an applicant or active child day-care provider as a Central Registry perpetrator, DHS flags* the applicant's or provider's record to indicate the individual's Central Registry perpetrator status in order to help prevent future child day-care provider eligibility. DHS informed us that it typically identifies, flags, and closes approximately 2 to 10 child day-care providers each week as a result of its Central Registry records checks.

In our review of the DHS match* process, we identified several weaknesses that affected the effectiveness of the match process used in identifying unsuitable individuals. We noted:

a. DHS used only the applicant's or provider's social security number (SSN) to match against Central Registry's perpetrator records. DHS did not use a combination of other identifiers, such as name and date of birth, to help determine the Central Registry status of applicants and providers.

b. The Central Registry does not contain SSNs for all individuals on the registry because the SSN is not required information for the Central Registry and DHS did not match against records without an SSN. DHS attempts to obtain the SSN through the use of information from its Customer Information Management System/Client Information System (CIMS/CIS); however, as of May 2007, neither the Central Registry nor CIMS/CIS contained SSNs for 46,952 Central Registry perpetrator records. Consequently, DHS did not

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

include the records of approximately 47,000 perpetrators of child abuse and/or neglect when it performed its weekly Central Registry checks for active child day-care providers.

To assess the effect of these weaknesses on DHS's Central Registry records checks used in detecting and preventing unsuitable individuals from providing child day-care services, we matched the 116,585 child day-care providers who received CDC Program payments during the period October 5, 2003 through March 4, 2006 to Central Registry perpetrator records as of April 13, 2007. We performed our Central Registry records match using the provider's SSN as well as the provider's name and date of birth; in addition, we included perpetrator records without an SSN. Our results included 315 matches on child day-care provider SSN and 378 matches on provider name and date of birth. We notified DHS of our Central Registry match results in June 2007.

Our review of our Central Registry matches disclosed:

(a) DHS enrolled, licensed, and/or registered 301 individuals as child day-care providers who were substantiated perpetrators of child abuse and/or neglect prior to their child day-care provider application. Further, DHS allowed these unsuitable individuals to provide day-care services for 750 CDC Program children for periods ranging from 1 day to almost 13 years, with an average of approximately 11 months each during the period October 5, 2003 through March 4, 2006.

In May 2007, we found that 2 of the 301 child day-care providers were actively providing childcare services for CDC Program children. Upon our notification, DHS terminated child day-care provider eligibility for these 2 child day-care providers.

(b) DHS continued child day-care provider eligibility for 127 providers who became substantiated perpetrators of child abuse and/or neglect while enrolled, licensed, or registered as child day-care providers. DHS authorized these child day-care providers to care for 268 CDC Program children for periods ranging from 5 days to almost 17 years after placement within the Central Registry as a perpetrator, with an average of approximately one year each after the providers' placement within the Central Registry.

For example, DHS enrolled a provider on April 1, 2005, who was substantiated as a perpetrator of child abuse and/or neglect as of June 2005. DHS terminated the provider's eligibility on November 9, 2006 as a result of its weekly automated Central Registry check, over one year after the Central Registry substantiation date. DHS authorized this provider to care for 6 CDC Program children between June 26, 2005 and July 9, 2006.

At the time of our review, in May 2007, we found that 4 of these 127 child day-care providers were actively providing childcare services for CDC Program children. Upon our notification, DHS terminated the child day-care provider eligibility for these 4 active providers.

(c) DHS did not identify the Central Registry perpetrator status of 265 inactive child day-care providers because DHS did not include inactive child day-care providers in its Central Registry records checks. As a result, DHS could allow future reenrollment, licensure, or registration of these individuals as child day-care providers because DHS did not identify their Central Registry perpetrator status and did not flag their records to help prevent future child day-care provider eligibility.

(d) DHS authorized retroactive eligibility and payments to 225 of the 301 child day-care provider applicants discussed in part (a). Although DHS policy allows retroactive eligibility and payments for up to 30 days for eligible providers, these applicants were not eligible for enrollment, licensure, or registration as a child day-care provider because of their Central Registry perpetrator status at the time of their application.

For example, DHS enrolled a child day-care provider on May 25, 2004 who was a substantiated perpetrator of child abuse and/or neglect as of July 2000. DHS terminated this provider's eligibility on May 26, 2004 when it identified the Central Registry status of the provider. However, DHS established a retroactive eligibility begin date of April 4, 2004 at enrollment for the provider and authorized 3 CDC Program children to receive childcare services from the provider between April 4, 2004 and May 25, 2004.

Effective Central Registry checks for child day-care provider applicants are critical to help DHS prevent enrollment, licensure, and registration of unsuitable individuals with substantiated histories as perpetrators of child abuse and/or neglect that

potentially jeopardize the safety of children in their care. Likewise, effective periodic Central Registry checks of active and inactive child day-care providers are essential to help DHS identify child day-care providers placed on Central Registry as perpetrators of child abuse and/or neglect after their enrollment, licensure, or registration so that DHS can terminate their child day-care provider eligibility in a timely manner, help prevent future child day-care provider eligibility, and help ensure the safety of CDC Program children.

RECOMMENDATION

We recommend that DHS strengthen its Central Registry records check processes to help ensure that DHS effectively identifies individuals with substantiated histories as perpetrators of child abuse and/or neglect and prevents them from providing child day-care services.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that it needs to continue to look for ways to strengthen its internal Central Registry record check processes. DHS informed us that it continues to conduct Central Registry checks of providers prior to enrollment and to perform weekly tape matches of Central Registry records for all providers. DHS indicated that it will continue to explore options to strengthen its central registry records check processes.

FINDING

2. Criminal History Checks at Enrollment

DHS had not implemented effective controls to detect day-care aide and relative care provider applicants with unsuitable criminal histories and prevent their enrollment as child day-care providers. As a result, DHS enrolled 712 child day-care providers with unsuitable criminal conviction histories recorded in their ICHAT records at the time of enrollment. DHS authorized these unsuitable providers to care for 1,566 CDC Program children.

DHS relied on child day-care provider applicants to self-report their criminal convictions as its primary control to detect unsuitable applicants with criminal histories and prevent them from providing child day-care services. Applicants were asked to identify on their applications whether their backgrounds were suitable to provide child day-care services by stating if they had been convicted of a crime. If

the applicants indicated unsuitable criminal conviction histories, DHS prevented their enrollment as child day-care providers. If the applicants reported no criminal convictions that DHS considered terminable (see Findings 5 and 6) and met DHS's other requirements for enrolled providers (see Exhibit 4, presented as supplemental information), DHS enrolled the applicants as child day-care providers. After DHS enrolled the individuals as child day-care providers, DHS would then include the individuals in its monthly check of ICHAT records. DHS relied on its monthly check of ICHAT records, performed on individuals after it enrolled them as day-care providers, as the compensating control to detect the actively enrolled providers that did not self-report criminal convictions on their applications (see Finding 4). When DHS identified an active provider with an unsuitable criminal conviction during its monthly ICHAT records check, DHS would end child day-care provider eligibility and flag the provider's record as criminally convicted to help prevent future reenrollment as a child day-care provider.

To determine the effectiveness of DHS's reliance on applicant self-reporting to detect individuals with unsuitable criminal convictions and prevent them from providing child day-care services, we reviewed DHS's records of flagged and closed day-care aide and relative care providers for the period October 1, 2003 through September 30, 2006. DHS's records indicated that DHS enrolled, and subsequently flagged and closed, 712 child day-care providers as a result of criminal convictions that DHS detected during the first ICHAT records check that DHS performed on the provider after enrollment (see Finding 4, part a.(1)). These 712 providers did not self-report criminal convictions to DHS that occurred prior to their child day-care provider application. We analyzed the ICHAT conviction records for 381 (54%) of the 712 providers to determine the nature of felony convictions that occurred prior to DHS enrolling the individuals as child day-care providers. Our review disclosed that 34% of the felony convictions not reported by these providers included crimes such as possession of narcotic/cocaine or delivery or manufacture of a controlled substance, assault with a dangerous weapon, and armed robbery. Further, our review disclosed that 28 (7%) of the 381 providers did not report convictions of more dangerous felonies, including murder, assault with intent to murder, criminal sexual conduct, prison escape, and assault less than murder. DHS authorized these 28 day-care aides and relative care providers to provide care for 65 CDC Program children.

The 712 providers discussed in this finding include only those readily identified from DHS's records as successfully detected, flagged, and closed by DHS during

the first ICHAT records check performed after enrollment. The child day-care providers that DHS enrolled with unsuitable criminal convictions that DHS failed to identify and flag were not included (see Findings 3; 4, part c.; 5; 6; and 9). Therefore, considering the conditions disclosed in this audit report in Findings 3 through 6 and 9, we believe that DHS enrolled significantly more child day-care providers with unsuitable criminal convictions than these 712.

Criminal history checks at child day-care enrollment are essential for DHS to detect unsuitable criminal histories of child day-care provider applicants that potentially pose harm to CDC Program children.

RECOMMENDATION

We recommend that DHS implement effective controls to detect day-care aide and relative care provider applicants with unsuitable criminal histories and prevent their enrollment as child day-care providers.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that it changed its processes related to its ICHAT requirements in April 2007. DHS indicated that upon discovery that the ICHAT record did not include all criminal history information, DHS changed its policy to require ICHAT checks prior to enrollment. In addition, DHS informed us that it also added checks of the PSOR, OTIS, and the National Sex Offender Public Registry (NSOPR) prior to enrollment. DHS also indicated that in addition to the preenrollment checks, it also conducts monthly ICHAT, PSOR, and OTIS tape matches on day-care aides and relative care providers that can result in additional disenrollments.

FINDING

3. Public Sex Offender Registry (PSOR) Checks

DHS did not include a review of the PSOR in its criminal history check procedures for child day-care providers to help detect publicly registered sex offenders and prevent them from providing child day-care services. As a result, DHS did not detect 31 child day-care providers who were publicly registered sex offenders and authorized them to provide child day-care services for CDC Program children.

The Sex Offenders Registration Act (SOR) directs the Michigan Department of State Police to develop and maintain a public registry of convicted sex offenders. Although DHS criminal history check procedures included a monthly check of ICHAT records for actively enrolled child day-care providers (see Finding 4), DHS did not conduct checks of the PSOR for child day-care providers. It is important for DHS to conduct checks of both the PSOR and ICHAT records for child day-care providers because the PSOR contains sex offense convictions that are not always included in ICHAT records. For example, ICHAT records do not contain information on out-of-State, military, federal, or tribal convictions; however, these convictions may require the individual to be registered on the PSOR. In addition, some sex offenders may have a conviction(s) expunged* from their ICHAT record but still be required to appear on the PSOR. Therefore, it is critical for DHS to include PSOR reviews in its criminal history check procedures for child day-care applicants and active child day-care providers so that DHS can help prevent PSOR-registered individuals from becoming and remaining child day-care providers.

We conducted a review of PSOR records as of October 14, 2006 and identified 31 child day-care providers who cared for CDC Program children while they were registered sex offenders on the PSOR. DHS authorized these 31 child day-care providers to care for 79 CDC Program children during the period October 5, 2003 through March 4, 2006. We found that 24 (77%) of the 31 providers were registered on the PSOR at the time that DHS enrolled them as child day-care providers. The remaining 7 (23%) providers were convicted of sex offenses and registered on the PSOR during their child day-care provider enrollment. PSOR records indicated that these 31 providers were convicted of crimes such as criminal sexual conduct, indecent exposure, and accosting children for immoral purposes. DHS allowed child day-care provider eligibility for these 31 registered sex offenders for periods ranging from approximately 1 month to over 9 years after PSOR registration, with an average of 21 months per individual.

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

We further reviewed DHS's child day-care provider records for the 31 providers and noted the following as of October 14, 2006:

a. Four of the providers were actively providing CDC Program child day-care services. We immediately notified DHS of our results, and DHS flagged and closed these 4 providers.

b. Two of the providers had provided CDC Program child day-care services within the previous 90 days. We immediately notified DHS of our results, and DHS flagged and closed these 2 providers.

c. Twenty-five of the providers were not active CDC Program child day-care providers at the time of our review. DHS had previously flagged and closed 16 of the 25 providers as a result of its monthly ICHAT checks. However, for the remaining 9, DHS had not identified the providers' criminal convictions and the providers' records were not flagged as criminally convicted to prevent the providers' future reenrollments. Therefore, these 9 registered sex offenders could have potentially reenrolled as child day-care providers without detection (see Finding 2). Upon notification of our results, DHS flagged the records for these 9 providers to prevent their future reenrollments.

It is imperative that DHS reduce the potential risk to children's safety by including checks of the PSOR in its criminal history check procedures for child day-care provider applicants and active child day-care providers.

RECOMMENDATION

We recommend that DHS include a review of the PSOR in its criminal history check procedures for child day-care providers to help detect publicly registered sex offenders and prevent them from providing child day-care services.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS informed us that in April 2007 it began including PSOR checks as part of its criminal history check procedures. DHS indicated that when the Office of the Auditor General brought it to DHS's attention that the ICHAT record did not always contain this information, DHS began requiring a PSOR background check as a preenrollment criterion for day-care aides and relative care providers. DHS also indicated that in addition to the

preenrollment checks, DHS also conducts monthly ICHAT, PSOR, and OTIS tape matches on day-care aides and relative care providers that can result in additional disenrollments.

FINDING

4. Monthly Criminal History Checks

DHS did not consistently perform monthly ICHAT records checks to identify active child day-care providers with unsuitable criminal convictions. Also, DHS had not implemented controls to help ensure that its monthly ICHAT records check process worked effectively to detect active child day-care providers with DHS-defined terminable convictions recorded in their ICHAT record. Further, DHS did not include inactive child day-care providers in its monthly ICHAT records check process. As a result, DHS did not identify active child day-care providers with unsuitable criminal convictions in a timely manner and allowed them continued child day-care provider eligibility. Further, DHS did not identify inactive child day-care providers with terminable criminal convictions and take the appropriate measures to help prevent future reenrollment as a child day-care provider.

It is important for DHS to consistently perform its monthly ICHAT records checks so that DHS can identify active child day-care providers with unsuitable criminal convictions in a timely manner and prevent them from providing child day-care services. DHS uses its monthly ICHAT records checks as the first criminal records check of newly enrolled day-care aides and relative care providers and relies on the checks to detect unsuitable criminal convictions that applicants did not self-report (see Finding 2). In addition, DHS relies on the monthly ICHAT records checks to detect the unsuitable criminal convictions of active day-care aides, relative care providers, and family and group day-care home providers that occurred after DHS enrolled, licensed, and/or registered the child day-care providers. DHS informed us that a typical monthly ICHAT records check resulted in the closure of approximately 50 to 60 active child day-care providers.

Our review of DHS's monthly ICHAT records check process disclosed:

a. DHS did not perform its monthly ICHAT records checks of active day-care aides, relative care providers, and family and group day-care home providers for the periods November 2005 through April 2006 and July 2006 through

September 2006. DHS informed us that it suspended its regular monthly ICHAT records checks during these 9 months because DHS changed the records check protocol for its monthly check in October 2005 and its combined May/June 2006 check. DHS stated that the changes resulted in a large volume of child day-care provider criminal conviction matches and that DHS did not have the resources to continue monthly ICHAT checks until it resolved the ICHAT records check results from those two checks. As a result, DHS did not subject 50,698 day-care aides, relative care providers, and family and group day-care home providers that were actively providing child day-care to a monthly ICHAT criminal record check during the 6-month period from November 2005 through April 2006. These child day-care providers cared for 127,364 CDC Program children during that period. Our review disclosed:

(1) DHS did not timely identify 235 unsuitable child day-care providers that DHS enrolled during the period October 3, 2005 through April 4, 2006 with terminable criminal convictions that occurred prior to the providers' enrollments. As a result, DHS authorized these 235 child day-care providers to care for 480 CDC Program children for periods ranging from 33 days to 11 months. DHS enrolled a total of 12,243 new day-care aides and relative day-care providers during the period November 2005 through April 2006, when ICHAT records checks were suspended. Therefore, approximately 2% of all the child day-care providers that DHS enrolled during that time had unsuitable criminal convictions at the time of their enrollment and did not self-report the convictions to DHS on the providers' applications. Because DHS suspended its monthly ICHAT records checks, it took DHS an average of 6.6 months to identify, flag, and close these 235 child day-care providers (see Finding 2).

(2) DHS did not timely identify 528 active child day-care providers, enrolled prior to November 2005, who were convicted of crimes DHS added to its terminable crimes and codes list in October 2005 (also see Findings 5 and 6). Because DHS suspended its ICHAT checks from November 2005 through April 2006, DHS did not begin to identify the terminable convictions of these 528 providers until 6 months later. DHS informed us that it identified, flagged, and closed these providers during the period May 2006 through September 2006.

(3) DHS did not timely identify 4 child day-care providers that were convicted of terminable crimes, and incarcerated, between November 2005 and January 2006. As a result, DHS allowed continued child day-care eligibility for the incarcerated providers for periods ranging from 4 months to 9 months after their incarcerations and issued $4,643 in potentially fraudulent child day-care payments to the providers who could not provide child day-care services because they were incarcerated (see Finding 9).

b. DHS's monthly ICHAT records check process did not always identify active child day-care providers with DHS-defined terminable convictions recorded in their ICHAT records. As a result, DHS could not ensure that its monthly ICHAT records check process identified all active child day-care providers with terminable criminal convictions and that DHS terminated eligibility of these child day-care providers.

We reviewed the detailed ICHAT conviction information of 57 child day-care providers and determined that 4 (7%) of the 57 child day-care providers were convicted of DHS-defined terminable crimes according to their ICHAT records; however, DHS's monthly ICHAT records check process did not indentify the terminable convictions of these providers. All 4 child day-care providers were subject to multiple DHS monthly ICHAT records checks, and all of the providers' terminable convictions occurred prior to DHS suspending its monthly ICHAT records checks in November 2005. Each of these 4 providers were convicted of DHS-defined terminable crimes, including felony homicide, felony possession of controlled substance, and receiving and concealing stolen property. DHS allowed the 4 providers to provide child day-care services for an average of 2 years after their terminable criminal convictions. The providers cared for 11 CDC Program children.

At the time of our review, 2 of the child day-care providers were still actively enrolled child day-care providers. Upon our notification, DHS terminated child day-care provider eligibility for these 2 active providers and flagged the records of all 4 providers to prevent future reenrollment.

c. DHS did not include inactive enrolled child day-care providers in its monthly ICHAT records check process. As a result, DHS could not ensure that it

prevented the reenrollment of inactive child day-care providers with terminable criminal convictions.

We identified 340 inactive child day-care providers with terminable criminal convictions who were not identified and flagged by DHS. We notified DHS, and DHS added the felony conviction flag to 84 of the 340 inactive providers' records to help prevent their future reenrollment.

RECOMMENDATIONS

We recommend that DHS consistently perform monthly ICHAT records checks to identify active child day-care providers with unsuitable criminal convictions.

We also recommend that DHS implement controls to help ensure that its monthly ICHAT records check process works effectively to detect active child day-care providers with DHS-defined terminable convictions recorded in their ICHAT record.

We further recommend that DHS include inactive child day-care providers in its monthly ICHAT records check process.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendations. DHS indicated that it adjusted its ICHAT process in April 2007. DHS informed us that upon discovery that the ICHAT record did not include all criminal history information, it not only changed policy to require ICHAT checks prior to enrollment, but also added PSOR, OTIS, and NSOPR to its checks in April 2007. DHS also indicated that in addition to the preenrollment checks, it also conducts a monthly ICHAT, PSOR, and OTIS tape match on day-care aides and relative care providers that can result in additional disenrollments.

DHS indicated that in April 2007, it implemented a mechanism that allows DHS to monitor the transmission and receipt of the ICHAT matches to prevent lapses in the monthly match process.

DHS informed us that it agreed that, at the time of the audit, DHS did not include inactive child day-care providers in the ICHAT match. DHS further indicated that policy changes in 2007 requiring preenrollment background checks, and its ability to flag providers, now prevent reenrollment within the system.

FINDING

5. Terminable Crimes and Codes List

DHS had not implemented effective controls to help ensure that its terminable crimes and codes list was complete and included the crime description and conviction coding information necessary to identify unsuitable child day-care providers that could potentially pose harm to a child and prevent them from providing child day-care services. As a result, DHS enrolled and allowed continued child day-care provider eligibility of 641 unsuitable individuals convicted of serious and/or dangerous crimes. DHS authorized these unsuitable child day-care providers to care for 1,755 CDC Program children.

DHS uses its terminable crimes and codes list for its monthly automated ICHAT records checks (see Finding 4). The automated check compares DHS's list to the ICHAT records of active child day-care providers to identify providers that DHS should terminate because of unsuitable convictions. DHS local office staff also use the terminable crimes and codes list to determine if criminal convictions self-reported by day-care aide and relative care provider applicants are terminable and, therefore, DHS should not enroll the applicants as child day-care providers (see Findings 2 and 6).

In general, when an individual is convicted of a crime, both a description of the crime and a corresponding numeric code for the crime are recorded in the person's criminal history record. The descriptions and numeric codes can come from several sources and, over time, are changed and amended. Therefore, in order for DHS's terminable crimes and codes list to be most effective, DHS would need to reconcile and amend its list to applicable crimes and codes resources on a consistent basis. Some examples of crime descriptions and codes resources include, but are not limited to, the National Crime Information Center* (NCIC) code descriptions, the *Michigan Compiled Laws,* and the Prosecuting Attorneys Coordinating Council's (PACC's) Bench Guide of Criminal Records Reporting (Bench Guide), as updated.

In fiscal year 1999-2000, DHS developed its original list of 266 terminable crimes and codes to define the crime conviction descriptions and numeric codes that DHS would consider terminable for child day-care providers when found in their criminal

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

history records. DHS used Section 338.43 of the *Michigan Compiled Laws* (a section of the Good Moral Character Act of 1974, as amended) as a guide to determine the crimes to include in its list and obtained the corresponding numeric codes, current at that time, from the PACC Bench Guide. DHS began using its list in 2001 and, from 2001 to 2005, made only minimal revisions to the list's numeric coding. In 2005, DHS added 91 new crimes to its terminable crimes and codes list and used the associated crime descriptions and codes from the PACC 2003 Bench Guide. At the time of our review in October 2006, DHS's terminable crimes and codes list contained a total of 357 terminable crime descriptions and related codes; however, DHS informed us that it had not compared its list to other crimes and codes resources to determine its completeness.

We compared DHS's list of 357 terminable crimes and codes to the NCIC code descriptions, the PACC August 2006 E-Warrant Guide*, and the SOR listed offenses* to help determine the completeness of DHS's list. Further, we matched the ICHAT records of CDC Program child day-care providers who provided childcare during the period October 5, 2003 through March 4, 2006 to crimes and codes that we determined were not included in DHS's list to determine the effectiveness of DHS's list in detecting and preventing unsuitable individuals from providing child day-care services. We notified DHS of our results in March 2007. Our review disclosed:

a. DHS's terminable crimes and codes list did not include NCIC crime descriptions and codes. As a result, DHS did not detect 523 child day-care providers convicted of serious criminal offenses and did not prevent them from providing child day-care services.

   We obtained the list of NCIC crime descriptions from the Michigan Department of State Police. The list contained 732 crime descriptions and corresponding numeric codes used primarily prior to 1988 to record criminal convictions in ICHAT records. We reviewed the list and identified 344 crimes that, in our judgment, were similar in nature and description to the crimes DHS considered terminable, that were similar to crimes described in child protection laws, that indicated dangerous behavior or behavior not in the best interest of children, that were weapons related crimes, or that indicated fraud risk.

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

We matched the 344 crimes and codes that we identified from the NCIC list to the ICHAT records for CDC Program child day-care providers who provided childcare during the period October 5, 2003 through March 4, 2006. We identified 523 child day-care providers with convictions of the 344 crimes recorded in their ICHAT records using the NCIC codes. These convictions all occurred prior to DHS enrolling the individuals as child day-care providers (see Finding 2). We found that 28 (5%) of the 523 providers were convicted of violent crimes, including 9 providers convicted of homicide; 8 providers convicted of aggravated assault; 4 providers convicted of child neglect; and 7 providers whose convictions included rape, sexual assault, sex offense against a child, assault less than murder, contributing to the delinquency of a minor, prison escape, and a conviction described by the code as a sex offense. At the time of our review in September 2006, 13 of these 28 providers remained eligible to provide day-care services to CDC Program children. We notified DHS of these providers' criminal convictions and it terminated eligibility for the 13 active child day-care providers. The remaining 15 providers were inactive and previously closed by DHS's automated close process*. Therefore, DHS had not flagged the records of these providers as felony convicted to help prevent their future reenrollment as child day-care providers (see Finding 4, part b.). Upon our notification, DHS added felony conviction flags to the records of these 15 providers to help prevent future reenrollment.

During the period October 5, 2003 through March 4, 2006, DHS authorized the 523 unsuitable child day-care providers we identified to care for 1,466 CDC Program children. Each child day-care provider cared for between 1 and 52 CDC Program children.

b. DHS's terminable crimes and codes list did not include crime descriptions and numeric codes for 346 serious and dangerous felony offenses from the PACC 2006 E-Warrant Guide and the Good Moral Character Act of 1974. As a result, DHS did not detect 117 child day-care providers convicted of these felony offenses and did not prevent them from providing child day-care services.

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

We compared DHS's list of 357 terminable crimes and codes to the PACC August 2006 E-Warrant Guide and the Good Moral Character Act of 1974 to determine the comprehensive nature of DHS's list with regard to felony offenses. We reviewed DHS's list to determine if it included felony weapons related crimes, child protection felony crimes, felony crimes indicating dangerous behavior, and felony fraud crimes. We identified 346 felony crimes and codes that DHS did not include in its list. Some examples of felony crimes not included in DHS's terminable crimes and codes list were stalking a minor, carrying a concealed weapon, inducing a minor to commit a felony, abuse and neglect, human trafficking, the transfer or acquisition of a child for consideration, and torture.

We matched the 346 felony crimes and codes that DHS did not include in its terminable crimes and code list to the ICHAT records of 12,384 CDC Program child day-care providers that DHS enrolled during the period October 1, 2005 to March 4, 2006. We identified 117 child day-care providers convicted of the 346 felony crimes and codes not included in DHS's list. We found that approximately 60% of the convictions were for the following three felony crimes: retail fraud, uttering and publishing, and carrying concealed weapons. During our review, we also determined that a number of these 117 providers were convicted of more serious and dangerous felonies. For example, we identified 2 providers convicted of prison escape, 3 providers convicted of home invasion, and 1 provider convicted of aggravated stalking. Further, we noted that 30 (26%) of the 117 providers had multiple felony crime convictions and that 12 (10%) of the 117 providers had coding in their ICHAT records indicating that the provider was considered a habitual offender. DHS authorized these 117 unsuitable providers to care for 296 CDC Program children during the period October 5, 2003 through March 4, 2006.

c. DHS's terminable crimes and codes list did not include current and updated coding from the PACC August 2006 E-Warrant Guide for 15 (4%) of the 357 crimes contained in the list. As a result, DHS could not ensure that it detected child day-care providers and applicants convicted of crimes with updated or revised coding, such as accosting children for immoral purposes - second offense, prostitution - third offense, and bank robbery, and prevented them from providing child day-care services.

We compared DHS's list of 357 terminable crimes and codes to the PACC August 2006 E-Warrant Guide to determine if new or revised coding existed for DHS's terminable crimes and determined if updated coding existed for 15 of DHS's terminable crimes. We compared the updated coding for the 15 crimes to the ICHAT records of 12,384 CDC Program child day-care providers who DHS enrolled during the period October 1, 2005 through March 4, 2006. We identified a child day-care provider convicted of bank robbery that DHS had not identified because the conviction was recorded in ICHAT with the updated coding. DHS enrolled this provider in January 2006, and the provider remained eligible through October 2006. DHS automatically terminated the eligibility of this provider because of billing inactivity. However, because DHS had not identified the provider's conviction, DHS did not flag the provider's record to prevent future reenrollment (see Finding 4, part b.). DHS authorized this provider to care for 3 CDC Program children for the period January 2006 through March 2006.

d. DHS's terminable crimes and codes list did not include historic PACC Bench Guide numeric codes for the crimes DHS defined as terminable. As a result, DHS did not detect child day-care providers who were convicted of terminable crimes when the providers' conviction was recorded within ICHAT prior to 1999 using historic numeric coding.

   While performing other auditing procedures, we identified and reviewed the ICHAT records of 57 child day-care providers who were incarcerated or on parole. During our review of those 57 providers, we identified 11 providers who were convicted of 4 DHS-defined terminable crimes; however, DHS did not identify and terminate their child day-care provider eligibility. DHS did not identify these providers' terminable convictions because DHS did not include the historic numeric coding used to record convictions of the crimes in ICHAT prior to 1999 in its terminable crimes and codes list. DHS authorized these 11 child day-care providers to care for 22 CDC Program children during the period October 5, 2003 through March 4, 2006.

e. DHS's terminable crimes and codes list did not include 11 (48%) of the 23 SOR listed offenses, such as accosting, enticing, or soliciting a child for immoral purposes; possession of child sexually abusive material; and aggravated indecent exposure. As a result, DHS could not ensure that it

detected child day-care providers convicted of these listed offenses and prevented them from providing child day-care services (see Finding 3).

During our review, we identified an enrolled child day-care provider convicted of accosting, enticing, or soliciting a child for immoral purposes in October 2002. DHS enrolled this individual as a provider in October 2004 and allowed continued child day-care provider eligibility until March 2006. DHS did not identify the provider's October 2002 conviction because DHS did not include this SOR listed offense in its terminable crimes and codes list. DHS authorized this provider to care for 3 CDC Program children during the periods October through December 2004 and April 2005 through March 2006.

We notified DHS of the 11 excluded SOR crimes and codes upon our discovery in August 2006. DHS added the crimes and codes to its terminable crimes and codes list and informed us that it began using the updated list in October 2006.

Twelve child day-care providers and 32 CDC Program children, identified in parts a. through e. above, are included in more than one item because of multiple convictions recorded within the provider's criminal history record using coding from more than one source. We identified a total of 641 unsuitable providers that were authorized to care for a total of 1,755 CDC Program children.

A complete terminable crimes and codes list for child day-care providers is critical for DHS to ensure that it identifies unsuitable child day-care providers and applicants that could potentially pose harm to the children in their care and prevents them from providing child day-care services.

RECOMMENDATION

We recommend that DHS implement effective controls to help ensure that its terminable crimes and codes list is complete and includes the crime description and conviction coding information necessary to identify unsuitable child day-care providers that could potentially pose harm to a child and prevent them from providing child day-care services.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that it began addressing the accuracy of its terminable crimes and codes list in 2007. DHS indicated that in February 2007, it reviewed the PACC list and expanded its terminable crimes and codes list. DHS also indicated that in 2007 DHS arranged to automatically receive updated PACC lists so that it can maintain its terminable crimes and codes list and make immediate updates. DHS informed us that it last updated it terminable crimes and codes list on March 28, 2008.

FINDING

6. Distribution of the Terminable Crimes and Codes List

DHS controls were not effective in ensuring that updated terminable crimes and codes lists were distributed to DHS local offices in a timely manner and contained complete information. As a result, DHS could not ensure that it detected child day-care provider applicants with terminable criminal convictions and prevented them from providing child day-care services.

DHS local office staff use the terminable crimes and codes list to determine if criminal convictions self-reported by day-care aide and relative care provider applicants are terminable and, therefore, DHS should prevent the applicants from providing child day-care services (see Findings 2 and 5).

In 2005, DHS updated its list of 266 terminable crimes to include 91 new crimes and the associated crime descriptions and codes from the PACC 2003 Bench Guide. We reviewed DHS's process for distributing the October 2005 updates of its terminable crimes and codes list to DHS local offices. Our review disclosed:

a. DHS did not distribute the updated terminable crimes and codes lists to its local offices in a timely manner when it added 91 new terminable crimes and codes in October 2005.

   DHS did not distribute its updated terminable crimes and codes list containing the 91 terminable crimes and codes added by DHS in October 2005 to local offices until April 1, 2006, 6 months after DHS added the 91 crimes and codes. DHS's child day-care eligibility policy, effective April 2001, required that a day-care aide or relative care provider applicant's enrollment be denied or

terminated by the DHS local office if the applicant was convicted of crimes contained in DHS's terminable crimes and codes list.

We reviewed the ICHAT records of the 12,384 CDC Program child day-care providers that DHS enrolled during the period October 1, 2005 through March 4, 2006. We identified 148 child day-care providers convicted, prior to enrollment, of one or more of the 91 terminable crime codes added in October 2005. The providers' convictions included assault and/or battery, contributing to the delinquency of a minor, criminal sexual conduct, prostitution, domestic violence, negligent homicide, indecent exposure, abuse of a nursing home patient, and stalking. We notified DHS of our results in May 2007.

We previously identified and included 69 of these 148 providers in Finding 2 because of additional convictions prior to their child day-care provider enrollment. These 69 child day-care providers were convicted of both a terminable crime included in DHS's list prior to October 1, 2005 and one of the 91 crimes DHS added on October 1, 2005. DHS authorized the remaining 79 providers to care for 225 CDC Program children. In September 2006, DHS had ended child day-care provider eligibility for 52 of the 148 providers as a result of ICHAT records checks conducted after the providers' enrollment.

b. DHS did not distribute a complete list of the terminable crimes and codes list to local offices.

DHS did not include 4 of the 357 terminable crimes and codes in the list it distributed to local office staff on April 1, 2006. DHS did not include the crime descriptions and codes for operating under the influence, threatening a DHS employee with physical harm, welfare fraud failure to inform less than $500, and welfare fraud less than $500.

We reviewed the ICHAT records of the 12,384 CDC Program child day-care providers that DHS enrolled during the period October 1, 2005 through March 4, 2006. We identified 8 child day-care providers convicted, prior to enrollment, of one or more of the 4 terminable crime codes that DHS did not distribute to local offices on April 1, 2006. These convictions were all misdemeanors and related to welfare fraud. We previously identified and included 3 of the 8 providers in Finding 2 for additional convictions prior to

their child day-care provider enrollment. These 3 child day-care providers were convicted of both a terminable crime included in DHS's list prior to October 1, 2005 and 1 of the 4 crimes that DHS did not distribute to DHS local offices on April 1, 2006. DHS authorized the 5 providers not included in Finding 2 to care for 9 CDC Program children. In September 2006, DHS had ended child day-care provider eligibility for 3 of the 8 providers as a result of ICHAT records checks conducted after the providers' enrollment. We notified DHS of our results in May 2007.

It is important for DHS to distribute updated terminable crimes and codes lists to local offices in a timely manner and to ensure that the lists are complete. This could help DHS identify child day-care provider applicants with terminable convictions so that DHS can deny them child day-care provider eligibility.

RECOMMENDATION

We recommend that DHS strengthen its controls to help ensure that updated terminable crimes and codes lists are distributed to DHS local offices in a timely manner and contain complete information.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that it did not have a process in place to immediately notify local offices of changes to the terminable crimes and codes list, but rectified its notification process in 2007. DHS informed us that in August 2007, it implemented a Web-based directory that allows the CDC Program to immediately update the crimes and codes list information available to local office staff.

FINDING

7. Suitability of Adult Household Members of Relative Care Providers and Family and Group Day-Care Home Providers

DHS had not implemented controls to help ensure that it obtained criminal history background information for adult household members who relative care providers reported were living in their homes or updated criminal history background information for adult household members who family and group day-care home providers reported were living in their homes. Also, DHS had not implemented controls to help ensure that it periodically evaluated the Central Registry status of

adult household members who relative care providers reported were living in their homes. Further, DHS could utilize internal and publicly available information to help identify unreported adult household members of relative care providers.

It is important for DHS to identify adult household members with criminal conviction histories or substantiated histories of child abuse and/or neglect living in the homes of child day-care providers in order to assess the potential harm to the children receiving care in the providers' homes. As of September 30, 2006, DHS informed us that there were approximately 33,000 relative care providers and approximately 12,000 family and group day-care home providers providing childcare in their homes.

Our review of DHS controls pertaining to DHS's identification of adult household members of child day-care providers with unsuitable criminal convictions or substantiated histories of child abuse and/or neglect disclosed:

a. DHS policy did not require criminal history checks (ICHAT, PSOR, and/or OTIS) for adult household members that relative care providers reported were living with them. As a result, DHS could not ensure that it prevented enrollment of relative care providers having adult household members with unsuitable criminal backgrounds living in the homes where childcare is provided.

   Further, DHS policy did not require periodic criminal history checks of the adults reported to be residing with family and group day-care home providers. Section 722.115g of the *Michigan Compiled Laws* and DHS Child Day-Care Licensing Division policy only require DHS to perform an ICHAT records check of adults residing with family and group day-care home providers at the time of the providers' application, when a household member reaches age 18, or when an adult joins the household. DHS did not require any further updated criminal history checks of these adult household members after the specified checks. As a result, DHS could not ensure that it prevented continued licensure and/or registration of family and group day-care home providers with adults living in their homes who were convicted of unsuitable crimes after the one-time criminal history check.

b. DHS policy did not require periodic checks of the Central Registry for adult household members that relative care providers reported were living with

them. DHS policy only requires a Central Registry check for declared adult household members of relative care providers at enrollment, when a provider reports a change in the adults living in the household, or when a provider notifies DHS that an adult household member might appear on the Central Registry. DHS local office staff informed us that relative care providers rarely report changes in adult household member status, as required. However, DHS did not require any further Central Registry checks of adult household members of relative care providers. As a result, DHS could not ensure that it prevented continued enrollment of relative care providers with adult household members with substantiated histories of child abuse and/or neglect occurring after the one-time Central Registry check.

c. DHS policy did not require DHS staff to perform any verification procedures using DHS internal and/or publicly available information to help identify unreported adult household members of relative care providers. As a result, DHS increased the risk of potential harm to children receiving childcare services in the homes of relative care providers with unreported adult household members.

The following example demonstrates the importance of DHS performing a more in-depth investigation of adults residing with child day-care providers. During our review, we identified an adult household member living in a relative care provider's home who had the following convictions: criminal sexual conduct (2 convictions), felony assault, and domestic violence. These convictions were recorded in the adult household member's ICHAT record, and all of the convictions occurred prior to the provider's enrollment. In addition, we found that the adult household member was a substantiated perpetrator of child abuse and/or neglect and was included in DHS's Central Registry prior to the provider's enrollment. DHS did not identify this adult as a member of the provider's household at enrollment or thereafter because the provider did not report that the adult was living in the home and DHS did not perform any verification procedures to help identify unreported adults living with the provider. We were able to determine that this adult resided in the provider's home by reviewing information from the provider's application on file with DHS and by querying the PSOR. The adult household member's address listed in the PSOR was the same as the provider's address per DHS's provider file. In addition, we found information in DHS's own CIMS/CIS relating the provider and the adult household member to the same address.

DHS enrolled this relative care provider in April 2006. We discovered the adult household member's PSOR status in late June 2006 and notified DHS. In July 2006, the adult no longer appeared on the PSOR due to a 93-day incarceration, per the adult's ICHAT record. Therefore, because the adult household member was incarcerated and no longer in the home, DHS did not terminate the provider's eligibility. In March 2007, we notified DHS that the adult again appeared on the PSOR and registered at the same address where the provider was providing care to 6 CDC Program children.

The relative care provider in our example did not declare this adult household member to DHS, and DHS had taken no other action to identify whether the home contained an unsuitable adult household member. DHS policy did not require a verification of the application assertions made by child day-care providers at enrollment. However, DHS could use information from its own systems and the PSOR at provider enrollment, and periodically thereafter, to help identify unreported adult household members. It is important that DHS utilize readily available information to help identify unreported adult household members so that DHS can reduce the risk of potential harm to children receiving care in the homes where these adults live.

RECOMMENDATIONS

We recommend that DHS implement controls to help ensure that it obtains criminal history background information for adult household members that relative care providers report are living in their homes and updated criminal history background information for adult household members that family and group day-care home providers report are living in their homes.

We also recommend that DHS implement controls to help ensure that it periodically evaluates the Central Registry status of adult household members that relative care providers report are living in their homes.

We further recommend that DHS utilize internal and publicly available information to help identify unreported adult household members of relative care providers.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendations. DHS indicated that obtaining criminal background checks on adult household members is important. DHS informed us

that upon discovery that the ICHAT record did not include all criminal history information, it not only changed policy to require ICHAT checks prior to enrollment, for identified adult household members, but also added additional background checks (PSOR, OTIS, and NSOPR) in April 2007. DHS also informed us that it conducts Central Registry checks for identified adult household members prior to enrollment of providers.

DHS indicated that effective May 2007, the Bureau of Child and Adult Licensing (BCAL) implemented a monthly automated process to obtain updated criminal histories of reported adult household members in licensed family and group day-care homes. In addition, DHS indicated that BCAL verifies family and group day-care adult household members whenever BCAL conducts an inspection.

DHS informed us that it relies on day-care aides and relative care providers to self-report any changes in their household composition within 10 days for DHS to act on. DHS indicated that it conducts all background checks required when notified of a change. DHS also indicated that it will continue to evaluate the feasibility of utilizing internal and publicly available information to identify the potentially unreported adult household members for the more than 40,000 day-care aides and relative care providers that turn over at a rate of 2,000 to 3,000 per month.

FINDING

8. Criminal History Checks for Child Day-Care Center Licensees, Licensee Designees, and Program Directors

DHS had not implemented effective controls to help ensure that it periodically obtained updated criminal histories of child day-care center licensees, licensee designees, and program directors during the two-year period between licensure and renewal. As a result, DHS could not ensure that these individuals maintained the suitability and good moral character required by DHS to provide day-care services.

DHS informed us that it licenses approximately 4,880 child day-care centers in Michigan. According to DHS, these licensed day-care centers serve approximately 22,300 CDC Program children and children of the general public.

DHS's BCAL Child Day-Care Licensing Division policy requires criminal history checks for each child day-care licensee, licensee designee, and program director at the time of initial application and renewal. However, DHS's policy does not address identifying possible criminal convictions of these individuals that may occur during the intervening two-year period between initial application and renewal. Although DHS conducted monthly ICHAT criminal history checks for other child day-care providers, DHS did not include child day-care center licensees, licensee designees, and program directors in the monthly checks.

Obtaining updated criminal histories for child day-care center licensees, licensee designees, and program directors during the two-year period between licensure and renewal is important to help DHS identify unsuitable convictions that occur and assess the continued suitability and good moral character of these individuals to provide child day-care services.

We reported a similar condition in our performance audit of Child Day Care and Child Welfare Licensing Divisions, Department of Human Services (63-432-03), released in May 2005. At that time, DHS agreed that obtaining periodic updated criminal histories would improve DHS's effectiveness in identifying unsuitable child day-care center licensees, licensee designees, and program directors. However, DHS did not implement procedures to obtain updated criminal histories of child day-care center licensees, licensee designees, or program directors during the two-year period between licensure and renewal subsequent to our audit recommendation.

During and subsequent to our audit fieldwork, legislation was passed which may provide additional controls to help prevent the licensing of unsuitable individuals. Act 133, P.A. 2005, effective January 1, 2006, requires child day-care center licensees, licensee designees, and program directors to submit his or her fingerprints to the Michigan Department of State Police for a criminal history check and criminal records check when applying for or renewing a license. This Act also states that if the person(s) applying to renew a license to operate a day-care center has previously undergone a criminal history check and criminal records check with the submitted fingerprints and has remained continuously licensed after the checks, he or she is not required to submit to another criminal history check or criminal records check upon renewal of his or her license.

Act 218, P.A. 2007, effective January 1, 2008, requires the Michigan Department of State Police to store and maintain the submitted fingerprints in an automated fingerprint identification system database that provides automatic notification when a criminal arrest fingerprint card is submitted into the system that matches a set of fingerprints on file. The Act also requires the Michigan Department of State Police to immediately notify DHS of the match. In June 2008, DHS informed us that the system is operational and provides DHS with automatic notification of arrests and charge and judicial dispositions of criminal matters for child day-care center licensees, licensee designees, and program directors. The effective date of the Act was subsequent to the end of our audit fieldwork. Therefore, our auditing procedures did not include an evaluation of any components of the operational effectiveness of the required fingerprint identification system database.

RECOMMENDATION

WE AGAIN RECOMMEND DHS IMPLEMENT EFFECTIVE CONTROLS TO HELP ENSURE THAT IT PERIODICALLY OBTAINS UPDATED CRIMINAL HISTORIES OF CHILD DAY-CARE CENTER LICENSEES, LICENSEE DESIGNEES, AND PROGRAM DIRECTORS DURING THE TWO-YEAR PERIOD BETWEEN LICENSURE AND RENEWAL.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that effective May 2007, DHS's BCAL began performing monthly criminal history checks on licensees, licensee designees, and program directors. Further, DHS indicated that it has always complied with statutory requirements for criminal history records checks of child day-care center licensees, licensee designees, and program directors.

FINDING

9. Offender Tracking Information System (OTIS) Checks

DHS did not conduct checks of DOC's OTIS records prior to enrolling day-care aides and relative care providers to help detect unsuitable individuals and prevent them from providing child day-care services. As a result, DHS enrolled as child day-care providers, incarcerated individuals, individuals convicted of terminable crimes, and parolees and probationers with DOC supervision conditions* that restricted contact with children.

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

OTIS is publicly available through the Internet and includes incarceration and parole information about offenders who are, or were, in a Michigan prison, on parole, or on probation under the supervision of the DOC. During the period October 5, 2003 through March 4, 2006, DHS enrolled approximately 92,350 day-care aide and relative care provider applicants as child day-care providers without conducting OTIS records checks of these individuals. DHS enrolls day-care aides and relative care providers solely to provide CDC Program-funded childcare services to CDC Program children and accepts completed provider applications by mail, in person from the applicant, or delivered by a third party.

Our review of 88 selected child day-care providers disclosed:

a. OTIS records contained information that could have helped DHS identify child day-care provider applicants who were incarcerated in State prison when DHS enrolled them as child day-care providers. Our review of OTIS records identified 3 child day-care providers who were incarcerated in State prison at the date of enrollment. DHS paid these 3 child day-care providers $3,730 to care for CDC Program children while they were incarcerated.

b. OTIS records contained information that could have helped DHS identify and prevent enrollment of child day-care provider applicants previously convicted of terminable crimes. We identified 5 child day-care providers whose OTIS record indicated that the individual was convicted of a terminable crime prior to the provider's enrollment; however, the individual's ICHAT record did not contain the conviction information. Therefore, an OTIS record check would have disclosed conviction information for these provider applicants that an ICHAT records check would not.

c. OTIS records contained information that could have helped DHS identify child day-care provider applicants with DOC parole supervision conditions that restricted contact with children. We identified 3 providers with OTIS records that contained supervision conditions restricting contact with children. The supervision conditions restricting contact with children were in effect for 1 individual when DHS enrolled the individual as a child day-care provider. The DOC supervision conditions restricting contact with children for the remaining 2 individuals were not in effect at the time of enrollment, but were in effect while the individuals were active child day-care providers.

The following example demonstrates the importance of DHS performing OTIS checks for child day-care providers. Before reading the example, it is important to note that DHS does not preclude individuals actively on parole from child day-care provider eligibility if DHS does not consider the individual's criminal conviction terminable (see Findings 5 and 6) and the individual meets other DHS requirements for child day-care providers (see Exhibit 4).

DHS enrolled a relative care provider, in July 2005, who was on parole at the time of enrollment according to OTIS. According to both the provider's OTIS and ICHAT records, the provider was previously convicted in 1976 of murder and in 1994 of manslaughter; both convictions would preclude child day-care provider enrollment. Therefore, a check of this individual's OTIS record at application could have helped DHS prevent enrollment of this unsuitable child day-care provider that did not self-report the convictions at enrollment (see Finding 2). We further noted that after DHS enrolled the provider, DHS's monthly ICHAT records check did not identify the provider's convictions. The ICHAT record for the 1976 murder conviction used older crime coding that DHS did not include in its terminable crimes and codes list (see Finding 5). The ICHAT record for the 1994 conviction contained the same updated coding as DHS's terminable crimes list; however, DHS's ICHAT records check failed to identify the conviction (Finding 4, part c.). At the time of our review, the provider's OTIS record indicated that the provider had absconded from parole (i.e., did not report to the parole officer) and DHS's records indicated that the provider was actively providing child day-care services for CDC Program children at the same time. We notified DHS of our results and it terminated the provider's child day-care eligibility in September 2006.

Checks of OTIS records could help DHS identify provider applicants that are incarcerated, that have unsuitable criminal histories, or that have DOC parole supervision conditions restricting contact with children.

RECOMMENDATION

We recommend that DHS conduct checks of DOC's OTIS records prior to enrolling day-care aides and relative care providers to help detect unsuitable individuals and prevent them from providing child day-care services.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that effective April 2007, DHS added OTIS checks to preenrollment requirements for day-care aides and relative care providers. DHS also indicated that in November 2007, it added an automated monthly tape match of OTIS information to ensure that any new offenses can be used to disenroll providers.

FINDING

10. DHS Child Day-Care Provider Records

DHS should strengthen controls over its child day-care provider records to help ensure that it obtains and maintains accurate and complete date-of-birth information for all child day-care providers. Obtaining and maintaining accurate and complete date-of-birth information for all providers could enhance DHS's ability to detect providers with unsuitable criminal histories and prevent them from providing child day-care services.

DHS recorded and maintained child day-care provider information, such as name, date of birth, and SSN, in its Model Payment System (MPS) and relied on that information to help identify active child day-care providers with unsuitable criminal histories during its monthly ICHAT criminal history checks. DHS used the provider's SSN recorded in MPS as the primary identifier to match active providers with ICHAT records; however, not all ICHAT records contain SSNs. In instances when an ICHAT record did not contain an SSN, DHS relied on the provider's name and date-of-birth information recorded in MPS to match ICHAT records that contained unsuitable criminal convictions with active child day-care providers. Therefore, when DHS uses provider records with inaccurate or incomplete date-of-birth information, it could result in DHS not identifying active child day-care providers with unsuitable criminal convictions recorded in ICHAT.

Our review of DHS's MPS provider records and its enrolled provider files disclosed:

a. MPS provider records did not always contain an accurate date of birth for providers.

We determined that numerous MPS provider records are at risk for incorrect date-of-birth information because of an automated data collection process used by DHS to populate the provider date-of-birth field in MPS.

The automated data collection process retrieved previously stored date-of-birth information from DHS's CIMS/CIS during the enrollment process and whenever DHS entered manual adjustments to a child day-care provider's record. The automated process compared the information DHS manually entered into MPS for the provider to information stored on CIMS/CIS to determine if CIMS/CIS information existed for the provider. When the automated process identified CIMS/CIS information for the provider, it would overwrite the manually entered date-of-birth information for the provider with the CIMS/CIS date-of-birth information. However, DHS's automated process did not always retrieve correct data for providers, and the process did not include a tracking feature to identify the records where the automated process overwrote MPS provider information with CIMS/CIS information. As a result, DHS's automated process entered inaccurate date-of-birth information into MPS records for an undeterminable number of providers and DHS could not identify the providers' records affected by the process. We determined that approximately 127,310 providers' records were at risk for incorrect MPS date-of-birth information. These child day-care providers cared for approximately 158,111 children during the period October 5, 2003 through March 4, 2006.

We identified and reviewed 25 MPS provider records that contained questionable provider dates of birth. We reviewed DHS's hard copy provider file for these 25 providers to compare the provider's date of birth recorded in MPS to the provider's proof of identity. We determined that the MPS record contained inaccurate date-of-birth information for 9 of the 25 providers. Our review disclosed that 6 of the providers' records contained inaccurate date-of-birth information because of the automated CIMS/CIS data retrieval process. DHS could not provide information to explain why the other 3 MPS records contained inaccurate provider date-of-birth information. Upon our notification, DHS corrected the MPS provider date-of-birth records for these 9 providers.

b. MPS provider records did not always contain date-of-birth information. We identified 511 MPS provider records that did not contain a date of birth.

c. Enrolled provider files did not always contain the required date-of-birth verification documentation for child day-care providers.

DHS did not maintain date-of-birth verification for 8 of the 25 providers we reviewed. As a result, we could not determine the accuracy of the MPS date-of-birth records for these 8 providers. Furthermore, DHS did not maintain any of the required provider file documentation for 4 of these providers.

DHS policies require child day-care provider applicants to furnish DHS with date-of-birth and identification verification. Further, DHS policy requires that DHS establish and maintain a file for each enrolled provider that includes proof of identity, age, and a valid SSN.

Strengthening controls for DHS's MPS provider records and enrolled provider files could help DHS ensure that provider information recorded in MPS is accurate and complete. This could help DHS increase the reliability of its background suitability checks and help DHS prevent unsuitable child day-care providers from caring for children.

RECOMMENDATION

We recommend that DHS strengthen controls over its child day-care provider records to help ensure that it obtains and maintains accurate and complete date-of-birth information for all child day-care providers.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation. DHS indicated that it uses fingerprints for criminal history records checks for licensed providers and SSNs for criminal history records checks for enrolled providers. DHS informed us that it will continue to ensure that it has the ability to utilize multiple data elements (SSN, first and last names, or date of birth) for criminal history records checks to ensure the suitability of providers.

SUPPLEMENTAL INFORMATION

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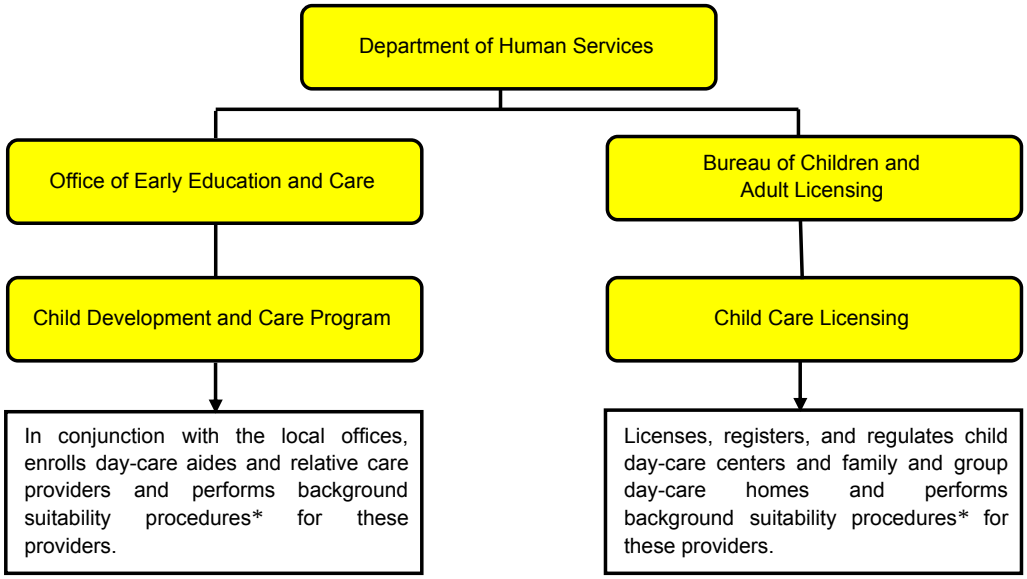
SUITABILITY OF CHILD DEVELOPMENT AND CARE (CDC) PROGRAM PROVIDERS
Department of Human Services (DHS)

Child Day-Care Providers by Provider Type
As of September 30, 2006

Provider Type	DHS Classification	Number of Children	Type of Children Served by Provider	Care Setting	Approximate Number of Active Providers
Relative care provider	Enrolled	1 to 6	Related CDC Program Children Only	Home of the provider	32,950
Day-care aide	Enrolled	1 to 6	Related or Unrelated CDC Program Children Only	Home of the child	26,900
Family day-care home	Registered	1 to 6	Unrelated CDC Program Children and Children of the General Public	Home of the provider	8,350
Child day-care center	Licensed	12 or more	Unrelated CDC Program Children and Children of the General Public	Nonresidential facility	4,450
Group day-care home	Licensed	7 to 12	Unrelated CDC Program Children and Children of the General Public	Home of the provider	3,600
					76,250

Note: There are a small number of unlicensed day-care centers and homes eligible to receive CDC Program payments that are exempt from licensure under Act 116, P.A. 1973. They include day-care centers where all parents are on site and available and day-care centers, family homes, and group homes located on federal land. DHS does not regulate these unlicensed child day-care providers, and they were not included in our review.



* See Exhibit 2.

UNAUDITED
Exhibit 2

SUITABILITY OF CHILD DEVELOPMENT AND CARE PROGRAM PROVIDERS
Department of Human Services (DHS)

DHS Background Suitability Procedures and Sources by Provider Type
As of December 7, 2006

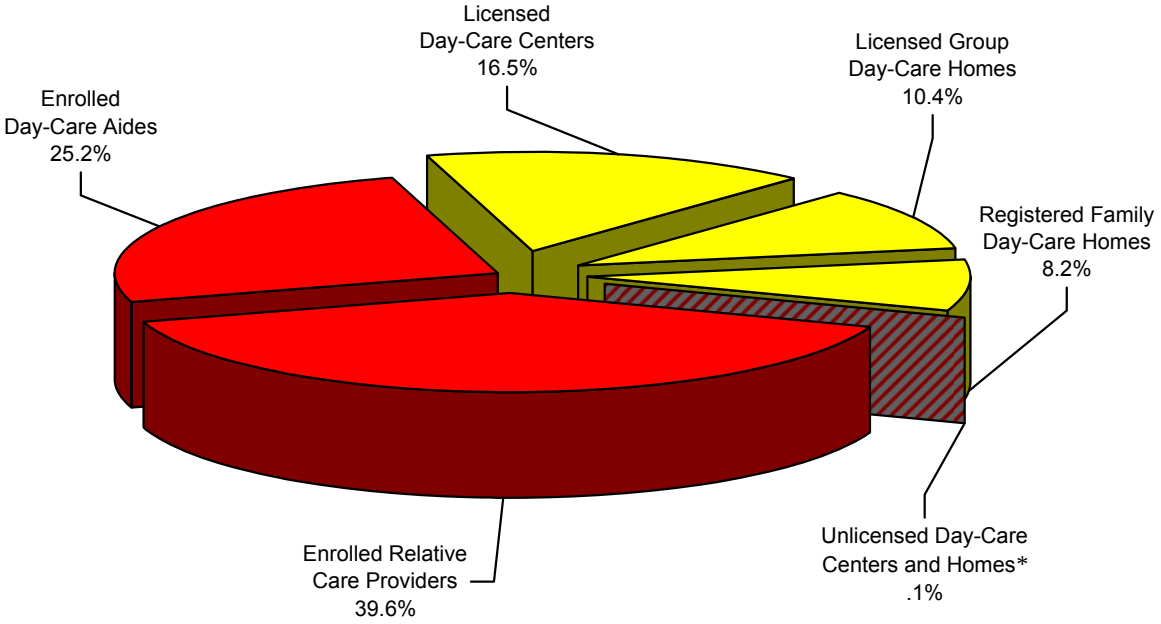
Type of Check	Check Required for	Check Performed at Licensure/Registration/Enrollment?	DHS Performs Additional Checks Periodically?
Licensed Day-Care Centers:			
Identix Identification Services (Identix) fingerprint	Applicant and licensee	Yes - at original and renewal issuance (2 years)	No
	Program director	Yes - at original and renewal issuance (2 years)	No
	Licensee designee	Yes - at original and renewal issuance (2 years)	No
Law Enforcement Information Network (LEIN) clearance	Program director	Yes - before employment if this occurs within a licensing cycle	No
Central Registry	Licensee	Yes - at original and renewal issuance (2 years)	Yes - weekly
Licensed Group and Registered Family Day-Care Homes:			
Identix Fingerprint	Licensee/registrant	Yes - at original and renewal issuance (2 years)	No
Internet Criminal History Access Tool (ICHAT)	Licensee/registrant	Not applicable - Identix fingerprint check is relied upon	Yes - monthly
	Adult household members	Yes - Prior to licensure, at age 18, and when joining household	No
Central Registry	Licensee/registrant	Yes - at original and renewal issuance (2 years)	Yes - weekly
	Adult household members	Yes - at original and renewal issuance (2 years)	Yes - monthly
Enrolled Day-Care Aides and Relative Care Providers:			
ICHAT	Providers	No	Yes - monthly
	Adult household members	No	No
Central Registry	Providers	Yes	Yes - weekly
	Adult household members	Yes	No

Source: Various DHS policies and procedures.

Background Information Provided by Check	Conditions That Would Indicate an Unsuitable Background
All Michigan convictions and all Federal Bureau of Investigation (FBI) charges and convictions	Convictions listed in Good Moral Character Act
All Michigan convictions	Convictions listed in Good Moral Character Act
Records of child abuse and neglect perpetrators	Any substantiated case as a perpetrator
All Michigan convictions and all FBI charges and convictions	Convictions listed in Good Moral Character Act
All Michigan convictions	Convictions listed in Good Moral Character Act
Records of child abuse and neglect perpetrators	Any substantiated case as a perpetrator
All Michigan convictions on DHS's list of terminable crimes	Convictions on DHS's list of terminable crimes
Records of child abuse and neglect perpetrators	Any substantiated case as a perpetrator

SUITABILITY OF CHILD DEVELOPMENT AND CARE (CDC) PROGRAM PROVIDERS
Department of Human Services (DHS)

CDC Program Payments by Provider Type
For the Period October 5, 2003 through March 4, 2006



Enrolled Provider Payments		
Relative care providers	$	441,672,006
Day-care aides		280,460,407
Total enrolled provider payments	$	722,132,413
Licensed and Registered Provider Payments		
Licensed day-care centers	$	183,826,705
Licensed group day-care homes		116,348,213
Registered family day-care homes		91,835,806
Total licensed and registered provider payments	$	392,010,724
Unlicensed Provider Payments*		
Unlicensed day-care centers - Federal land	$	542,962
Unlicensed day-care centers - Parent on site		344,099
Unlicensed family homes - Federal land		80,590
Total unlicensed provider payments	$	967,652
Total provider payments	$	1,115,110,789

* There are a small number of unlicensed day-care centers and homes eligible to receive CDC Program payments that are exempt from licensure under Act 116, P.A. 1973. They include day-care centers where all parents are on site and available and day-care centers, family homes, and group homes located on federal land. DHS does not regulate these unlicensed day-care providers, and they were not included in our review.

Source: DHS's CDC Program payment file.

Today's Child

DAY CARE AIDE/ RELATIVE CARE PROVIDER APPLICATION

State of Michigan
Family Independence Agency (FIA)

INSTRUCTIONS TO PROVIDER:

- Read all pages.
- Complete Sections I & II. Relative care providers must also complete Section III.
- Sign and date the form in Section IV.
- **Attach proof of your identity, age and Social Security Number.**
- FIA must receive this form within 21 days of your signature along with proof of your identity, age and Social Security Number.
- You will be sent an FIA-4807, Notice of Child Development and Care (CDC) Provider Eligibility, and FIA Pub-230, Provider Handbook and Reporting Instructions for Child Care Providers.
- You will be sent an FIA-198, Child Development and Care Certificate/ Notice of Authorization, indicating whether or not child(ren) have been authorized for your care based on the family's eligibility determination.

Grantee Name					
Grantee ID				Case Number	
County	District	Section	Unit	Specialist	Date
Specialist Name					
Local FIA Office				Telephone Number	
Local Office Address (Street Number and Name)					
City				State	Zip Code

The original FIA-220 is to be filed in the local office central provider file.

SECTION I

Where will you provide the child care?
☐ HOME WHERE CHILD LIVES ☐ MY HOME

Do you live with the child(ren) in care?
☐ NO ☐ YES If yes, you may only apply to be a day care aide.

I am applying to be a ☐ DAY CARE AIDE or ☐ RELATIVE CARE PROVIDER

As a day care aide, I understand that:
- I **must** provide the care in the home where the child lives.
- I may be related to the child.

As a relative care provider, I understand that:
- I **must** be an adult **and** a grandparent/step-grandparent, great-grandparent/step-great-grandparent, aunt/step-aunt, uncle/step-uncle or sibling/step-sibling of all child(ren) in care.
- I **must** provide the care in my home and **not** the home where the child lives
- I **must** live in Michigan and **not** in the same home as the child.

If you do not meet the requirements for either provider type listed above, do not complete this form.

SECTION II

Name (Last, First, Middle)			Former/Maiden Name		
Date of Birth	Sex	Social Security #		Driver's License #	
Address (Number and Street, Apt. No.)		City	State	Zip Code	County
Have you ever provided child care services for FIA-funded children? ☐ NO ☐ YES (If yes) ▶			Provider ID Number	Telephone Number ( )	

Have you ever had your child care center/group home license or family home registration suspended or revoked? ☐ NO ☐ YES

Do you receive any other reimbursement for child care that you provide?
☐ NO ☐ YES (If yes, from whom?)

Do you receive FIA payment for providing Adult Home Help Services?
☐ NO ☐ Yes (If yes, for whom?)

FIA will complete background checks. If you do not want background checks done, you should not apply.
Have you ever been convicted of a crime? ☐ NO ☐ YES (If yes) ▶ Was the crime a felony? ☐ NO ☐ YES
If you answered "yes" to the previous question, describe all felonies:

SECTION III: (Relative Care Providers Only)

Are you related to all of the children you plan to care for in your home? If no, or if not related as indicated below, you do not qualify to be a relative care provider.
☐ NO
☐ YES (If yes, how are you related?) ▶
☐ Grandparent/step-grandparent
☐ Great-grandparent/step-great-grandparent
☐ Uncle/step-uncle
☐ Aunt/step-aunt
☐ Sibling/step-sibling

If you are applying to be a relative care provider, list all adults who live in your home: (Attach additional sheet if necessary.)

Name	Maiden & Other Names Used	Date of Birth	Sex	Social Security #	Driver's License #

FIA-220 (Rev. 1-04) Previous edition obsolete. MS Word 1

DISTRIBUTION:
Original - Pages 1 and 2, Local office central provider file
Page 3 - Provider

Go to page 2 ▶

Note: Executive Order No. 2004-38 renamed the Family Independence Agency (FIA) as the Department of Human Services (DHS).

SECTION IV

PROVIDER CERTIFICATION

I certify that:

- All information I have given is true and accurate to the best of my knowledge.
- I have read, understand, and meet all enrollment requirements listed in Section V and have retained a copy.
- I understand that the agency will complete background checks to determine:
  - If I, and/or any adult member of my household, if I am applying to be a relative care provider, am a person responsible for the neglect or abuse of children in a substantiated Children's Protective Service case, and
  - If I have been convicted of certain crimes.
- I understand that my enrollment will be denied, revoked or terminated if either of the above is confirmed.
- I understand that I will not be authorized to care for FIA-funded children if my provider enrollment is denied, revoked or terminated.
- I understand that if I have misrepresented my circumstances, or if I fail to meet the conditions as stated in Section V, or fail to abide by the requirements as stated in Section V, the Agency may deny or revoke/terminate my enrollment as a day care aide and/or relative care provider.
- I understand that if the FIA determines I have been overpaid for any reason, the extra payments received will have to be repaid. I may be prosecuted for fraud if my intentional misrepresentation caused the overpayment.
- I understand that if an administrative law judge finds I have committed an intentional program violation, my enrollment may be revoked.
- I acknowledge that the Agency has the right to change the terms and conditions of this enrollment by notice to my last known address.
- I acknowledge that if I default on a repayment agreement, future payments can be reduced.
- I understand that as part of my billing/reporting requirements:
  - I must maintain records showing the time of arrival and departure for each FIA-funded child as certified by the parent/substitute parent on a daily basis, and must retain these records for four years.
  - I must report the following changes to the local FIA office within 10 calendar days of occurrence:
    - a change in address
    - a change in where care is provided
    - if I stop providing care for any FIA-funded child.
- I understand that this certification applies to any FIA-funded children I care for, until my enrollment is revoked or terminated.

Provider Signature	Date

Provider return pages 1 and 2 to the local FIA office.

Payments made for child care services for FIA-funded children are reported to the Internal Revenue Service.

The Family Independence Agency will not discriminate against any individual or group because of race, sex, religion, age, national origin, color, height, weight, marital status, political beliefs or disability. If you need help with reading, writing, hearing, etc., under the Americans with Disabilities Act, you are invited to make your needs known to an FIA office in your county.	AUTHORITY: PA 280 of 1939. COMPLETION: Is Voluntary. CONSEQUENCE FOR NONCOMPLETION: Applicant's care of children will not be Agency funded.

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SECTION V

REQUIREMENTS TO BE AN FIA-ENROLLED DAY CARE AIDE OR RELATIVE CARE PROVIDER

Common Requirements:

- You must be able to read and write.
- You must provide proof of your identity, age and Social Security Number.
- You must not have any physical impairment or other problem that would hinder you from giving adequate care and supervision to children.
- You will not be enrolled and will not be authorized to care for FIA-funded children if a background check shows you have been a perpetrator on a confirmed Children's Protective Service case.
- You will not be enrolled and will not be authorized to care for FIA-funded children if you report, or a background check determines, you have been convicted of certain crimes.
- You must know how and when to seek help from others, i.e. how to use the telephone, how to respond to emergency situations which might arise during the provision of care to children.
- You must not have family responsibilities or other obligations that would interfere with providing child care to children.
- You must not be the parent/guardian/usual caretaker of any child for which you would receive payment.
- You must not have had your child care center/group home license or family home registration revoked and your license/registration must not be currently suspended.
- You must not care for more than six children (including your own children) at the same time.
- You must not care for more than two children (including your own children) under the age of 12 months at the same time.
- You must not charge the parent/substitute parent more than what you charge the general public.
- You must give the parents/substitute parents of the children in your care unlimited access to their children while they are in your care.
- As part of your billing/reporting requirements:
  - You must maintain permanent and accurate records of daily attendance of all FIA-funded children served. These records must indicate the time the child arrived and departed from your care as certified by the parent/substitute parent. These records must be kept for four years.
  - You must report the following changes to the local FIA office within 10 calendar days of occurrence:
    - a change in address
    - a change in where care is provided
    - if you stop providing care for any FIA-funded child.

Specific Requirements for Day Care Aides:

- You must be at least 16 years of age during the time care is provided.
- You are employed and paid by the parent/substitute parent of the child(ren) for whom you provide care. The parent/substitute parent is the employer and is responsible for the employer's share of any employer's taxes that need to be paid, such as Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA) taxes.
- You may only bill for actual care provided (except for State of Michigan holidays and absences due to child's illness) in the home where the child lives.

Specific Requirements for Relative Care Providers:

- You must be at least 18 years of age during the time care is provided.
- You must be a grandparent/step-grandparent, great-grandparent/step-great-grandparent, aunt/step-aunt, uncle/step-uncle, or adult sibling/step-sibling of the child needing care and must not live in the same household as the child.
- You must report all adults living in your household, now and as long as you are a relative care provider. You must also report to the local FIA office any change to the adults living in your household.
- You will not be enrolled, and will not receive FIA payment, if a background check shows that any adult person living with you is a perpetrator on a substantiated Children's Protective Service case.
- You may only bill for actual care provided (except for State of Michigan holidays and absences due to the child's illness) in your home, not the home where the child lives.

Provider retain this page for your records.

FIA-220 (Rev. 1-04) Previous edition obsolete. MS Word 3

DESCRIPTION

Use the FIA-220 as the enrollment application for day care aides and relative care providers.

The FIA-220 is completed by:

- a person, including a relative, who is applying to become enrolled as a day care aide to provide child care in the home where the child lives; or
- a person, who is a grandparent/step-grandparent, great-grandparent/step-great-grandparent, aunt/step-aunt, uncle/step-uncle or sibling/step-sibling of the child needing care, who is applying to become enrolled as a relative care provider to provide care in his/her home (**not** the home where the child lives).
- an already enrolled day care aide or relative care provider applying to be enrolled as a different type of provider.

If approved, the effective date of enrollment for day care aides and relative care providers is the most recent of the following:

- the date care began, or
- the customer's effective date of eligibility, or
- the day care aide's 16th birthday, or
- the relative care provider's 18th birthday.

If the signature date is more than 21 days prior to receipt of the FIA-220 by the local FIA office, a new application will need to be submitted.

The Spanish version of this form is the FIA-220SP.

INSTRUCTIONS

Complete the top right-hand block of information, including local FIA office, specialist name and telephone number. Give or mail the form to the customer. The customer is to give the form to his/her provider.

The provider is to complete all information requested, read all parts of the form, and sign and date the form. Pages 1 and 2 of the form are to be returned to the local FIA office. Page 3 is to be retained by the provider.

See PEM 704 for the enrollment process for day care aides and relative care providers.

DISTRIBUTION

File pages 1 and 2 of the FIA-220 in the local office central provider file.

GLOSSARY

Glossary of Acronyms and Terms

Act 116, P.A. 1973	An act to provide for the protection of children through the licensing and regulation of childcare organizations; to provide for the establishment of standards of care for childcare organizations; to prescribe powers and duties of certain departments of the State and adoption facilitators; and to provide penalties.
active	A child day-care provider that is either currently authorized by DHS to care for CDC children or eligible to be authorized by DHS to care for CDC children.
adult household member	A person, 18 years of age or older, who resides in the home with a relative care provider or a family or group day-care home provider.
authorize	When DHS approves CDC Program payment for childcare services to an eligible provider for a CDC Program eligible child.
automated close process	An automated process that systematically ends providers' eligibility when the providers' CDC day-care billings have ceased for a six-month period.
BCAL	Bureau of Children and Adult Licensing.
Bench Guide	Bench Guide of Criminal Records Reporting.
Central Registry	The system maintained and used by DHS to keep a record of all reports filed with DHS pursuant to the Child Protection Law (Sections 722.621 - 722.638 of the *Michigan Compiled Laws)* in which a preponderance of relevant and accurate evidence of child abuse or neglect is found to exist.

child abuse	Harm or threatened harm to a child's health or welfare by a parent, legal guardian, or any other person responsible for the child's health or welfare or by a teacher, a teacher's aide, or a member of the clergy that occurs through nonaccidental physical or mental injury, sexual abuse, sexual exploitation, or maltreatment (per Section 722.622(f) of the *Michigan Compiled Laws*).
child day-care center	A facility other than a private residence licensed by OCAL to care for one or more children for periods of less than 24 hours a day.
child day-care provider	A person or agency enrolled, licensed, or registered by DHS to provide childcare services.
Child Development and Care (CDC) Program	A program that provides payment for childcare services for qualifying families when the parent, legal guardian, or substitute parent is unavailable to provide childcare because of employment, education, and/or a physical, mental, or emotional condition for which treatment is being received.
CIMS/CIS	Customer Information Management System/Client Information System.
close	When DHS inactivates a child day-care provider because of licensing or registration violations or detection of an unsuitable background (also, see "flag" and "inactive").
Corrections Management Information System (CMIS)	The primary database used by DOC since 1981 to collect electronic offender data.
day-care aide	An individual employed by the applicant and enrolled by DHS to provide childcare in the child's own home.
day-care center	See child day-care center.

DHS	Department of Human Services.
DOC	Department of Corrections.
effectiveness	Program success in achieving mission and goals.
enrolled	In reference to child day-care providers, day-care aides or relative care providers who provide childcare to only eligible CDC children, not the general public.
E-Warrant Guide	The electronic version of the PACC Bench Guide.
expunge	To erase or strike out; to eliminate completely.
family day-care home	A private home in which at least 1 but fewer than 7 minor children are received for care and supervision for periods of less than 24 hours a day unattended by a parent or legal guardian, except children related to an adult member of the family by blood, marriage, or adoption. Family day-care home includes a home in which care is given to an unrelated minor child for more than 4 weeks during a calendar year. A family day-care home may be called a family childcare home.
FBI	Federal Bureau of Investigation.
FIA	Family Independence Agency.
flag	When DHS enters coding into a child day-care provider's MPS record to help prevent future reactivation because DHS has revoked the provider's license or registration or has determined that the individual has an unsuitable background (also, see "closed" and "inactive").
goal	The agency's intended outcome or impact for a program to accomplish its mission.

group day-care home A private home in which more than 6 but not more than 12 minor children are received for care and supervision for periods of less than 24 hours a day unattended by a parent or legal guardian, except children related to an adult member of the family by blood, marriage, or adoption. Group day-care home includes a home in which care is given to an unrelated minor child for more than 4 weeks during a calendar year. A group day-care home may be called a group childcare home.

Identix Identification Services (Identix) An agency chosen by the Michigan Department of State Police to help law enforcement, employers, and licensing agencies meet submission requirements of the State's electronic fingerprinting policy. Identix performs electronic fingerprinting, at application and renewal, for day-care center licensees, licensee designees, program directors, and family and group day-care home licensees and registrants. Fingerprints are electronically submitted to the Michigan Department of State Police for State and Federal Bureau of Investigation processing.

inactive A child day-care provider that is not actively authorized by DHS to care for CDC Program children but has not been closed by DHS for licensing or registration violations or an unsuitable background (also, see "close" and "flag").

incarcerated For the purposes of this report, lodged in State prison.

Internet Criminal History Access Tool (ICHAT) A tool that allows the search of public records contained in the Michigan Criminal History Record maintained by the Criminal Justice Information Center of the Michigan Department of State Police. All felonies and serious misdemeanors that are punishable by over 93 days are required to be reported to the State repository by law enforcement agencies, prosecutors, and courts in all 83 counties.

Law Enforcement Information Network (LEIN)	A network that provides authorized agencies access to multiple Michigan Department of State Police databases containing criminal and law enforcement information.
licensed and registered	In reference to child day-care providers, licensed child day-care centers, registered family day-care homes, or licensed group day-care homes that are regulated by BCAL and may provide childcare service to CDC children as well as the general public.
licensee	A person, partnership, firm, corporation, association, nongovernmental organization, or local or State government childcare organization that has been issued a license to operate a childcare organization by BCAL.
licensee designee	A person within the childcare organization, such as the program director or administrator, who is designated by the person legally responsible for the childcare organization to sign the childcare organization application and other appropriate licensing forms and documents.
listed offense	Any offense that requires registration in accordance with Section 28.722 of the *Michigan Compiled Laws* (Section 2 of the SOR).
management control	The plan of organization, methods, and procedures adopted by management to provide reasonable assurance that goals are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.
match	When DHS's automated records check identifies a child day-care provider whose identification information per MPS records coincides with identification information contained in an ICHAT record.

material condition	A reportable condition that 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.
mission	The agency's main purpose or the reason that the agency was established.
Model Payment System (MPS)	The on-line data system used by DHS to store CDC provider enrollment and eligibility information.
National Crime Information Center (NCIC)	The federal government's central database for tracking crime-related information, including wanted persons, missing persons, certain firearms, stolen property, and criminal histories.
neglect	Harm or threatened harm to a child's health or welfare by a parent, legal guardian, or any other person responsible for the child's health or welfare that occurs through either of the following: (i) Negligent treatment, including the failure to provide adequate food, clothing, shelter, or medical care, or (ii) Placing a child at an unreasonable risk to the child's health or welfare by failure of the parent, legal guardian, or any other person responsible for the child's health or welfare to intervene to eliminate the risk when that person is able to do so and has, or should have, knowledge of the risk (per Section 722.622(j) of the *Michigan Compiled Laws*).
NSOPR	National Sex Offender Public Registry.
Offender Tracking Information System (OTIS)	An on-line searchable database of electronic offender data from DOC.
PACC	Prosecuting Attorneys Coordinating Council.

parent/substitute parent — The child's parent, stepparent, foster parent, legal guardian, or applicant/client who lives in the home and is unavailable to care for the child due to a valid need reason.

performance audit — An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

perpetrator — A person registered on the Central Registry who committed child abuse or neglect.

program director — An adult responsible for developing, implementing, and directly supervising the total program for children attending day-care centers.

provider — See "child day-care provider."

provider applicant — Individuals applying to be licensed, registered, or enrolled by DHS to provide day-care services to children.

Public Sex Offender Registry (PSOR) — A public registry developed and maintained by the Michigan Department of State Police in accordance with SOR (Sections 28.721 - 28.736) of the *Michigan Compiled Laws*. The Act provides guidelines on the type of offender information available to the public. The PSOR is intended to provide the people of Michigan with an appropriate, comprehensive, and effective means to monitor those persons who pose such a potential danger.

relative care provider — A grandparent/step grandparent, great grandparent/step great grandparent, aunt/step aunt, uncle/step uncle, or sibling/step sibling age 18 or older who does not live in the home of the child and provides care in the provider's home.

reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
SOR	Sex Offenders Registration Act.
SSN	social security number.
suitability	The fitness and appropriateness of a person to carry out the duties, responsibilities, and services that are conducive to the welfare of children in care.
supervision conditions	Special requirements for a parolee or a probationer determined by the Parole Board or the court and based on the offender's background and crime.
terminable convictions	Convictions of crimes specified in DHS's terminable crimes and codes list.
terminable crimes and codes list	The list of crime descriptions and associated conviction codes that defines the criminal convictions that DHS considers severe enough to deny or revoke child day-care provider eligibility.
unsuitable	Lacking the propensity to serve the public in the child day-care area in a fair, honest, and open manner (good moral character) or being unfit or inappropriate to carry out the duties, responsibilities, and services conducive to the welfare of children in care, as determined by criminal convictions not specified in the good moral character administrative rules, child protective services history, personal references, and medical condition.

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OFFICE of the AUDITOR GENERAL