

## EXECUTIVE DIGEST

# CHILDREN'S TRUST FUND

---

### INTRODUCTION

This report contains the results of our performance audit\* of the Children's Trust Fund (CTF), Family Independence Agency.

---

### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and pursuant to Section 722.612 of the *Michigan Compiled Laws*, which requires a performance audit of CTF. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\* and as required by law.

---

### BACKGROUND

CTF was created by Act 249, P.A. 1982 (Sections 21.171 and 21.172 of the *Michigan Compiled Laws*), to receive funds for the prevention of child abuse\* and child neglect\*.

The State Child Abuse and Neglect Prevention Board was created by Act 250, P.A. 1982 (Sections 722.601 - 722.613 of the *Michigan Compiled Laws*), to administer CTF and to help prevent child abuse and neglect. The Board consists of 14 members. Hereafter, "CTF" will be used to mean the Fund, the Board, and operations.

Taxpayer contributions were the major source of funding for CTF prior to fiscal year 2000-01. These contributions were made through taxpayer designations on State income tax returns. Act 249, P.A. 1982, provides that not more

than one half of such taxpayer designations deposited in CTF, plus investment earnings credited during the previous fiscal year, shall be available for CTF expenditures. The Act also states that when CTF assets exceed \$20,000,000, only the current investment earnings will be used to fund CTF expenditures and the authorization for taxpayer designations on State income tax returns will expire. Further, the Act requires that CTF use donations received for CTF expenditures. In addition, effective March 28, 2001, Act 71, P.A. 2000, provides for the issuance of a State-sponsored children's trust fund-raising collector license plate.

During fiscal year 1999-2000, CTF received supplemental appropriations of approximately \$13,100,000 that fully funded the trust and terminated the authorization for State income tax return designations. As of September 30, 2000, CTF had total assets of \$20,810,559.

CTF funds may only be used to fund grants for the prevention of child abuse and administrative costs. Expenditures and operating transfers out totaled \$2,405,734 and \$2,012,394 during fiscal years 1999-2000 and 1998-99, respectively.

As of April 30, 2001, CTF staff included the executive director, 5 full-time employees, 2 part-time employees, and 3 student assistants.

---

**AUDIT OBJECTIVES  
AND CONCLUSIONS**

**Audit Objective:** To assess the effectiveness of CTF in supporting and funding programs and services that prevent child abuse and neglect.

**Conclusion:** We concluded that CTF was effective in supporting and funding programs and services that prevent child abuse and neglect.

**Audit Objective:** To assess the effectiveness of CTF in awarding grants and monitoring grant recipients.

**Conclusion:** We concluded that CTF was effective in awarding grants and monitoring grant recipients.

**Audit Objective:** To assess CTF's compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

**Conclusion:** We concluded that CTF was in compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

---

AUDIT SCOPE AND  
METHODOLOGY

Our audit scope was to examine the program and other records of the Children's Trust Fund. 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.

The financial statements of the Children's Trust Fund are audited biennially and reported separately in the financial audit, including the provisions of the Single Audit Act, of the Family Independence Agency.

Our audit methodology included examination of CTF's records and activities for the period October 1, 1998 through April 30, 2001.

We reviewed applicable State statutes and administrative rules, discussed CTF program goals\* and objectives\* with program personnel, and analyzed direct service grants.

We evaluated the direct service grant award, reporting, and monitoring processes. Also, we reviewed local council grants and evaluated the reporting process.

---

PRIOR AUDIT  
FOLLOW-UP

CTF complied with all three prior audit recommendations.