



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



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

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– Article IV, Section 53 of the Michigan Constitution

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Michigan *Office of the Auditor General* **REPORT SUMMARY**

Performance Audit

Youth Transitioning From Foster Care to Self-Sufficiency

Department of Human Services

Report Number:
431-0279-11

Released:
February 2012

A youth in transition (YIT) from foster care is generally defined as a youth aged 14 to 21 years old who is currently placed in an eligible foster care placement or was previously placed in an eligible foster care placement until age 18. A priority of the Department of Human Services (DHS) is to improve the success of the youth transitioning from the State's foster care system into adulthood. DHS's goal is to help youth transition from the State's foster care system to independence with the ability to care for themselves physically, socially, economically, and psychologically (self-sufficiency).

Audit Objective:

To assess the effectiveness of DHS's efforts to evaluate services provided to youth transitioning from foster care to self-sufficiency.

Audit Conclusion:

We concluded that DHS's efforts to evaluate services provided to youth transitioning from foster care to self-sufficiency were not effective. We noted one material condition (Finding 1).

Material Condition:

DHS had not developed or implemented a comprehensive process to evaluate the outcomes and value of the services it provided to transitioning youth (Finding 1).

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Audit Objective:

To assess the effectiveness of DHS's efforts to ensure the propriety and reasonableness of discretionary payments

and post-secondary educational assistance payments made on behalf of youth transitioning from foster care to self-sufficiency.

Audit Conclusion:

We concluded that DHS's efforts to ensure the propriety and reasonableness of discretionary payments and post-secondary educational assistance payments made on behalf of youth transitioning from foster care to self-sufficiency were moderately effective. We noted one material condition (Finding 2) and one reportable condition (Finding 3).

Material Condition:

DHS's internal control did not ensure the propriety and reasonableness of discretionary payments it made using YIT resources. In addition, DHS had not fully established guidance for discretionary payments on behalf of transitioning youth using YIT resources (Finding 2).

Reportable Condition:

DHS's internal control did not always ensure that post-secondary educational assistance payments were within established limits and provided on behalf of eligible transitioning youth. In addition, DHS had not established clear and consistent policies to appropriately guide its staff to provide proper post-secondary educational assistance from Educational and Training Voucher (ETV) Program awards and other YIT resources (Finding 3).

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Audit Objective:

To assess the effectiveness of DHS's efforts to ensure that training for caseworkers is tailored to address youth transitioning from foster care to self-sufficiency.

Audit Conclusion:

We concluded that DHS's efforts to ensure that training for case workers is tailored to address youth transitioning from foster care to self-sufficiency were effective. Our audit report does not include any reportable conditions related to this audit objective.

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Agency Response:

Our audit report includes 3 findings and 5 corresponding recommendations. DHS's preliminary response indicated that it agrees with 2 findings and agrees, in part, with 1 finding.

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obtained by calling 517.334.8050
or by visiting our Web site at:
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AUDITOR GENERAL

February 24, 2012

Ms. Maura D. Corrigan, Director
Department of Human Services
Grand Tower
Lansing, Michigan

Dear Ms. Corrigan:

This is our report on the performance audit of Youth Transitioning From Foster Care to Self-Sufficiency, Department of Human Services.

This report contains our report summary; description; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; three exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's response subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

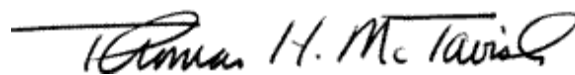

Thomas H. McTavish, C.P.A.
Auditor General

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GLOSSARY

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Description

A youth in transition* (YIT) from foster care is generally defined as a youth aged 14 to 21 years old who is currently placed in an eligible foster care placement* or was previously placed in an eligible foster care placement until age 18. A priority of the Department of Human Services (DHS) is to improve the success of the youth transitioning from the State's foster care system into adulthood. DHS's goal* is to help youth transition from the State's foster care system to independence with the ability to care for themselves physically, socially, economically, and psychologically (self-sufficiency*).

Title 42, section 677 of the *United States Code* provides flexible funding to states to enable them to design and conduct programs to help youth transitioning from foster care to self-sufficiency (see Exhibit 3). In addition, Michigan enacted the Foster Care Independence Act (Act 215, P.A. 2008), which established the foster care independence program within DHS to offer education, training, employment, and financial support to young adults leaving foster care. DHS uses a combination of several federal and State funding resources to provide goods and services to transitioning youth*. YIT resources* include Chafee Foster Care Independence Program* (Chafee), Educational and Training Voucher (ETV) Program*, Michigan Youth Opportunities Initiative*, and Homeless Youth Runaway Services* (see Exhibit 1).

DHS uses YIT resources to provide a broad spectrum of goods and services to transitioning youth that include independent living* skills training, mentoring and family connection services, educational assistance, employment assistance, housing assistance*, medical and mental health needs, money management training, transportation, and a variety of goods to help the youth become self-sufficient (see Exhibit 2). During our audit period, DHS required that all expenditures of YIT resources must support a transitioning youth in achieving self-sufficiency. In addition, DHS specified that the use of Chafee resources was limited to provide only those goods or services to a transitioning youth that were not available from other funding sources or agencies.

* See glossary at end of report for definition.

DHS local offices directly provide some goods and services to transitioning youth; however, DHS contracts with service providers for the majority of services provided to transitioning youth. DHS's Child Welfare Training Institute provides initial and ongoing training for DHS local office and service provider caseworkers. In addition, DHS's Health, Educational and Youth Services Unit provides caseworker training.

DHS expended \$27.0 million on behalf of transitioning youth from resources provided by Chafee, ETV, the Michigan Youth Opportunities Initiative, and Homeless Youth Runaway Services during the period October 1, 2008 through May 31, 2011 (see Exhibit 1). DHS made \$8.6 million in discretionary payments* and post-secondary educational assistance payments during the period October 1, 2008 through May 31, 2011 (see Exhibits 1 and 2).

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of Youth Transitioning From Foster Care to Self-Sufficiency, Department of Human Services (DHS), had the following objectives:

1. To assess the effectiveness* of DHS's efforts to evaluate services provided to youth transitioning from foster care to self-sufficiency.
2. To assess the effectiveness of DHS's efforts to ensure the propriety and reasonableness of discretionary payments and post-secondary educational assistance payments made on behalf of youth transitioning from foster care to self-sufficiency.
3. To assess the effectiveness of DHS's efforts to ensure that training for caseworkers is tailored to address youth transitioning from foster care to self-sufficiency.

Audit Scope

Our audit scope was to examine the records and processes related to the Department of Human Services' administration of services provided to youth transitioning from foster care to self-sufficiency. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures, conducted from May through August 2011, generally covered the period October 1, 2008 through May 31, 2011.

Our audit report includes supplemental information presented as Exhibits 1 through 3. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

* See glossary at end of report for definition.

Audit Methodology

We conducted a preliminary review to gain an understanding of DHS's activities directed toward youth transitioning from foster care to self-sufficiency in order to establish our audit objectives and methodology. Our preliminary review included interviewing DHS central office staff responsible for administration of the DHS services provided to transitioning youth; interviewing DHS local office staff; performing on-site observations and reviews of DHS's processes and procedures related to Youth in Transition (YIT) services; examining DHS's transitioning youth case file documentation; analyzing DHS's YIT services expenditure records; reviewing DHS's policies and procedures for YIT services; reviewing DHS's contract requirements for child placing agencies* (CPAs) that provide YIT services; reviewing applicable federal regulations, State statutes, and State policies and procedures; analyzing YIT services provided to youth in other states; and examining the Child Welfare League of America* - Standards of Excellence for Transition, Independent Living, and Self-Sufficiency (CWLA - TILSS) recommendations for child welfare agencies providing YIT services.

To accomplish our first audit objective, we interviewed key DHS central office staff and DHS local office staff to determine the processes that DHS used to measure and evaluate YIT services outcomes* for comparison to DHS's goals and objectives* for YIT services. We examined DHS's policies, procedures, and YIT service provider contract language to determine DHS's requirements for evaluation of YIT service outcomes. We reviewed a DHS five-year plan that included, among other things, DHS's planned efforts related to activities for youth transitioning from foster care to self-sufficiency. We reviewed the CWLA-TILSS to identify best practices for child welfare agency service outcomes evaluations.

To accomplish our second audit objective, we reviewed DHS's policies and procedures related to discretionary payments and post-secondary educational assistance payments using YIT resources. We analyzed and reviewed DHS's transaction detail of discretionary payments and post-secondary payments made using Chafee Foster Care Independence Program (Chafee), Michigan Youth Opportunities Initiative, and Educational and Training Voucher (ETV) Program resources. We judgmentally selected the four DHS local offices that accounted for the majority of DHS's discretionary payments during our audit period and performed on-site inspections of

* See glossary at end of report for definition.

payment documentation. We conducted interviews with DHS local office staff regarding policies and procedures for discretionary payments.

We identified and isolated DHS's higher risk* discretionary payment transactions, selected a sample of the transactions, and conducted audit tests to determine the propriety and reasonableness of the payments made. We determined that the transactions were of higher risk based on unusual invoice descriptions of goods and services, the number of transactions for an individual youth, and/or the dollar amount (greater than average) of the transaction. In addition, we reviewed DHS's records for housing payments, start-up goods* payments, post-secondary educational payments, and ETV award payments to determine their propriety and reasonableness. Our review did not include an examination of administrative payments to contracted CPAs or Homeless Youth Runaway Services contract providers for YIT services. Our audit efforts related to DHS's contracted YIT services focused on DHS's efforts to evaluate outcomes for contracted providers in our first audit objective and the training of CPA caseworkers in our third audit objective.

To accomplish our third audit objective, we interviewed DHS central office staff and DHS local office staff to determine the nature and types of training DHS offered to caseworkers that addressed issues specific to youth transitioning from foster care to self-sufficiency. We obtained and reviewed DHS's Child Welfare Training Institute (CWTI) course offerings pertinent to transitioning youth for DHS and CPA caseworkers. We reviewed records of caseworker training sessions conducted by DHS central office staff pertaining to transitioning youth. We examined CWTI training materials presented to caseworkers. We researched the CWLA-TILSS recommendations for building and maintaining an effective TILSS workforce.

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.

* See glossary at end of report for definition.

Agency Responses

Our audit report includes 3 findings and 5 corresponding recommendations. DHS's preliminary response indicated that it agrees with 2 findings and agrees, in part, with 1 finding.

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 plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF EFFORTS TO EVALUATE SERVICES PROVIDED TO TRANSITIONING YOUTH

COMMENT

Audit Objective: To assess the effectiveness of the Department of Human Services' (DHS's) efforts to evaluate services provided to youth transitioning from foster care to self-sufficiency.

Audit Conclusion: We concluded that DHS's efforts to evaluate services provided to youth transitioning from foster care to self-sufficiency were not effective. Our audit disclosed one material condition*. DHS had not developed or implemented a comprehensive process to evaluate the outcomes and value of the services it provided to transitioning youth (Finding 1).

FINDING

1. Evaluation of Services Provided

DHS had not developed or implemented a comprehensive process to evaluate the outcomes and value of the services it provided to transitioning youth. As a result, DHS limited its ability to identify weaknesses or gaps in its services for transitioning youth, establish and strengthen accountability for the expenditure of public funds, maximize resource allocations, and demonstrate the success of its efforts to assist transitioning youth.

The Child Welfare League of America - Standards of Excellence for Transition, Independent Living, and Self-Sufficiency (CWLA - TILSS) recommends that child welfare agencies providing services to transitioning youth evaluate the effectiveness of their services. The CWLA - TILSS also recommends that child welfare agencies develop contracts with service providers that are performance and outcome based. In addition, DHS's policy requires it to collect data and states that data collection should include the tracking of the number and characteristics of youth receiving services; the type and quantity of services being provided; and outcome measures on educational attainment, employment, avoidance of dependency, homelessness, nonmarital childbirth, incarceration, and high-risk behaviors.

* See glossary at end of report for definition.

DHS can best evaluate the effectiveness of the services that it provides to transitioning youth, and identify areas for improvement or best practices, by developing a process that includes the evaluation of DHS's actual performance in relation to established desired outcomes and performance measures*. DHS should apply such a process to all services using Youth in Transition (YIT) resources, including YIT services provided by contracted service providers. A sound evaluation process should include performance indicators for measuring program inputs, outputs, and outcomes; performance standards or goals describing the desired level of performance; a data collection system to accurately gather performance data for assessment; a comparison of actual achieved outcomes related to the services and resources provided to transitioning youth for a consistent period of time; a reporting of the comparison results to management; an analysis of the performance gaps that exist between the actual and desired performance; and proposals of modifications to improve program effectiveness.

Our review disclosed:

- a. DHS had not identified and established desired outcomes and performance measures. As a result, DHS could not compare the actual results of services it provided to determine the effectiveness of its efforts to help transitioning youth achieve self-sufficiency. For example, DHS could not evaluate and compare the amount and type of services it provided to transitioning youth for educational assistance and employment assistance to the actual outcomes for the transitioning youth. DHS's evaluation and comparison could consider the transitioning youths' successful completion of post-secondary education or training programs, sustained employment with earnings at or above the minimum wage, successful transition from public assistance programs to self-sufficiency, and lack of incarceration.
- b. DHS did not accumulate information to evaluate the actual outcomes and value of the goods and services it provided to transitioning youth. For example, DHS could not provide documentation listing the transitioning youth that it provided services to during our audit period or documentation of the specific services each youth received. To evaluate the effectiveness of the services that DHS provides to transitioning youth, it is critical that DHS track

* See glossary at end of report for definition.

the youth it serves and document the types and levels of services provided to each youth and the related outcomes.

- c. DHS's contract agreements with its service providers did not contain outcome and performance measurement requirements for the services the contractors provided to transitioning youth. As a result, DHS could not compare the actual results of the services the contractors provided to determine the effectiveness of their efforts to help transitioning youth achieve self-sufficiency. DHS should execute contracts with child placing agencies (CPAs) and Homeless Youth Runaway Services contract providers that specify desired outcomes, including performance measures, to allow DHS to evaluate and ascertain if the contract providers' activities are supporting DHS in achieving its goal of helping transitioning youth achieve self-sufficiency. In addition, DHS's contract agreements with CPAs and Homeless Youth Runaway Services contract providers should require the contract providers to collect pertinent performance data and report performance results (in relation to desired outcomes) to DHS on a periodic basis. During the audit period, DHS contracted for \$19.1 million (71%) of the \$27.0 million total resources it spent related to YIT activities (see Exhibit 1). Therefore, it is important for DHS to require contractors to demonstrate achievement of desired outcomes in order for DHS to ensure that the resources it directs to contractors effectively help youth successfully transition from foster care to self-sufficiency.

RECOMMENDATION

We recommend that DHS develop and implement a comprehensive process to evaluate the outcomes and value of the services it provides to transitioning youth.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the finding, in part. DHS informed us that it has implemented corrective action to address the recommendation.

DHS stated that the federal government set forth guidelines for the use of Chafee Foster Care Independence Program funds. There are specific goods and services that can be purchased with these funds. In Michigan, these are called Youth in Transition funds. DHS indicated that by developing such parameters, it is assumed that the federal government conducted some research and analysis regarding the

use of these funds to move youth towards self-sufficiency. Most recently, the federal government began collecting data and surveys from youth at ages 17, 19, and 21 from all states to further measure the impact of services to youth in foster care. DHS informed us that it will work closely with its federal partners to evaluate the data and surveys that were submitted.

DHS indicated that the Services Worker Support System (SWSS) did not provide data on YIT services until April 2011, the month prior to the end of this audit period. DHS informed us that with access to this data, it can now see the types of services provided to youth and whether or not the youth attained a high school diploma or a GED (General Education Diploma). DHS can compile data on youth who are receiving Educational Training Vouchers. DHS will also be able to track the number of youth who are 18 or older without an identified housing arrangement at the time of case closing.

DHS stated that it recognizes the importance of including performance measures in contracts that serve youth and it will require performance measures in contracts as DHS moves forward. DHS indicated that the *Dwayne B. v. Rick Snyder* Modified Settlement Agreement (MSA) and Consent Order, effective July 18, 2011, requires performance outcomes for older youth. All contractors will be required to achieve these same outcomes.

DHS informed us that it has implemented a monitoring process for compliance and performance by conducting annual evaluations of its local offices and contractors, reviewing contractor billings, analyzing data, making site visits, and MSA reporting.

EFFECTIVENESS OF EFFORTS TO ENSURE THE PROPRIETY AND REASONABLENESS OF DISCRETIONARY PAYMENTS AND POST-SECONDARY EDUCATIONAL ASSISTANCE PAYMENTS

COMMENT

Background: DHS's discretionary payments are for goods and services to support transitioning youth in attaining self-sufficiency that are made by DHS local office staff

and processed through DHS's Local Accounting System Replacement* (LASR). DHS's post-secondary educational assistance payments are primarily administered by DHS's Health, Educational and Youth Services Unit (HEYU) within the DHS central office. The funding sources for discretionary payments are the Chafee Foster Care Independence Program (Chafee) and the Michigan Youth Opportunities Initiative. The Educational and Training Voucher (ETV) Program primarily funds DHS's post-secondary educational assistance. DHS's Children's Foster Care Manual and DHS's Accounting Manual provide policy and guidance for discretionary payments and post-secondary educational assistance payments.

Audit Objective: To assess the effectiveness of DHS's efforts to ensure the propriety and reasonableness of discretionary payments and post-secondary educational assistance payments made on behalf of youth transitioning from foster care to self-sufficiency.

Audit Conclusion: We concluded that DHS's efforts to ensure the propriety and reasonableness of discretionary payments and post-secondary educational assistance payments made on behalf of youth transitioning from foster care to self-sufficiency were moderately effective. Our audit disclosed one material condition. DHS's internal control* did not ensure the propriety and reasonableness of discretionary payments it made using YIT resources. In addition, DHS had not fully established guidance for discretionary payments on behalf of transitioning youth using YIT resources (Finding 2).

Our audit also disclosed a reportable condition* related to post-secondary educational assistance payments (Finding 3).

FINDING

2. Discretionary Payments

DHS's internal control did not ensure the propriety and reasonableness of discretionary payments it made using YIT resources. In addition, DHS had not fully established guidance for discretionary payments made on behalf of transitioning youth using YIT resources. As a result, DHS did not ensure that it made discretionary payments on behalf of transitioning youth that were appropriately documented and approved, limited to reasonable and required amounts, and clearly supported a need for a transitioning youth's achievement of self-sufficiency.

* See glossary at end of report for definition.

Effective internal control can help DHS reduce its risk of improper use and potential waste of limited YIT resources and demonstrate why transitioning youth need particular goods or services to help them achieve self-sufficiency. DHS established policies for documentation, approvals, dollar limitations, and the types of payments it made on behalf of transitioning youth. However, we determined that DHS staff did not always adhere to the policies and that the policies did not always address the type of payment made or were conflicting with other DHS policies for similar types of payments. In addition, DHS did not routinely monitor discretionary payments.

During the period October 1, 2008 through May 31, 2011, DHS made 9,203 discretionary payments totaling \$2.6 million. We judgmentally selected 134 discretionary payments that we determined were higher risk* and reviewed DHS's supporting records related to each transaction. In addition, we reviewed discretionary payments for housing assistance and start-up goods. Our review disclosed:

- a. DHS did not demonstrate the youth's need for the goods and/or services it provided for 78 (58%) of the 134 transactions. We reviewed DHS's records, including the youth's updated service plan, permanent ward services plan, and completed service youth profile report, for documentation to demonstrate the youth's need for the goods and/or services, that DHS provided. These records documented the payments for the goods and/or services but often did not state why the youth needed the goods and/or services or how they helped the youth become self-sufficient.

DHS policy required that all payments for transitioning youth must support the youth in achieving self-sufficiency. In addition, DHS policy required this to be documented in each youth's updated service plan or permanent ward services plan. DHS used a service youth profile report to document the goods and/or services provided to a youth and how the payment supported the youth's attainment of self-sufficiency.

* See glossary at end of report for definition.

- b. DHS did not obtain an original invoice or a receipt to support 36 (27%) of the 134 payments.

DHS policy required a payment authorization from the DHS local office and the original invoice and/or receipt from the vendor as documentation for payments for youth transitioning from foster care to self-sufficiency.

- c. DHS did not ensure that 17 (43%) of 40 payments that exceeded \$600 were properly approved.

DHS policy required that services exceeding \$600 receive prior written approval from the DHS local office county director or designee. In addition, if the request for a resource, service, or reimbursement was not specifically identified as an approved expenditure in policy, the exception request must have first been sent to the DHS central office.

- d. DHS's payments for 40 (30%) of the 134 discretionary items either exceeded the dollar limitations that DHS established for the same items for the Foster Care Program or appeared potentially excessive in nature when considering the type of item purchased and how it supported the youth's achievement of self-sufficiency. For example, DHS reimbursed one youth for prom attire totaling \$600, including \$395 for a prom dress. DHS did not have dollar limits established for the payment of prom dresses or tuxedo rentals specifically related to transitioning youth. However, DHS's non-scheduled payments policy for the Foster Care Program stated that dress purchases and tuxedo rentals, under \$100, were reimbursable for youth attending their senior prom. During our review, we also identified payments for cheerleading camp for a youth and hockey equipment and ice time for a youth that exceeded \$2,000 and a payment for a summer camp and voice lessons for a youth that exceeded \$5,000.

DHS policy included extracurricular activities as approved payments to youth using YIT resources; however, DHS did not include a dollar limit for these types of payments.

- e. DHS's payments for 12 (9%) of the 134 discretionary items were questionable with regard to how the payments supported the transitioning youth in achieving self-sufficiency. For example, we identified instances in which DHS purchased iPods for graduation gifts, purchased senior trips for youths, and paid for a traffic ticket for a youth using YIT resources.

DHS policy did not include payments for gift purchases or traffic tickets as approved payments to transitioning youth using YIT resources.

- f. DHS exceeded required limits for housing assistance and start-up goods payments. We identified that DHS exceeded the required limit for payments to 18 (3%) of 518 youths and 28 (5%) of 569 youths for housing assistance and start-up goods, respectively. We determined that DHS did not have a process in place to alert its staff when payments for housing assistance or start-up goods exceeded DHS's limit for the youth.

DHS policy indicated that DHS could provide transitioning youth housing assistance, which includes locating a suitable living arrangement and paying the first month's rent, security deposit, and utility deposit. In addition, the policy indicated that DHS could provide transitioning youth assistance with start-up goods, which include furniture, cleaning supplies, hygiene products, and other household goods. DHS's policy established a lifetime limit for each youth of \$1,000 for housing assistance and \$1,000 for start-up goods.

RECOMMENDATIONS

We recommend that DHS strengthen its internal control to ensure the propriety and reasonableness of discretionary payments it makes using YIT resources.

We also recommend that DHS fully establish guidance for discretionary payments made on behalf of transitioning youth using YIT resources.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the finding. DHS informed us that it has developed a corrective action plan to address the recommendations.

DHS agrees that its internal control did not always ensure the propriety of discretionary payments when using YIT resources. DHS agrees that guidance for discretionary payments on behalf of transitioning youth using YIT resources should be fully established.

DHS stated that during the period covered by the audit, discretionary payments in excess of the dollar limitations were not clearly defined in policy. Policy did not require workers to mirror expenditures for services with policies in other sections of the Children's Foster Care Manual or any DHS manual.

DHS indicated that on August 1, 2011, it released an updated YIT foster care policy that states YIT funds cannot be used to purchase a gift, unless the gift is a YIT approved item that can be linked to a specific goal for the youth. DHS also indicated that on January 1, 2012, it released a YIT foster care policy to clarify allowable expenditures and limits. In addition, DHS indicated that changes to SWSS, implemented in March 2011, will allow the Health, Educational and Youth Services Unit (HEYU) to randomly select YIT requests for expenditures from local DHS offices. DHS further indicated that, beginning in January 2012, HEYU conducts quarterly reviews of random YIT expenditures and expenditures in excess of \$1,000. The reviews check eligibility requirements, dollar amounts, supporting paperwork, and documentation and follows up with local offices or private agencies to ensure compliance.

DHS stated that in certain circumstances, there may be a legitimate reason for a youth to receive additional funding over the \$1,000 for the first month's rent or start-up goods. HEYU will issue a new policy allowing an exception to the \$1,000 lifetime amount.

FINDING

3. Post-Secondary Educational Assistance Payments

DHS's internal control did not always ensure that post-secondary educational assistance payments were within established limits and provided on behalf of eligible transitioning youth. In addition, DHS had not established clear and consistent policies to appropriately guide its staff to provide proper post-secondary educational assistance from ETV Program awards and other YIT resources. As a

result, DHS made ETV Program award payments that exceeded established maximum limits and likely made payments on behalf of transitioning youth who were no longer eligible to receive ETV Program awards. DHS also allowed transitioning youth to receive post-secondary educational assistance from both the ETV Program and other YIT resources, which was prohibited by DHS policy.

During the period October 1, 2008 through May 31, 2011, DHS provided transitioning youth post-secondary educational assistance totaling \$6.0 million and \$0.4 million from ETV Program resources and other YIT resources, respectively. DHS established policies for post-secondary education assistance (including ETV Program awards) concerning maximum payment limits, eligibility requirements, and allowable goods and services. However, we determined that DHS staff did not always adhere to established policies, relied on inconsistent policies to guide staff, and did not monitor post-secondary educational assistance payments.

Our review of DHS's post-secondary educational assistance payments disclosed:

- a. DHS made 113 single full-year ETV Program award payments that exceeded its established \$2,500 per-semester limit during the period December 1, 2009 through May 31, 2011. These 113 single payments totaled \$564,000, of which \$282,000 exceeded the limit. In addition, DHS did not require the youth for whom the single full-year payments were made to submit documentation to ensure that they remained enrolled for a second semester, maintained a grade point average (GPA) of 2.0, or met DHS's other eligibility requirements for ETV Program resources.

DHS policy allowed a youth attending a post-secondary educational or vocational program to receive an ETV Program award of up to \$5,000 a year. DHS policy required that DHS split the maximum yearly award and distribute the award in two separate semesters. This resulted in a maximum single ETV Program award payment of \$2,500. DHS policy also required youth that apply for the second semester of the ETV Program award to provide proof of successful completion of the prior semester, verification of current enrollment, receipts and/or documentation of their ETV Program award payments, transcripts showing a cumulative GPA of at least 2.0, proof that no more than one class was dropped in a given semester, and an updated class schedule

for the subsequent semester prior to DHS awarding the subsequent semester's ETV Program award.

DHS partnered with Western Michigan University (WMU) to provide a unique program of post-secondary education for transitioning youth. DHS provided 105 of the 113 single full-year ETV Program award payments to youth attending WMU. WMU provided DHS with data that showed that 94% of first-year students persisted from the fall to the subsequent spring semester for 2009 and 2010, indicating a 6% dropout rate. In addition, the WMU data showed that, for the fall semester of 2009 and 2010, 81% and 61%, respectively, of first-year students had a GPA of 2.0 or higher, indicating that approximately 19% and 39%, respectively, of first-year students did not maintain a 2.0 GPA. Therefore, DHS likely made improper ETV Program award payments ranging from \$19,000 to \$70,980 on behalf of transitioning youth who did not maintain their eligibility.

- b. DHS made 84 (5%) of 1,762 post-secondary educational assistance payments in which a youth received both an ETV Program award and supplemental YIT resources for tuition and fees, books, or computers totaling \$47,677.

DHS established inconsistent policies and guidance for post-secondary educational assistance. DHS's ETV Program policy stipulated that YIT resources could not be used to supplement the ETV Program awards. The ETV Program policy further stipulated that a transitioning youth who received an ETV Program award could not also use other YIT resources to pay for post-secondary expenses. Inconsistently, DHS's policy for the use of YIT resources stipulated that YIT resources could be used to provide certain goods or services, such as education, after all other resources had been exhausted.

RECOMMENDATIONS

We recommend that DHS strengthen its internal control to ensure that post-secondary educational assistance payments are within established limits and provided on behalf of eligible transitioning youth.

We also recommend that DHS establish clear and consistent policies to appropriately guide its staff to provide post-secondary educational assistance from ETV Program awards or other YIT resources.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the finding. DHS informed us that it has implemented corrective action to address the recommendations.

DHS indicated that the ETV Program is available to eligible youth to cover costs of attendance for allowable post-secondary pursuits. Costs of attendance are defined under the Higher Education Act of 1965 and include tuition, fees, equipment, materials, computers, housing, internships, school-related travel, childcare, room and board, healthcare, and student loans. DHS also indicated that YIT funds are available to eligible youth to provide services and goods that will help them transition from foster care with sufficient skills and knowledge to succeed. When a youth is in college and receiving an ETV, policy allows the use of YIT funds to purchase items or services not covered by the ETV or when the ETV is exhausted but the item or service is critical in moving the youth towards self-sufficiency.

DHS informed us that HEYU will work closely with the ETV contractor to ensure consistent application of ETV awards. DHS stated that for fiscal year 2011-12, there is no longer funding designated to a particular college or university. ETV awards are made on a first-come, first-served basis and are established to be awarded at no more than one \$2,500 award per semester, not to exceed \$5,000 in a fiscal year.

DHS indicated that in January 2012, it released YIT foster care policy to clarify when YIT can be used for a youth receiving an ETV. The same policy clarifies the parameters for the purchase of a computer for a youth and places a limit on the dollar amount that can be spent on a computer.

EFFECTIVENESS OF EFFORTS TO ENSURE TAILORED TRAINING FOR CASEWORKERS

COMMENT

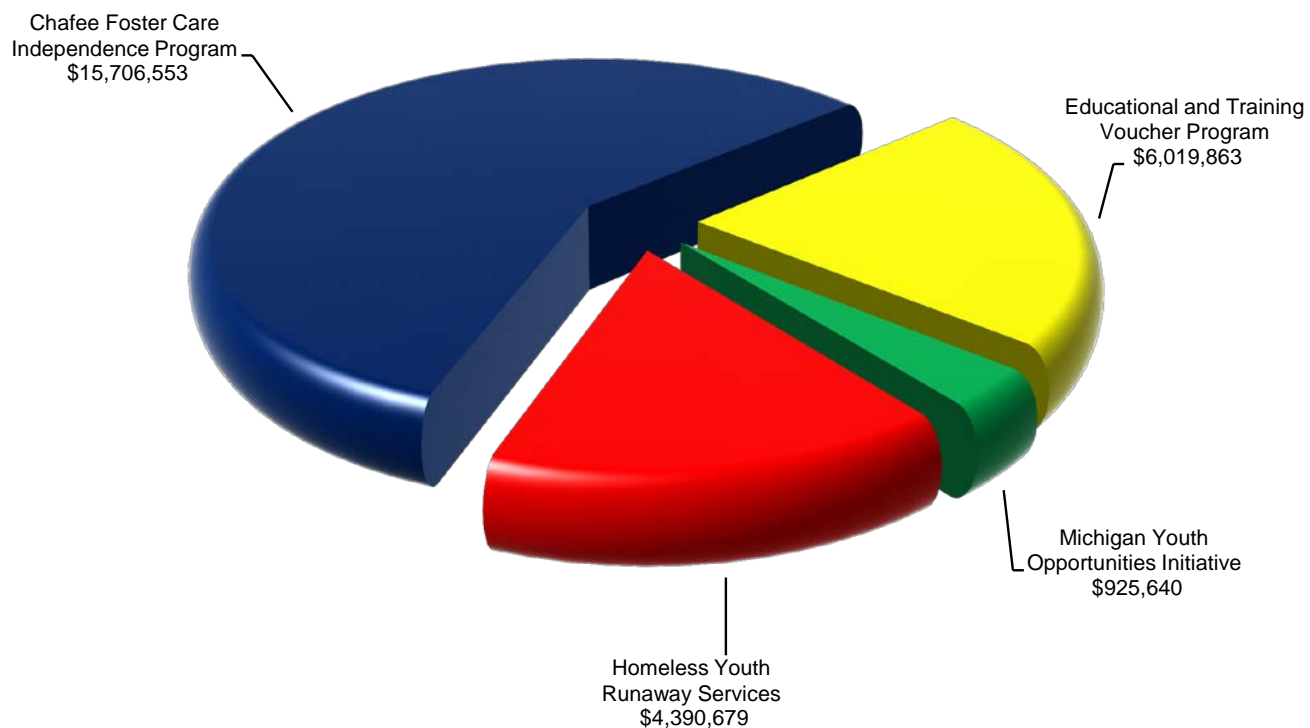
Audit Objective: To assess the effectiveness of DHS's efforts to ensure that training for caseworkers is tailored to address youth transitioning from foster care to self-sufficiency.

Audit Conclusion: We concluded that DHS's efforts to ensure that training for caseworkers is tailored to address youth transitioning from foster care to self-sufficiency were effective. Our audit report does not include any reportable conditions related to this audit objective.

SUPPLEMENTAL INFORMATION

YOUTH TRANSITIONING FROM FOSTER CARE TO SELF-SUFFICIENCY
Department of Human Services (DHS)

Payments by Youth in Transition Resources
October 1, 2008 Through May 31, 2011



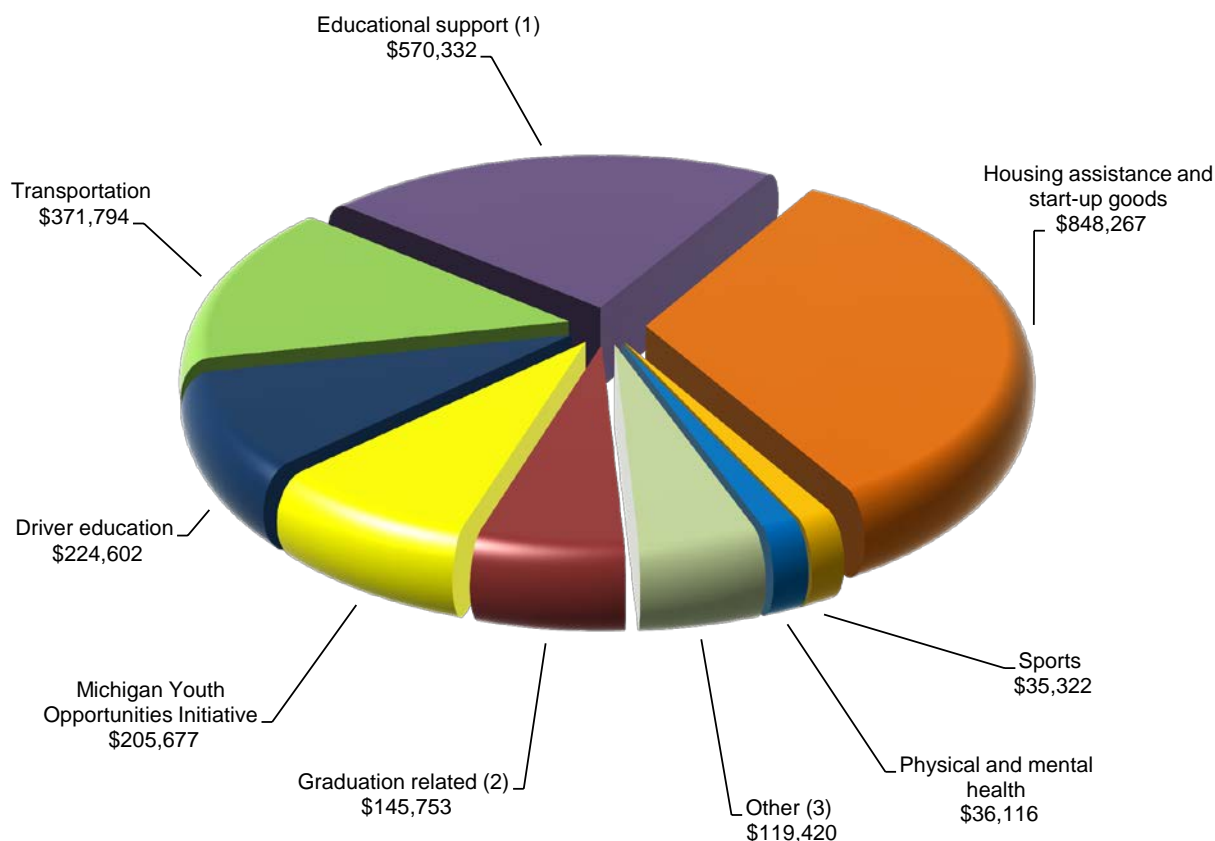
Source: Auditor prepared using information from DHS accounting records. Total payments for the period were \$27,042,735.

YOUTH TRANSITIONING FROM FOSTER CARE TO SELF-SUFFICIENCY

Department of Human Services (DHS)

Youth in Transition Resources - Discretionary Payments by Category

October 1, 2008 Through May 31, 2011



(1) Educational support payments include school trips, computers, college costs (tuition, fees, books, and dormitory/housing deposits), and various other items.

(2) Graduation related payments include caps and gowns, class rings, graduation expenses, graduation gifts, graduation packages, senior dues, senior pictures, yearbooks, prom, class trips, and various other items.

(3) Other payments include mentorship activities, relationship building activities, employment assistance (work and interview clothing, shoes, and tools), and various other items and services.

Source: Auditor prepared using information from DHS accounting records. Total discretionary payments for the period were \$2,557,283.

YOUTH TRANSITIONING FROM FOSTER CARE TO SELF-SUFFICIENCY
Department of Human Services

Selected Chafee Foster Care Independence Program (Chafee)
and Educational and Training Voucher (ETV) Program Federal Allocation Information
As of May 24, 2011 for Fiscal Year 2009-10 by State

State	2010 Total Chafee and ETV Program Federal Allocation	Number of Foster Care Youth Ages 16 - 21	Average Amount Spent Per Youth for Chafee and ETV Program Federal Allocation	Ages of Youth Served
California (CA)	\$ 27,227,319	13,451	\$ 2,024	16 - 21
New York (NY)	\$ 14,296,996	8,229	\$ 1,737	14 - 21
Texas (TX)	\$ 10,796,425	3,008	\$ 3,589	14 - 23
Florida (FL)	\$ 9,444,408	2,559	\$ 3,691	13 - 22
Pennsylvania (PA)	\$ 7,472,270	4,791	\$ 1,560	16 - 21
Michigan (MI)	\$ 7,462,239	4,355	\$ 1,713	14 - 21
Illinois (IL)	\$ 6,376,757	4,543	\$ 1,404	14 - 21
Ohio (OH)	\$ 6,095,894	2,562	\$ 2,379	16 - 21
Georgia (GA)	\$ 4,383,484	1,335	\$ 3,284	14 - 21
Oklahoma (OK)	\$ 4,242,335	750	\$ 5,656	16 - 21
Indiana (IN)	\$ 4,073,961	1,747	\$ 2,332	16 - 21
Washington (WA)	\$ 3,979,026	1,698	\$ 2,343	15 - 21
North Carolina (NC)	\$ 3,878,717	1,756	\$ 2,209	13 - 21
Maryland (MD)	\$ 3,826,055	1,583	\$ 2,417	14 - 21
Massachusetts (MA)	\$ 3,759,422	2,170	\$ 1,732	14 - 21
Missouri (MO)	\$ 3,529,786	2,136	\$ 1,653	14 - 21
Arizona (AZ)	\$ 3,506,143	1,276	\$ 2,748	13 - 21
Oregon (OR)	\$ 3,425,536	1,450	\$ 2,362	14 - 21
New Jersey (NJ)	\$ 3,343,499	1,316	\$ 2,541	15 - 21
Iowa (IA)	\$ 2,951,938	1,613	\$ 1,830	16 - 21
Colorado (CO)	\$ 2,786,070	2,822	\$ 987	16 - 21
Tennessee (TN)	\$ 2,776,756	2,097	\$ 1,324	14 - 21
Kentucky (KY)	\$ 2,706,540	1,671	\$ 1,620	15 - 21
Virginia (VA)	\$ 2,679,671	1,603	\$ 1,672	14 - 21
Wisconsin (WI)	\$ 2,667,491	1,355	\$ 1,969	15 - 21
Alabama (AL)	\$ 2,601,932	1,660	\$ 1,567	18 - 21
Minnesota (MN)	\$ 2,420,302	1,431	\$ 1,691	14 - 21
Kansas (KS)	\$ 2,375,522	1,070	\$ 2,220	15 - 21
Puerto Rico (PR)	\$ 2,331,816	1,209	\$ 1,929	Information Not Available
Nebraska (NE)	\$ 2,104,688	1,639	\$ 1,284	16 - 21
Connecticut (CT)	\$ 2,072,088	1,225	\$ 1,692	14 - 23
Louisiana (LA)	\$ 1,910,519	582	\$ 3,283	14 - 21
South Carolina (SC)	\$ 1,836,721	845	\$ 2,174	13 - 21
Nevada (NV)	\$ 1,810,211	494	\$ 3,664	15 - 21
West Virginia (WV)	\$ 1,579,860	892	\$ 1,771	18 - 21
Arkansas (AR)	\$ 1,295,413	541	\$ 2,394	14 - 21
District of Columbia (DC)	\$ 1,290,595	865	\$ 1,492	15 - 21
Mississippi (MS)	\$ 1,192,238	616	\$ 1,935	14 - 21
Utah (UT)	\$ 981,232	813	\$ 1,207	14 - 21
Rhode Island (RI)	\$ 975,143	660	\$ 1,477	16 - 21

This exhibit continued on next page.

YOUTH TRANSITIONING FROM FOSTER CARE TO SELF-SUFFICIENCY

Department of Human Services

Selected Chafee Foster Care Independence Program (Chafee)
and Educational and Training Voucher (ETV) Program Federal Allocation Information
As of May 24, 2011 for Fiscal Year 2009-10 by State
(Continued)

State	2010 Total Chafee and ETV Program Federal Allocation	Number of Foster Care Youth Ages 16 - 21	Average Amount Spent Per Youth for Chafee and ETV Program Federal Allocation	Ages of Youth Served
New Mexico (NM)	\$ 868,027	195	\$ 4,451	18 - 21
Alaska (AK)	\$ 784,914	296	\$ 2,652	16 - 20
Maine (ME)	\$ 743,487	254	\$ 2,927	16 - 21
Hawaii (HI)	\$ 694,995	214	\$ 3,248	12 - 21
Idaho (ID)	\$ 669,918	198	\$ 3,383	15 - 21
Montana (MT)	\$ 656,593	201	\$ 3,267	16 - 21
South Dakota (SD)	\$ 641,448	198	\$ 3,240	14 - 21
Vermont (VT)	\$ 618,008	357	\$ 1,731	Information Not Available
North Dakota (ND)	\$ 613,861	314	\$ 1,955	14 - 21
Wyoming (WY)	\$ 610,977	307	\$ 1,990	14 - 21
Delaware (DE)	\$ 604,305	200	\$ 3,022	14 - 21
New Hampshire (NH)	\$ 597,724	249	\$ 2,400	14 - 20

Source: Information was obtained on May 24, 2011 from the National Resource Center for Youth Development:
<<http://www.nrcyd.ou.edu/>>.

GLOSSARY

Glossary of Acronyms and Terms

Chafee Foster Care Independence Program (Chafee)	A federal program that provides flexible funding to states to enable them to design and conduct programs to help youth transitioning from foster care to self-sufficiency.
child placing agency (CPA)	A private agency contracted by DHS to perform caseworker services for youth.
Child Welfare League of America (CWLA)	A coalition of hundreds of private and public agencies serving vulnerable children and families whose expertise, leadership, and innovation on policies, programs, and practices help improve the lives of millions of children in all 50 states.
CWLA - TILSS	Child Welfare League of America - Standards of Excellence for Transition, Independent Living, and Self-Sufficiency.
CWTI	Child Welfare Training Institute.
DHS	Department of Human Services.
discretionary payments	Payments for goods and services to support transitioning youth in attaining self-sufficiency that are made by DHS local office staff through LASR.
Educational and Training Voucher (ETV) Program	A program that provides resources specifically to meet the education and training needs of youth aging out of foster care.
effectiveness	Success in achieving mission and goals.
eligible foster care placements	Placements that include licensed foster family homes, relative provider homes, group homes, emergency shelters, child care institutions, and independent living and semi-independent living placements (when youth is 18 years old or older).

goal	An intended outcome for a program or an agency to accomplish its mission.
GPA	grade point average.
HEYU	Health, Educational and Youth Services Unit.
higher risk	Transactions selected based on unusual invoice description of goods or services, the number of transactions for an individual youth, and/or the dollar amount of the transaction.
Homeless Youth Runaway Services	Services provided to youth who are runaways or are at risk of running away, are homeless, or have been involuntarily removed from their homes by their families. DHS requires that 25% of youth served must have transitioned from foster care at age 17 or above.
housing assistance	Assistance in locating a suitable living arrangement and paying the first month's rent, damage (security) deposit, and utility deposit.
independent living	Those segments of the human services fields (including, at a minimum, child welfare, youth development, developmental disabilities, vocational, mental health, etc.) dedicated to the development of programs, policies, and services that best support the positive development of youth and adults as citizens, community members, employees, and family members.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and

detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.

Local Accounting
System Replacement
(LASR)

A financial accounting system application, developed by the Oracle Corporation, used by DHS local offices Statewide to make payments and maintain books of accounts, clients, vendors, and other detail and to produce local and Statewide reports.

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.

Michigan Youth
Opportunities Initiative

A partnership among DHS, the Jim Casey Youth Opportunities Initiative, the Oakland Livingston Human Services Agency, and many other local community partners. Its goal is to ensure that young people in foster care have successful outcomes in housing, education, employment, community engagement, and health.

MSA

Modified Settlement Agreement.

objective

A specific outcome that a program or an agency seeks to achieve its goals.

outcome

An actual impact of a program or an agency.

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 program operations, to facilitate decision making by parties responsible for overseeing or initiating corrective action, and to improve public accountability.

performance measures	A composite of key indicators of a program's or an activity's inputs, outputs, outcomes, productivity, timeliness, and/or quality. They are means of evaluating policies and programs by measuring results against agreed upon program goals and standards.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the objectives of the audit; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
self-sufficiency	The ability of a transitioning youth to care for, provide for, and maintain oneself physically, socially, economically, and psychologically without the need for assistance of a person or an agency.
start-up goods	Furniture, cleaning supplies, hygiene products, and other household goods.
SWSS	Services Worker Support System.
transitioning youth	Youth transitioning from foster care to self-sufficiency. In the child welfare arena, transition, as it relates to youth, is generally understood to be the period of time from late adolescence to the early adult years during which the youth increases his or her level of skills and practice of independent living and begins taking on tasks and responsibilities.
WMU	Western Michigan University.

Youth in Transition
(YIT) resources

Funding sources available and used by DHS to improve the success of foster care youth transitioning into adulthood from the State's foster care system. Funding sources include the Chafee Foster Care Independence Program, Educational and Training Voucher Program, Michigan Youth Opportunities Initiative, and Homeless Youth Runaway Services.

youth in transition
(YIT)

A youth aged 14 to 21 years old who is currently placed in an eligible foster care placement or was previously placed in an eligible foster care placement until age 18.

