Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

Human Service Contracting

Department of Human Services

Report Number:
431-0110-05

Released:
April 2008

The Department of Human Services (DHS) contracts to provide a wide range of human services for its clients, such as counseling, emergency shelter, and domestic abuse services. The Office of Contracts and Rate Setting (OCRS) within DHS provides general oversight of the human service contracting process. During fiscal year 2005-06, human service contract payments processed through the Contract Tracking and Payment System (Contract System) totaled $278 million.

Audit Objective:
To assess the effectiveness of DHS's process for developing human service contracts.

Audit Conclusion:
We concluded that DHS's process for developing human service contracts was moderately effective. We noted two material conditions (Findings 1 and 2) and three reportable conditions (Findings 3 through 5).

Material Conditions:
DHS did not ensure timely execution of its human service contracts (Finding 1).

DHS had not established management control to ensure that it executed contracts when purchasing services for clients (Finding 2).

Reportable Conditions:
DHS could improve its process for developing human service contracts by ensuring that the contracts clearly define contractor services and evaluation criteria and that contract budgets are complete and reasonable (Finding 3).

DHS had not developed a formal policy that defined when and for what service types criminal background checks and educational qualifications should be required as a part of a human service contract (Finding 4).

DHS did not establish training requirements for or provide sufficient training to its contracting staff (Finding 5).

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Audit Objective:
To assess the effectiveness of DHS's process for selecting human service contractors.

Audit Conclusion:
We concluded that DHS's process for selecting human service contractors was moderately effective. We noted one material condition (Finding 6) and one reportable condition (Finding 7).

Material Condition:
DHS had not established effective management control over its human service contractor selection process (Finding 6).

Reportable Condition:
DHS had not established a conflict of interest policy for all of its programs and community collaborative members. In addition, DHS did not ensure that all staff performing contracting functions were aware of their responsibility to report instances of potential or actual conflicts of interest with human service contractors and did not annually require staff to document whether they have conflicts of interest or not. (Finding 7)

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Audit Objective:
To assess the effectiveness of DHS's efforts to monitor and evaluate human service contractors.

Audit Conclusion:
We concluded that DHS's efforts to monitor and evaluate human service contractors were not effective. We noted one material condition (Finding 8) and two reportable conditions (Findings 9 and 10).

Material Condition:
DHS did not effectively monitor contractor billings (Finding 8).

Reportable Conditions:
DHS could improve its contracting process by developing a departmentwide process to monitor and evaluate human service contracts (Finding 9).

OCRS did not identify to local office staff those individuals approved to provide counseling services to DHS clients (Finding 10).

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Agency Response:
Our audit report contains 10 findings and 11 corresponding recommendations. DHS's preliminary response indicates that it agrees with 10 recommendations and disagrees with 1 recommendation.

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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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