

## EXECUTIVE DIGEST

# CHILD DAY CARE AND CHILD WELFARE LICENSING DIVISIONS

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### INTRODUCTION

This report, issued in March 1998, contains the results of our performance audit\* of the Child Day Care (CDCLD) and Child Welfare (CWLD) Licensing Divisions within the Bureau of Regulatory Services, Department of Consumer and Industry Services.

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*.

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### BACKGROUND

The Bureau's mission\* is to protect children who are vulnerable by virtue of age, disability, or circumstance and who are in need of licensed Michigan residential care, child placing agency services, and day care programs and to enhance such care through established standards. Executive Order No. 1996-1 transferred the Bureau from the Family Independence Agency to the Department of Consumer and Industry Services by a type II transfer\* , effective April 1, 1996.

CDCLD and CWLD are responsible for licensing and regulating child day care homes and centers, child caring

institutions, child placing agencies, children's camps, and children's foster homes. CDCLD and CWLD are also responsible for performing ongoing reviews of licensing rules, providing technical and educational assistance to the licensees\*, and conducting investigations of alleged licensing violations.

CDCLD had 98 employees and CWLD had 25 employees as of September 30, 1997. The Bureau recorded expenditures of approximately \$19.0 million for the fiscal year ended September 30, 1997.

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**AUDIT OBJECTIVES,  
CONCLUSIONS, AND  
NOTEWORTHY  
ACCOMPLISHMENTS**

**Audit Objective:** To assess CDCLD's and CWLD's effectiveness in meeting their goals\* and responsibilities related to statutory and administrative licensing requirements.

**Conclusion:** Our assessment disclosed that CDCLD and CWLD were generally effective in meeting their goals and responsibilities related to statutory and administrative licensing requirements. However, we noted reportable conditions\* related to licensing of children's camps, the continuous quality improvement process, license file audits, and license file documentation (Findings 1 through 4).

**Audit Objective:** To assess CDCLD's and CWLD's effectiveness in the administration of the functions regarding alleged licensing violations and adverse actions taken.

**Conclusion:** Our assessment disclosed that the CDCLD and CWLD were effective in the administration of the

functions regarding alleged licensing violations and

adverse actions.

**Noteworthy Accomplishments:** Both CDCLD and CWLD had established interpretations related to the licensing rules applicable to the licensees and registrants\* for which each division is responsible. The interpretations are intended to provide detailed information to help ensure that the licensees and registrants have a better understanding of the licensing rules and to know what is required of them. Also, the interpretations are intended to help the field consultants apply the rules consistently to all licensees.

CDCLD developed a video-based training program for licensing and registrant applicants and current licensees. The videos may be borrowed or purchased from local offices and/or central office. The videos include various topics, such as how to start a day care center, positive discipline, complaint handling, and fire safety.

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Child Day Care and Child Welfare Licensing Divisions. 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 methodology included testing of records for the period of October 1, 1994 through May 31, 1997. To establish our audit methodology, we conducted a preliminary survey of the Bureau's operations. This included discussions with

agency staff regarding CDCLD and CWLD functions, responsibilities, policies and procedures, licensing rules,

the licensing process, and the alleged license violation and adverse action process.

To assess CDCLD's and CWLD's effectiveness in meeting their goals and responsibilities related to statutory and administrative licensing requirements, we reviewed a random sample of license files for documentation of the original and renewal licensing process and field file audits to ensure that licensing actions were accurate and complete. In addition, we analyzed staffing levels and case loads.

To assess CDCLD's and CWLD's effectiveness in the administration of the functions regarding alleged licensing violations and adverse actions, we reviewed a random sample of files that documented the investigation process to determine that the investigations were handled timely and consistently, and that the results of the investigations, including the consultant's recommendation of action to take, were reasonable under the circumstances.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our report contains 4 findings and 5 corresponding recommendations. The Bureau agreed with the recommendations and indicated that it will take steps to comply with all the recommendations.

CDCLD and CWLD had complied with 7 of the 9 prior audit recommendations included within the scope of our current audit. The other 2 recommendations are repeated in this report.