



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



MAURA D. CORRIGAN
DIRECTOR

August 3, 2012

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, the Department of Human Services is enclosing a summary table identifying the department's responses and the corrective action plans to address recommendations identified in the Office of the Auditor General's Performance Audit of Youth Transitioning from Foster Care to Self-Sufficiency.

Questions regarding the summary table or corrective action plans should be directed to Cindy Osga, CGFM, at osgac@michigan.gov or 517-335-4087.

Sincerely,

Signature Redacted

Maura D. Corrigan

c: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
House and Senate Appropriation Sub-Committees
House and Senate Standing Committees



State of Michigan
DEPARTMENT OF HUMAN SERVICES
Response to the Auditor General's Performance Audit Report
Youth Transitioning from Foster Care to Self-Sufficiency
OAG Reference No. 431-0279-11
DHS Reference No. 2011-041

1. Findings Agreed With – Corrective Action Implemented

2

2. Findings Agreed With – Corrective Action Will Be Action Implemented

None

3. Findings Agreed with In Part – Corrective Action Implemented

1, 3

4. Findings Agreed with In Part – Corrective Action Will Be Implemented

None

5. Findings Agreed with In Part – No Corrective Action Will be Implemented

None

6. Findings Disagreed With – No Corrective Action Will be Implemented

None

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View Audit 2011041 Finding 01 - 7/17/2012

Audit Title	YOUTH-IN-TRANSITION PERFORMANCE AUDIT (OAG)		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	2/24/2012	End Date	5/31/2011

Finding Description	Evaluation of Services Provided		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	2/24/2012	Status Requested	2/27/2012 
Status Contact	stjohnl	Last Updated	2/27/2012
Status	Completed	Last Updated By	stjohnl

Corrective Action Plan	<p>Finding No. 1: Evaluation of Services Provided Please note the finding description below has been abbreviated from that provided by the auditor. material condition</p> <p>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.</p> <p>The Child Welfare League of America's Standards of Excellence for Transition, Independent Living, and Self-Sufficiency recommends that child welfare agencies providing services to transitioning youth evaluate the effectiveness of their services. The League also recommends that child welfare agencies develop contracts with service providers that are performance and outcome based. In addition, DHS 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, non-marital birth childbirth, incarceration, and high-risk behaviors.</p> <p>The review disclosed:</p> <p>a. DHS had not identified and established desired outcomes and performance measures for the services it provided to transitioning youth. 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 types of services it provided to transitioning youth for educational assistance and employment assistance to the actual outcomes for the transitioning youth.</p> <p>DHS's evaluation and comparison should consider the transitioning youth's successful completion of post-secondary education or a training program, sustained employment and earnings at or above the minimum wage, successful transition from public assistance program to self-sufficiency and lack of incarceration.</p> <p>b. DHS did not accumulate information to evaluate the actual outcomes and values of goods and services it provided to transitioning youth. For example, DHS could not provide documentation listing the youth that it provided services to during the audit period or documentation of the specific services the youth received.</p> <p>To evaluate the effectiveness of services that DHS provides to transitioning youth, it is critical that DHS document the youth it serves, the types and levels of services provided to each youth, and the related outcomes.</p> <p>c. DHS's contracts 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.</p> <p>DHS should execute contracts with CPAs and Homeless Runaway Youth Services contract providers that include desired outcomes, including performance measures, to allow DHS to evaluate the ascertain if the contract providers' activities support DHS in achieving its goal of helping transitioning youth achieving self-sufficiency. In addition, the contracts 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.</p> <p>During the audit period, DHS contracted for \$19.1 million (71 percent) of the \$27.0 million in total resources it spent related to youth in transition activities. Therefore, it is important for DHS to require contractors to demonstrate achievement of the 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.</p> <p>Recommendation:</p>
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DHS should develop and implement a comprehensive process to evaluate the outcomes and value of the services it provides to transitioning youth.

Response:

DHS agrees with the finding, in part.

DHS's outcomes are based on the federal government guidelines for the use of Chafee funds. There are specific goods and services that can be purchased with these funds. In Michigan, these are called Youth In Transition funds. 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 17, 19 and 21 from all states to further measure the impact of services to youth in foster care. DHS will work closely with its federal partners to evaluate the data and surveys that were submitted.

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

DHS recognizes the importance of including performance measures in contracts that serve youth and will require performance measures in contracts as the department moves forward.

The Modified Settlement Agreement (MSA) requires performance outcomes for older youth. All contractors will be required to achieve these same outcomes.

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

Monitoring Activities:

The Child Welfare Contract Compliance Unit/Bureau of Children and Adult Licensing has begun monitoring through annual evaluations of both local DHS offices and Private Agency Foster Care contractors.

The HEYU program office monitors by reviewing billings and reports, analyzing data, making site visits, and MSA reporting.

Anticipated Implementation Date:
implemented January 1, 2012

Responsible Administration:
Children's Services

Responsible Individual(s), Name(s), Title(s):
Steve Yager, Director, Children's Services
Suzanne Stiles Burke, Director, Bureau of Child Welfare
Mary Chaliman, Permanency Director
Janet Kaley, Acting Manager, HEYU
Jessica Kincaid, YIT Analyst

Recoupment Recommended	
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Audit Title	YOUTH-IN-TRANSITION PERFORMANCE AUDIT (OAG)		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	2/24/2012	End Date	5/31/2011

Finding Description	Discretionary Payments		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	4/1/2012	Status Requested	2/27/2012 
Status Contact	stjohnl	Last Updated	3/6/2012
Status	Completed	Last Updated By	stjohnl

Corrective Action Plan	<p>Finding No. 2: Discretionary Payments Please note the finding description has been abbreviated from that provided by the auditor. material condition</p> <p>DHS's internal control did not ensure the propriety of discretionary payments it made using YIT resources. 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 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 for self-sufficiency.</p> <p>Effective internal control can help DHS reduce its risk of improper use and potential waste of limited YIT resources. The auditor determined that DHS staff did not always adhere to the policies, that the policies did not always address the type of payment made, or there was a conflict with other DHS policies for similar payment types of payments. DHS did not routinely monitor discretionary payments.</p> <p>The auditor judgmentally selected 134 payments it determined were higher risk and reviewed DHS's supporting records for each transaction. In addition, the auditor reviewed discretionary payments for housing assistance and start-up goods. The review disclosed:</p> <p>a. DHS did not demonstrate the youth's need for goods or services it provided for 58 percent of the transactions reviewed. The records documented the payments for goods or services, but often did not state why the youth needed the goods or services or how it helped the youth become self-sufficient.</p> <p>b. DHS did not obtain an original invoice or receipt to support 27 percent of the payments reviewed. DHS policy requires a payment authorization from the local office and the original invoice or receipt from the vendor.</p> <p>c. DHS did not ensure that 43 percent of the payments reviewed that exceeded \$600 were properly approved, as required by DHS policy.</p> <p>d. DHS's payments for 30 percent of the discretionary payments reviewed either exceeded the dollar limitations DHS established for the same items for the Foster Care program or appeared excessive in nature when considering the type of item purchased and how it supported the youth's achievement of self-sufficiency. Examples include: [1] prom attire totaling \$600, including \$395 for a prom dress (the foster care program limits reimbursement for prom attire to \$100); [2] cheerleading camp; [3] hockey equipment and ice time that exceeded \$2,000; [4] voice lessons that exceeded \$5,000 DHS policy included extra-curricular activities but did not establish a dollar limit for payments.</p> <p>e. DHS payments for 9 percent of the transactions were questionable with regard to how the payments supported the transitioning youth in achieving self-sufficiency. For example, the review identified payments for iPods for graduation gifts, senior trips for youth, and a traffic ticket.</p> <p>f. DHS exceeded required limits for housing assistance and start-up good payments. The review disclosed that DHS exceeded the limit for 3 percent of transactions reviewed for housing assistance and 5 percent of the transactions reviewed for start-up goods. DHS did not have a process to alert staff when payments for housing assistance or start-up goods exceeded established limits.</p> <p>Recommendation: DHS should strengthen its internal control to ensure the propriety of discretionary payments when using YIT resources.</p> <p>DHS should fully establish guidance for discretionary payments on behalf of transitioning youth using YIT resources.</p> <p>Response:</p>
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DHS agrees with the finding.

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

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 foster care manual or any DHS manual. Payments up to \$600 can be approved at the local level. If a payment is over \$600, the local office director can approve it. If the goods or service are not explicitly listed as an approved expense, then central office approval is needed. Internal controls include supervisory signature for purchases under \$600 and county director or designee signature for purchases \$600 and over and accounting division review of the DHS-1291.

On August 1, 2011, DHS released updated Youth in Transition 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.

On January 1, 2012, YIT foster care policy was released to clarify allowable expenditures and limits.

In March 2011, the YIT/IL tab was implemented in SWSS-FAJ. The YIT Eligibility Checklist (DHS-722) and Service Youth Profile Report (DHS-4713) are completed within this tab. This allows the Health, Education and Youth Unit (HEYU) to randomly select YIT requests for expenditures from local DHS offices identified on the DHS-4713. Beginning in January 2012, the HEYU conducts a random review quarterly of YIT expenditures. The review checks eligibility requirements, dollar amounts, supporting paperwork and documentation and follows up with local offices or private agencies to ensure compliance.

In addition, a YIT report that lists all YIT expenditures is pulled quarterly. Expenditures that are in excess of \$1,000 are reviewed. The HEYU requests any necessary documentation from the local office to complete an internal case review. This includes copies of the original invoice and/or receipts to support the payments and purchases. Cases reviewed are logged on a spreadsheet that lists type of information requested, dates of requests for information, dates of receipt and outcome of the review. If a local office is unable to produce the requested information, HEYU will notify Child Welfare Field Operations to intervene. If the responsibility for the information lies with a private agency worker, director of the private agency will be contacted.

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

Monitoring Activities:

The HEYU manager will review the YIT expenditures review spreadsheets on a quarterly basis to ensure accuracy and follow up. The HEYU manager will initial and date the spreadsheet to indicate the review occurred. The HEYU manager will monitor time frames for release of new policy.

Anticipated Implementation Date:

April 1, 2012

03-06-12:

YIT policy was updated in August 2011 and January 2012 clarifying allowable expenditures, limits and items not approved. Additionally, the Health Education and Youth Unit (HEYU) is provided a quarterly report listing all YIT expenditures and all expenditures over \$1,000 are flagged for review by the HEYU analyst. The documentation regarding the expenditures is requested from the county office to determine compliance with policy.

Random quarterly internal audits to track accuracy, compliance, and documentation are conducted. Information is tracked on a spreadsheet and feedback provided to the County Director or Purchase Agency Foster Care (PAFC) Director. The HEYU manager reviews, initials and dates the spreadsheet.

Continued training and technical assistance is being offered by HEYU to local counties and PAFC's where needed. The YIT Analyst participates in monthly Supervisors conference calls to provide follow up information as needed.

The YIT website was updated to reflect current policies.

Summary:

Data regarding YIT expenditures is being forwarded to the YIT Analyst quarterly. The first quarterly reviews are being conducted and the HEYU manager is providing oversight to ensure they are conducted and appropriate follow up occurs. A communication is being drafted to county directors and private agency directors to provide feedback regarding Audit findings. New policy is being submitted to allow for an exception to the \$1,000 lifetime amount allowable for first month's rent or start-up goods when special circumstance occur.

This finding is now resolved.

Responsible Administration:

	Children's Services Responsible Individual(s), Name(s), Title(s): Steve Yager, Director, Children's Services Suzanne Stiles Burke, Director, Bureau of Child Welfare Mary Chaliman, Permanency Director Janet Kaley, Acting HEYU Manager Jessica Kincaid, YIT Analyst
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Recoupment Comments	
OIA Status	Approved
OIA Comments	

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Audit Title	YOUTH-IN-TRANSITION PERFORMANCE AUDIT (OAG)		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	10/1/2008
Report Issuance Date	2/24/2012	End Date	5/31/2011

Finding Description	Post-Secondary Educational Assistance Payments		
Administration Area	BUREAU OF CHILDREN'S SERVICES		
Report Implementation Date	2/24/2012	Status Requested	2/27/2012 
Status Contact	stjohnl	Last Updated	2/27/2012
Status	Completed	Last Updated By	stjohnl

Corrective Action Plan	<p>Finding No. 3: Post-Secondary Educational Assistance Payments Please note the finding description below has been abbreviated from that provided by the auditor.</p> <p>DHS's internal control did not always ensure post-secondary educational assistance payments were within established limits and provided on behalf of eligible transitioning youth. 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 is prohibited by DHS policy.</p> <p>DHS established policies for post-secondary educational assistance (including ETV program awards) concerning maximum payments, eligibility requirements, and allowable goods and services. However, the auditor determined 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.</p> <p>The review of post-secondary educational assistance payments disclosed:</p> <p>a. DHS made 113 single full-year ETV program awards that exceeded its established \$2,500 per-semester limit. These 113 payments totaled \$564,000 of which \$282,000 exceeded the limit. In addition, DHS did not require the youth (for whom the single year payments were made) to submit documentation to ensure that they remained enrolled for a second semester, maintained a GPA of 2.0, or met DHS's other eligibility requirements for ETV program resources.</p> <p>DHS policy allowed a youth attending a post-secondary educational or vocational program to receive an ETV program award up to \$5,000 per year. DHS policy required that the maximum yearly award be split and awarded in two separate semesters, which resulted in a maximum single ETV program award payment of \$2,500. DHS policy also required youth that applied for a second semester of the ETV program award to provide proof of successful completion of the prior semester, verification of current enrollment, receipts 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 during a given semester, and an updated class schedule for the subsequent semester prior to DHS awarding the subsequent semester's award.</p> <p>DHS partnered with WMU to provide a unique program of post-secondary education for transitioning youth. DHS awarded 105 of the 113 full-year award to youth attending WMU. WMU data indicated that 94 percent of first year students persisted from the fall to the spring semester (indicating a 6 percent dropout rate). The WMU data also indicated that for the fall semester of 2009 81 percent of first year students maintained a GPA of 2.0 or higher and, for the fall of 2010 it was 61 percent (indicating that approximately 19 percent to 39 percent of first year students did not maintain a GPA of 2.0). Therefore, it is likely DHS made improper ETV payments ranging from \$53,580 to \$109,980 on behalf of transitioning youth that did not maintain their eligibility.</p> <p>b. DHS made 5 percent of 1762 post-secondary educational assistance payments in which a youth improperly received both an ETV program award and supplemental YIT resources for tuition and fees, books, or computers totaling approximately \$47,677.</p> <p>DHS established inconsistent policies and guidance for post-secondary educational assistance. ETV program policy stipulated that YIT resources could not be used to supplement ETV program awards. ETV program policy further stipulated that a transitioning youth who received an ETV award could not also use other YIT resources to pay for post-secondary educational expenses. Inconsistently, DHS policy for the use of YIT resources stated that the YIT resources could be used to provide services that were not available from other funding sources or agencies, when the expenditures support the youth in achieving self-sufficiency.</p> <p>Recommendation:</p>
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DHS should strengthen its internal control to ensure post-secondary educational assistance payments are within established maximum limits and only provided on behalf of eligible transitioning youth.

DHS should establish clear and consistent policies to appropriately guide staff to provide proper post-secondary educational assistance from the ETV program and other YIT resources.

Response:

DHS agrees with the finding, in part.

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. 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 ETV or when the ETV is exhausted but the item or service is critical in moving the youth towards self-sufficiency.

Some of the items included in the auditor's sample are costs incurred by a youth prior to attending college, e.g., orientation, college application fees, PSAT preparation, EMT courses. The bulk of the expenditures are for computers. Computers are listed as an educational expense in both YIT and ETV policy. When the costs of attendance are computed for youth, expenses are paid in the order of priority: tuition, on-campus room and board, meal cards, books, and computer. If a youth does not have enough financial aid (including ETV) available, YIT funds are appropriately accessed for the computer. Computers not only assist in the youth's educational pursuits, but also allow a youth to locate and access local community resources; conduct employment searches; and maintain contact with their caseworker, family and friends by email. A computer provides more than educational assistance, and DHS asserts that allowing the purchase of a computer using YIT funds is not improper for a youth receiving an ETV that is covering other costs of attendance.

In January 2012, DHS 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.

The Health, Education and Youth Unit will work closely with the ETV contractor to ensure consistent application of ETV awards. For FY2012, there is no longer funding designated to a particular college or university. ETV awards are made on a first-come, first-serve basis and are established to be awarded at no more than one \$2500 award per semester, not to exceed \$5,000 in a fiscal year.

Monitoring Activities:

In March 2011, the YIT/IL tab was implemented in SWSS-FAJ. The DHS-722, YIT Eligibility Checklist and the DHS-4713, Service Youth profile Report are completed within this tab. This allows the Health, Education and Youth Unit (HEYU) to randomly select YIT requests from local DHS offices. HEYU will review randomly selected YIT post-secondary expenditures to determine if the youth also receives an ETV. The unit will follow-up with the local office to determine if the expenditure was allowable and Child Welfare Field Operations will be notified if practices do not follow policy. The HEYU will provide a job aid and training to public and private child welfare agencies regarding this updated policy.

The ETV contractor's monthly reports will be reviewed by the HEYU education analyst and the HEYU manager. The contractor will be required to follow up with universities or colleges when a youth drops out of the program to determine if money should be refunded to the department for the ETV.

Anticipated Implementation Date:

April 1, 2012

Update 02-2012

Corrective action has been implemented.

Responsible Administration:

Children's Services

Responsible Individual(s), Name(s), Title(s):

Steve Yager, Acting Director, Children's Services
Suzanne Stiles Burke, Director, Bureau of Child Welfare
Mary Challman, Director, Permanency Division
Janet Kaley, Acting HEYU Manager
Ann Rossi, HEYU Education Analyst

Recoupment Recommended

Recoupment Comments

OIA Status

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