

# Office of the Auditor General

## Performance Audit Report

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### **Child Care Fund**

#### Michigan Department of Health and Human Services

June 2016

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The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

*Article IV, Section 53 of the Michigan Constitution*

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Office of the Auditor General

## Report Summary

### *Performance Audit*

**Report Number:**  
**431-1400-13**

### *Child Care Fund (CCF)*

### *Michigan Department of Health and Human Services (MDHHS)*

**Released:**  
**June 2016**

MDHHS administers the CCF, which supports a collaborative effort between the State and county governments to fund programs that serve neglected, abused, and delinquent youth in Michigan. The State reimburses counties 50% for eligible juvenile justice services. The Child Care Fund Monitoring Unit (CCFMU) reviews and approves annual county CCF program and spending plans and monthly expenditure reimbursement requests. CCFMU also conducts on-site reviews to ensure that county services comply with State statute and MDHHS policies and procedures. Annual reimbursements to counties averaged \$185 million during fiscal years 2010 through 2014.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of MDHHS's efforts in evaluating the performance of county CCF programs.			Not effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS did not evaluate the performance of county in-home care (IHC) programs to ensure that CCF funding is providing successful outcomes for the youth served. MDHHS did not establish performance measures or analyze county-reported performance indicators because it believes that the Michigan Supreme Court limited its statutory authority and responsibilities for IHC programming. MDHHS should pursue an Attorney General Opinion to remedy the conflict between its operating practices and statutory requirements ( <a href="#">Finding #1</a> ).	X		Partially agrees
MDHHS did not document its review of county IHC program impact evaluations for any of the 76 evaluations sampled from 6 counties. Also, MDHHS obtained insufficient impact evaluation information from counties for 47 (62%) of 76 sampled IHC programs for fiscal years 2010 through 2012 and no impact evaluation from counties for all of the 15 sampled fiscal year 2014 IHC programs ( <a href="#">Finding #2</a> ).	X		Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of MDHHS's efforts in approving county CCF plans and budgets to ensure counties' compliance with State statute and the CCF Handbook.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS needs to improve its county CCF annual plan and budget review and approval process. MDHHS inappropriately approved all 60 out-of-home care (OHC) and over half of the 47 IHC sampled plans and budgets with missing required information, incomplete descriptions, or plans for ineligible activities ( <u>Finding #3</u> ).	X		Agrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of MDHHS's efforts in monitoring the appropriateness of the State's reimbursement of county CCF expenditures.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS needs to improve its annual on-site fiscal review procedures and documentation to help ensure that it effectively monitors the propriety of CCF reimbursements to counties. We identified numerous shortcomings in sampled reviews, review procedures, and review documentation ( <u>Finding #4</u> ).		X	Agrees
MDHHS could improve its monthly review and approval process for county CCF expenditure reports to enhance its stewardship of CCF funding and its timely detection of ineligible CCF expenditures. Required monthly approval work sheets were not completed for any of the 15 August 2014 sampled county monthly expenditure reports ( <u>Finding #5</u> ).		X	Agrees
MDHHS could improve its documentation of annual on-site program review procedures to assist it with ensuring proper oversight of county IHC program activities and resulting CCF reimbursements. IHC program review checklists and work sheets excluded several pertinent eligibility requirements ( <u>Finding #6</u> ).		X	Agrees

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: [www.audgen.michigan.gov](http://www.audgen.michigan.gov)

Office of the Auditor General  
201 N. Washington Square, Sixth Floor  
Lansing, Michigan 48913

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General



# OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • [www.audgen.michigan.gov](http://www.audgen.michigan.gov)

**Doug A. Ringler, CPA, CIA**  
Auditor General

June 9, 2016

Mr. Nick Lyon, Director  
Michigan Department of Health and Human Services  
Capitol View Building  
Lansing, Michigan

Dear Mr. Lyon:

I am pleased to provide this performance audit report on the Child Care Fund, Michigan Department of Health and Human Services.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above 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,

Doug Ringler  
Auditor General



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# AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

# EVALUATING THE PERFORMANCE OF COUNTY CCF PROGRAMS

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## BACKGROUND

The Child Care Fund (CCF) supports a collaborative effort between the State and county governments to develop and fund a variety of creative and innovative community-based programs to serve neglected, abused, and delinquent youth in Michigan. County governments develop and fund in-home care\* (IHC) programs (see Exhibits #1 and #2) as an alternative to more costly out-of-home care\* (OHC) options, such as foster care or institutional care. These programs provide necessary services while either allowing children to remain in their own homes or focusing on early reunification of youth already in OHC placements with their family.

The CCF was created by Public Act 87 of 1978. One of the purposes for the legislation was to set up a single-purpose agency, the Office of Children and Youth Services, to help resolve the unevenly distributed children and youth services throughout the State that varied in quality. The services were inadequate in some counties. The enabling legislation sought to provide the agency with the authority and responsibility for administering youth services and programs in the State. The Office of Children and Youth Services' responsibilities discussed in enabling CCF legislation analysis included, but were not limited to:

- Planning, developing, implementing, and evaluating children and youth services.
- Recommending to the Governor and the Legislature methods of improving the effectiveness of public and private children and youth services and programs.
- Promulgating rules necessary to implement, administer, and enforce its powers and duties.
- Promoting programs and policies encouraging the prevention of dependency, neglect, delinquency, and other conditions adversely affecting the welfare of children in trouble or at risk.
- Monitoring and evaluating children and youth services and programs and recommending to the Michigan Department of Health and Human Services (MDHHS) director corrective action necessary for the improvement of those services and programs.

Executive Reorganization Order No. 1991-8 transferred the powers and duties of the Office of Children and Youth Services to the former Department of Social Services, now MDHHS.

\* See glossary at end of report for definition.

**AUDIT OBJECTIVE**

To assess the effectiveness\* of MDHHS's efforts in evaluating the performance of county CCF programs.

**CONCLUSION**

Not effective.

**FACTORS  
IMPACTING  
CONCLUSION**

- Material conditions\* related to:
  - Lack of evaluation of the performance of county IHC programs.
  - Insufficient documentation of county IHC program impact evaluations and related cost reductions from transitioning youth from OHC to IHC services.
- MDHHS required counties to report some performance indicators\* in the annual plans and budgets\*.
- MDHHS obtained impact evaluations from sampled counties during fiscal years 2010 through 2013 in the annual plans and budgets.

\* See glossary at end of report for definition.

## FINDING #1

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**Evaluation of IHC program performance needed to ensure that CCF funding is providing successful outcomes.**

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MDHHS did not evaluate the performance of county IHC programs to ensure that CCF funding is providing successful outcomes\* for the neglected, abused, and delinquent youth served.

MDHHS had not established benchmarks, performance goals, or desired outcomes for IHC programs. MDHHS did require counties to report various performance indicators, such as number of youth served, costs per youth, number of youth successfully completing the program, number of youth that recidivated, and program strengths and weaknesses, in county annual plans and budgets. However, MDHHS did not analyze this performance information at county and Statewide levels. Although MDHHS also conducted fiscal reviews\*, program reviews\*, and reviews of county annual plans and budgets, the purpose and documentation of these reviews primarily focused on compliance and eligibility, not IHC program performance and outcomes.

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MDHHS did not establish performance measures and did not analyze reported performance indicators.

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Section 400.117a of the *Michigan Compiled Laws* (Public Act 87 of 1978) requires that the CCF be administered under MDHHS's superintending control. Sections 400.117d(e) and 400.117d(c), respectively, require MDHHS to consider the demonstrated relevancy, quality, effectiveness, and efficiency\* of the existing and planned county juvenile justice services\* and the State's need for a reasonable degree of Statewide standardization and control of juvenile justice services when making an allocation of State appropriated funds. Section 400.117b allows MDHHS to provide juvenile justice program planning and technical assistance to units of county government.

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MDHHS may have an inaccurate interpretation of a Supreme Court decision. Attorney General Opinion is needed.

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MDHHS informed us that a 1997 Michigan Supreme Court decision (*Oakland County et al. v State of Michigan, Department of Social Services and Department of Management and Budget*, 456 Mich 144; 566 N.W.2d 616) placed limits on its authority to comply with Sections 400.117d(e) and 400.117d(c). The Supreme Court decided that the State would violate the Headlee Amendment if the State capped CCF reimbursements to annual approved budgets (as opposed to actual expenditures) or reduced the State-financed portion of foster care services provided by the counties. In addition, the Supreme Court recognized and concurred that a county must satisfy the conditions for CCF reimbursement prescribed by statute in order to qualify for CCF reimbursement. Section 400.117d(e) provides MDHHS the authority to compel counties to provide the necessary information for effective program evaluation, to dictate to the counties what the counties' IHC programs and goals should be, and to consider possible Statewide standardization as described in Section 400.117d(c).

\* See glossary at end of report for definition.

The Supreme Court decision seems to affect the total amount of annual reimbursement that the counties receive for qualified juvenile justice services provided, not limit MDHHS's administration and oversight of IHC program performance and evaluation as delineated in statute and enabling legislation. The intent of the enabling CCF legislation and resulting statutes was to assign MDHHS the control and responsibility to ensure that quality juvenile justice services were equally distributed throughout the State. MDHHS had not requested an Attorney General Opinion as to the effect of the Supreme Court decision on its statutory authority and responsibilities for administration and evaluation of county CCF programming delineated in Public Act 87 of 1978. Such an opinion is necessary to resolve the conflict between MDHHS practices and statutory responsibilities.

## **RECOMMENDATIONS**

We recommend that MDHHS evaluate the performance of county IHC programs to ensure that CCF funding is providing successful outcomes for the neglected, abused, and delinquent youth served.

We also recommend that MDHHS seek an Attorney General Opinion, and potentially pursue amendatory legislation, regarding the breadth of its authority for IHC program performance, evaluation, oversight, and Statewide standardization of CCF-funded juvenile justice services.

## **AGENCY PRELIMINARY RESPONSE**

MDHHS provided us with the following response:

*MDHHS partially agrees with the finding.*

*MDHHS recognizes the importance of evaluating CCF IHC Programs to ensure that CCF funding is provided for services related to child care expenditures that satisfy the conditions for reimbursement as prescribed by CCF Administrative Rules, R 400.2009 and the CCF Handbook, Chapter 7. Section 400.117d of the Michigan Compiled Laws describes the allocation of funds to county juvenile justice service programs and the criteria that shall be considered when, under the former State allocation, that allocation would be distributed to each county as directed under Section 400.117d(d). This section also specifically allows for the county to maintain flexibility in its own individual program development. MDHHS believes that the Michigan Supreme Court ruling, Oakland et al. v State of Michigan, Department of Social Services and Department of Management and Budget, 456 Mich 144; 566 N.W.2d 616, changed the requirements for reimbursement from a legislatively established allocation to an entitlement of 50% reimbursement for all eligible costs, regardless of the State allocated amount. Therefore, the evaluation of programs*

*must be based on reimbursement eligibility requirements found in CCF Administrative Rules and the CCF Handbook.*

*MDHHS has consulted with the Department of Attorney General and its response is forthcoming.*

## **FINDING #2**

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**Improved IHC program impact evaluation documentation needed to ensure program efficiency.**

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MDHHS did not document its review of county IHC program impact evaluations and related cost reductions and did not always obtain sufficient impact evaluation information from the counties to help ensure that IHC programs efficiently served neglected, abused, and delinquent youth.

*Michigan Administrative Code R 400.2009(h)(iii) requires a county's annual plan and budget to contain a report which evaluates the impact and related reduction of costs by placing youth in IHC services instead of OHC placements. The CCF Handbook, along with an informal policy in practice prior to May 1, 2013, requires the Child Care Fund Monitoring Unit (CCFMU) analyst to review this information during an on-site monitoring program review. The CCF Handbook also requires the county to explain how it calculated estimated cost reductions.*

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MDHHS did not document its review for any of the 76 county evaluations sampled.

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Our review of 76 fiscal year 2010, 2011, and 2012 IHC program impact evaluations from 6 counties disclosed that CCFMU analysts did not document their review of any of the 76 evaluations. Also, MDHHS did not ensure that the counties explained how the estimated cost reduction figures were determined in 47 (62%) of 76 evaluations as required. MDHHS review procedures did not require CCFMU analysts to document their review.

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MDHHS did not require counties to report evaluations and cost reductions in fiscal year 2014 annual plans and budgets.

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In addition, our review of 15 fiscal year 2014 IHC program evaluations from 15 counties disclosed that none included an evaluation of the impact of IHC services on OHC placements within the counties' CCF funding system. MDHHS inadvertently did not include the section of the county annual plan and budget template that required counties to report impact evaluations and cost reductions when it revised the template in June 2013.

## **RECOMMENDATION**

We recommend that MDHHS document its review of county IHC program impact evaluations and related cost reductions and obtain sufficient impact evaluation information from the counties.

## **AGENCY PRELIMINARY RESPONSE**

MDHHS provided us with the following response:

*MDHHS agrees with the finding.*

*MDHHS implemented a Child Care Fund Management System in the Michigan Statewide Automated Child Welfare Information System (MiSACWIS), which enhances the entire budget review process and increases the levels of validation/documentation during the approval process. Impact evaluation information must be filled out during the annual plan and budget process for all continuing programs to ensure that it can be reviewed. CCFMU procedures are also being revised to ensure that required review procedures and documentation requirements are inclusive.*

## **APPROVING COUNTY CCF PLANS AND BUDGETS**

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### **BACKGROUND**

Each county must submit an annual plan and budget and several other original documents to MDHHS by October 1st in order to be reimbursed by the State for eligible county CCF costs. The submission must include a detailed list and description of the intended programs and services that the county will provide, including anticipated expenditures, for both OHC and IHC services and programs. Each county includes a single OHC budget but may include multiple IHC program budgets. The annual plans and budgets are primarily a series of forms and, after all forms are electronically generated, completed, and approved by the county circuit court and ancillary proper documentation is received, a CCFMU analyst will start the review process. The review is documented on the annual plan and budget review checklist. CCFMU must complete final approvals by December 15th. Counties are not reimbursed for eligible CCF costs until MDHHS approves their annual plans and budgets.

### **AUDIT OBJECTIVE**

To assess the effectiveness of MDHHS's efforts in approving county CCF plans and budgets to ensure counties' compliance with State statute and the CCF Handbook.

### **CONCLUSION**

Moderately effective.

### **FACTORS IMPACTING CONCLUSION**

- All sampled county annual plans and budgets were submitted by counties and approved by MDHHS on a timely basis.
- MDHHS appropriately denied a plan and budget that included \$6 million for ineligible activities.
- CCFMU analysts completed and retained annual plan and budget review checklists for all fiscal year 2014 sampled county budgets.
- Material condition related to improvements needed in the review and approval process to help ensure that county planned activities complied with State law and CCF Handbook requirements.

## FINDING #3

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### Improved annual plan and budget review and approval process needed to ensure compliance with State law and CCF Handbook requirements.

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MDHHS needs to improve its county CCF annual plan and budget review and approval process to help ensure that CCF funding is provided for only planned activities that comply with State law and CCF Handbook requirements.

*Michigan Administrative Code R 400.2008* requires that, in order to be eligible for State CCF reimbursement, a county shall annually submit a plan and budget to MDHHS which conform to the requirements MDHHS has established in the CCF Handbook. Section 400.117c(5) of the *Michigan Compiled Laws* requires MDHHS's approval of annual plans and budgets. Counties shall receive reimbursement for only services approved in the annual plan and budget.

MDHHS inappropriately approved annual plans and budgets with missing required information, incomplete descriptions, and planned ineligible activities. For 15 counties, we reviewed 45 fiscal year 2010 through 2012 and 15 fiscal year 2014 randomly and judgmentally selected annual plans and budgets. Within these 60 plans and budgets, we reviewed 60 OHC budgets and 47 IHC program budgets. Our review disclosed that MDHHS approved:

- a. All 60 plans and budgets with planned OHC activities related to county-operated facilities and licensed family foster care homes that did not include a description of the services that the counties planned to provide and related cost categories.

All 60 plans and budgets contained only the total dollar amount that counties planned to expend rather than delineating any service and cost categories for CCF reimbursable activities, such as staffing, treatment, food, clothing, education, utilities, and others. In contrast, counties are required to describe, in detail, the types of IHC programs and services they will provide. OHC expenditures totaled \$868.4 million during fiscal years 2010 through 2012 and \$245.3 million during fiscal year 2014 (see Exhibit #4).

The CCF Handbook requires each county circuit court to submit a detailed list of services it wishes to provide, a projection of anticipated expenditures, and descriptions of services to be provided in the annual plan and budget. Despite this requirement, MDHHS did not design the annual plan and budget forms to obtain such information because MDHHS believed that OHC activities are commonly understood. Without the delineation of services and related cost categories, a risk exists that CCF funding could be provided for non-CCF reimbursable activities, such as courtroom operations (attached to the facility) that are used for judicial administrative purposes and ineligible indirect costs (see Finding #4).

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All of the OHC and over half of the IHC program annual plans and budgets sampled were approved without sufficient descriptions and information to adequately determine compliance.

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- b. 17 (61%) of 28 IHC program budgets with contracted services totaling \$1.5 million that the counties did not fully describe to ensure the services were for eligible youth.
- c. 9 (60%) of the 15 fiscal year 2014 plans and budgets containing county-operated facilities that did not include required information in the facility descriptions, such as:
  - The formulas used to prorate CCF reimbursable and non-CCF reimbursable activities.
  - How the facility fits into the total foster care delivery system.
  - Per diem rates.
  - Intake and release criteria.
- d. 24 (51%) of the 47 IHC program budgets without sufficient information for planned per-unit limited activities. For example, the IHC program budgets included planned activities for telephone, cellular phone, copier charges, maintenance and repair costs, equipment and vehicle rentals, and office equipment exceeding \$500. However, the IHC program budgets did not include the number of planned units for each activity so that MDHHS could determine that the county did not plan to exceed the \$500 per unit annual maximum reimbursement permitted for these activities.
- e. 8 (17%) of the 47 IHC program budgets with at least one planned activity that was ineligible for reimbursement. These ineligible planned activities totaled \$18,992.

Contrary to the annual plan and budget information requirements that MDHHS placed on the counties, MDHHS informed us that it was more concerned with actual, rather than planned, county CCF expenditures. MDHHS reviews actual county CCF expenditures during MDHHS on-site fiscal reviews (see Finding #4). This practice puts CCF funding at an unnecessary risk rather than identifying and eliminating ineligible activities up front in the annual plan and budget review process.

## **RECOMMENDATION**

We recommend that MDHHS improve its county CCF annual plan and budget review and approval process to help ensure that CCF funding is provided for only planned activities that comply with State law and CCF Handbook requirements.

**AGENCY  
PRELIMINARY  
RESPONSE**

MDHHS provided us with the following response:

*MDHHS agrees with the finding.*

*MDHHS has implemented the following corrective actions:*

- *CCF annual plans and budgets and monthly reimbursement requests have been implemented into MiSACWIS.*
- *MDHHS has increased the level of review of the annual plan and budget completed by the analysts and the supervisor for final approval. Checklists have been developed and must be completed as the analyst and supervisor are approving the annual plan and budget.*
- *MDHHS has developed an enhanced review protocol of the entire county reimbursement request. Analysts have been trained in the approval process, and a supervisor approval must be completed before the monthly reimbursement is completed.*

*MDHHS will review the information requested in the budget forms and determine what additional elements should be added to ensure that pertinent information is included in the budget form so it can be evaluated as part of the annual plan and budget review and approval process.*

# MONITORING THE STATE'S REIMBURSEMENT OF COUNTY CCF EXPENDITURES

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## BACKGROUND

The State annually reimbursed, on average, \$185 million to 83 counties during the five-year period ended September 30, 2014. MDHHS reimburses counties 50% for all approved CCF eligible expenditures. Exhibits #3, #4, and #5 illustrate fiscal year 2010 through 2014 county CCF total expenditures, OHC expenditures, and IHC expenditures, respectively. Counties must electronically submit a monthly expenditure report for each applicable administrative unit\* along with supporting documentation to CCFMU. CCFMU analysts conduct desk reviews of all county monthly expenditure reports and are required to document their reviews on approval work sheets. If the review does not uncover any noncompliance issues, the CCFMU analyst will electronically approve the monthly expenditure report.

In addition to the desk reviews, CCFMU conducts annual on-site program reviews of county-developed IHC programs and fiscal reviews of county CCF expenditures for each applicable administrative unit. CCFMU analysts review all county IHC programs during a program review. Prior to fiscal year 2014, CCFMU analysts reviewed 4 months of expenditures during a fiscal review. Beginning in fiscal year 2014, CCFMU analysts reviewed only 1 month of expenditures. CCFMU provides written CCF Compliance Reports\* to the counties that document the results of the on-site program and fiscal reviews, any findings, and any other relevant information. Prior to fiscal year 2014, MDHHS conducted annual on-site program and fiscal reviews at each of the 83 counties. Beginning in fiscal year 2014, MDHHS implemented a risk-based approach to select counties. CCFMU analysts conducted 26 county on-site reviews in fiscal year 2014.

## AUDIT OBJECTIVE

To assess the effectiveness of MDHHS's efforts in monitoring the appropriateness of the State's reimbursement of county CCF expenditures.

## CONCLUSION

Moderately effective.

## FACTORS IMPACTING CONCLUSION

- CCFMU reviewed and approved all county monthly expenditure reports sampled prior to reimbursing county CCF expenditures.
- CCFMU completed all planned county on-site program and fiscal reviews in fiscal years 2012 and 2014.

\* See glossary at end of report for definition.

- CCFMU completed and issued on a timely basis all CCF Compliance Reports to the counties resulting from annual program and fiscal reviews.
- CCFMU reviewed the appropriate number of individual IHC case records during annual program reviews and ensured that each case record included required documentation.
- Reportable conditions\* related to improvement needed in:
  - Annual on-site fiscal review procedures and documentation.
  - Monthly review and approval process for county CCF expenditure reports.
  - Documentation of annual on-site program review procedures.

*\* See glossary at end of report for definition.*

## FINDING #4

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### Improvements in fiscal review procedures and documentation needed to effectively monitor the propriety of CCF reimbursements.

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MDHHS needs to improve its annual on-site fiscal review procedures and documentation to help ensure that it effectively monitors the propriety of CCF reimbursements to counties.

Section 400.117a(3) of the *Michigan Compiled Laws* requires MDHHS to monitor juvenile justice services money. The CCF Handbook requires CCFMU analysts to verify that counties properly authorized, appropriately supported, and accurately reported CCF expenditure reimbursements. CCFMU performs annual on-site fiscal reviews of selected counties as one method to meet these requirements.

We acknowledge that the dollar amount of ineligible county CCF expenditure reimbursements presented below are not significant to the total CCF reimbursements during our audit period. However, the number of errors within our samples indicates that shortcomings exist which present opportunities for MDHHS to improve its oversight:

- a. Our testing of randomly and judgmentally selected higher risk\* fiscal year 2011 and 2012 expenditures from 9 counties and fiscal year 2014 expenditures from 4 counties that were subject to review by CCFMU analysts disclosed:
  - (1) 67 (10%) of 683 selected fiscal year 2011 and 2012 expenditures totaling \$17,327 were ineligible for CCF reimbursement.
  - (2) 20 (16%) of 129 selected fiscal year 2014 expenditures totaling \$48,356 were ineligible for CCF reimbursement. One of the expenditures was for a recurring monthly billing for contracted services. We reviewed the remaining 11 months and determined that MDHHS inappropriately reimbursed an additional \$387,783 to the county.
- b. MDHHS needs to improve its review of indirect costs to ensure that counties receive reimbursement for only eligible costs as described in the county cost allocation plans and annual plans and budgets. Our review of fiscal year 2014 indirect costs for 4 counties disclosed that 1 county was reimbursed \$94,970 for expenditures in excess of the total indirect costs approved in the county's annual plan and budget. MDHHS review procedures required the CCFMU analysts to review a random sample of CCF indirect costs/cost allocation expenditures and did not address whether or not the analysts should review individual month, cumulative, or total annual indirect cost expenditure reimbursements. We also noted that indirect costs allocated in the counties' CCF subaccounts included

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Review sampling procedures not adequate to identify ineligible expenditures in higher risk CCF reimbursements and months.

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\* See glossary at end of report for definition.

ineligible costs, such as advertising, audit, labor relations, investment management, and recruiting costs. The CCF Handbook required that all reimbursable indirect costs be for expenses that are not prohibited for reimbursement from the CCF. MDHHS informed us that CCFMU analysts did not review cost allocation plan cost descriptions during on-site fiscal reviews.

- c. MDHHS needs to improve the extent of its review conducted on annually capped expenditures. Our review of fiscal year 2014 monthly leased copier fees for 4 selected counties disclosed that these counties were reimbursed \$18,539 in ineligible expenditures. The CCF Handbook disallows costs that exceed \$500 annually for the direct rental or lease of equipment or for equipment charged for on the basis of use. MDHHS review procedures required the CCFMU analysts to review a random sample of equipment purchases or equipment maintenance charges to ensure that the \$500 limit was not being exceeded. MDHHS review procedures did not sufficiently instruct the analysts to review cumulative or total annual equipment related expenditures submitted by the county for reimbursement in order to ensure that the county did not exceed the cap.
- d. MDHHS should consider the dollar amount and risk of CCF reimbursements when selecting sample months for review. For example, the month of September typically poses more of a risk for inappropriate reimbursements because it is the last opportunity for counties to submit expenditures for reimbursement and use all annual appropriation allotments. We noted that in fiscal year 2012, MDHHS issued the largest amount of monthly reimbursements during the month of September. However, only 5 (6%) of the 83 reviews that MDHHS conducted during that year included an analysis of September expenditures. We also evaluated supporting documentation for 9 fiscal year 2014 reviews and noted that none included an analysis of September expenditures.

Our testing of randomly and judgmentally selected higher risk fiscal year 2011 and 2012 expenditures from 9 counties and fiscal year 2014 expenditures from 4 counties during August and September that were not reviewed by CCFMU analysts disclosed:

- (1) 25 (12%) of 216 selected fiscal year 2011 and 2012 expenditures totaling \$8,140 were ineligible for CCF reimbursement.

(2) 13 (11%) of 121 selected fiscal year 2014 expenditures totaling \$8,819 were ineligible for CCF reimbursement.

- e. MDHHS should continue to assess the level of annual on-site fiscal reviews necessary. MDHHS conducted 26 reviews in fiscal year 2014 centered on a risk-based approach. Prior to 2014, MDHHS did not always conduct required reviews. MDHHS did not conduct 3, 4, and 2 reviews in fiscal years 2010, 2011, and 2013, respectively. MDHHS's CCF reimbursements to these counties accounted for 49%, 61%, and 42% of total Statewide CCF reimbursements during those fiscal years, respectively. MDHHS informed us that it had not conducted reviews of these counties because of a lack of sufficient staff resources. Of the 9 counties that CCFMU analysts did not review in fiscal years 2010, 2011, and 2013, 8 were assessed as high risk counties in fiscal year 2014.
- f. MDHHS did not always complete or fully complete on-site fiscal review documentation to help ensure completeness and consistency and to support its conclusions. The CCF Monitoring Policies and Procedures Manual required CCFMU analysts to document review procedures on standardized tools. Our examination of CCFMU documentation for reviews conducted during fiscal years 2010 through 2012 for 15 counties and during fiscal year 2014 for 9 counties noted that required checklists and expenditure test work sheets were not completed at all by the analysts or were incomplete in over 70% of the reviews. MDHHS indicated that the checklists were merely a guide and some analysts documented transactions on the CCF expenditure test work sheet only if errors were noted during their review.
- g. MDHHS should improve the documentation obtained and reviewed for CCF expenditures incurred by subcontractors to help ensure that the expenditures are appropriately supported and eligible for reimbursement. CCFMU analysts accepted monthly billings from subcontractors as adequate documentation; however, the monthly billings did not include the necessary detail to allow the analysts to reasonably determine if the contracted activities and/or services billed were eligible for reimbursement. MDHHS reimbursed a county approximately \$73 million for contracted activities and/or services in fiscal years 2011 through 2014.

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Insufficient review procedure documentation occurred in over 70% of sampled reviews.

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We did not project the errors identified during our review of county CCF expenditure transactions Statewide because a portion of our samples were judgmentally selected based on risk and differences in CCF activities, expenditures, and

internal control\* among the counties. Therefore, we could not be confident that our test results for the counties selected would be representative of the other remaining counties. However, we do believe that the deficiencies noted with MDHHS's annual on-site fiscal review procedures and documentation make it likely that similar errors exist in the remaining untested county CCF expenditure populations.

**RECOMMENDATION**

We recommend that MDHHS improve its annual on-site fiscal review procedures and documentation to help ensure that it effectively monitors the propriety of CCF reimbursements to counties.

**AGENCY  
PRELIMINARY  
RESPONSE**

MDHHS provided us with the following response:

*MDHHS agrees with the finding.*

*MDHHS transferred the responsibility for the CCF on-site reviews to the Bureau of Audit, Reimbursement and Quality Assurance (BARQA). In January 2015, BARQA hired two additional auditors to perform the on-site reviews. BARQA management designed an on-site review protocol that assesses whether the county CCF expenditures and revenues were accurate, allowable, and appropriate according to State laws, regulations, and departmental policy. This protocol includes specific steps for the review of ineligible costs, indirect costs, and capped costs. The sampling methodology falls within generally accepted auditing standards. All CCF on-site review reports will be reviewed and approved by BARQA management prior to release to ensure that conclusions are appropriate and necessary documentation is maintained.*

\* See glossary at end of report for definition.

## FINDING #5

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### Monthly expenditure report review and approval process improvements needed to enhance MDHHS's stewardship of CCF funding.

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All 15 sampled monthly expenditure approval work sheets were not completed.

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MDHHS could improve its monthly review and approval process for county CCF expenditure reports to enhance its stewardship of CCF funding and its timely detection of ineligible CCF expenditures.

Section 400.117a of the *Michigan Compiled Laws* requires MDHHS to administer (under superintending control) county child care funds for counties that are not county juvenile agencies. The statute also requires MDHHS to develop a reporting system for CCF reimbursements, including a requirement that counties report billings based on care given to a specific, individual child; the number of children receiving foster care services; and the number of days the care was provided. Beginning in fiscal year 2014, the CCF Handbook and the CCF Monitoring Policies and Procedures Manual required counties to submit a monthly expenditure report and various supporting documents to MDHHS in order to receive State reimbursement of eligible CCF activities. Review and approval of county monthly reimbursement requests was the responsibility of CCFMU. We reviewed August 2014 expenditure reports and related supporting documents for 15 counties and noted:

- a. CCFMU analysts did not complete all 15 required approval work sheets and did not otherwise document their review of the appropriateness of August 2014 expenditures.

CCFMU analysts approved each county monthly expenditure report electronically in the CCF data collection system. The CCF Monitoring Policies and Procedures Manual required the analysts to document their review and approval of the reports on an approval work sheet prior to the electronic approval and to retain the work sheets for two years. We identified a lack of documentation within the approval work sheet template that would indicate CCFMU analysts' review of the following items as required:

- (1) Expenditures did not exceed the approved annual plan and budget amounts.
- (2) General ledger totals agreed with the amounts reported in the county monthly expenditure report.
- (3) Number of youth served listed on the county monthly expenditure report agreed with case log listings provided by the county.

MDHHS believed that the CCFMU analysts were appropriately reviewing the reports and that the analysts' electronic approval of the reports was sufficient to demonstrate the appropriateness of all the CCF expenditure activity reimbursed. Completion of the approval work sheets would help MDHHS demonstrate that CCFMU staff appropriately monitored the propriety of CCF reimbursements.

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20% of sampled reports were approved without obtaining required supporting documentation.

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- b. MDHHS approved 3 (20%) of the 15 county monthly expenditure reports without first receiving a detailed general ledger from the county as required by the CCF Monitoring Policies and Procedures Manual. Instead, CCFMU analysts used summary level information to approve the 3 reports.

The summary level information provided the total amount for each of the county's CCF subaccounts but did not allow for an assessment of individual transaction eligibility. A detailed general ledger reports a listing of all the individual expenditure transactions that make up each county's CCF subaccounts. A detailed general ledger could be an effective tool for MDHHS to identify potentially ineligible transactions for further review that would not be selected for review during an annual on-site fiscal review.

MDHHS did not obtain detailed general ledgers from all counties because it believed that the supporting documents containing summary level information were sufficient to support expenditures.

**RECOMMENDATION**

We recommend that MDHHS improve its monthly review and approval process for county CCF expenditure reports to enhance its stewardship of CCF funding and its timely detection of ineligible CCF expenditures.

**AGENCY  
PRELIMINARY  
RESPONSE**

MDHHS provided us with the following response:

*MDHHS agrees with the finding.*

*MDHHS has implemented additional approval protocol over the monthly review process and has implemented a Child Care Fund Management System in MiSACWIS, which enhances the overall expenditure review process and increases the levels of validation in the approval process within the system. The CCFMU manager is reviewing general ledgers and supporting documentation to ensure that forms are being utilized to document work.*

## FINDING #6

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**Improved documentation of on-site program review procedures is needed to ensure proper oversight of IHC program activities and resulting CCF reimbursements.**

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MDHHS could improve its documentation of annual on-site program review procedures to assist it with ensuring proper oversight of county IHC program activities and resulting CCF reimbursements.

Section 400.115a(b) of the *Michigan Compiled Laws* states that MDHHS shall monitor children and youth services and programs funded through MDHHS. CCFMU analysts conduct annual on-site program reviews of select county IHC programs based on policies established in the CCF Handbook and the CCF Monitoring Policies and Procedures Manual. Sound monitoring practice provides for a written record of all assessments, reviews, and verifications that the CCFMU analysts conducted to support their conclusions.

CCFMU analysts did not always document assessments, reviews, or verifications of pertinent information to support their conclusions regarding IHC program eligibility requirements because of shortcomings in the review tools used. CCFMU analysts documented their IHC program review on checklists (through fiscal year 2013) and work sheets (beginning in fiscal year 2014). Our review disclosed that the checklist and work sheet templates did not include IHC program eligibility requirements such as:

- Validation that each IHC program activity provided direct services for youth and families.
- The appropriateness of attorney, detective, and court administrative wages and fringe benefits.
- The eligibility of costs and activities included in service provider contracts.
- The sufficiency of county CCF employee time studies.
- The adequacy of county caseworker caseload sizes.

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Lack of evidence that some pertinent IHC program eligibility requirements were assessed, reviewed, or verified because of shortcomings in the review tools used.

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CCFMU analysts believed that they did not need to fully maintain documentation when they concluded that the county complied with all applicable IHC eligibility requirements.

Maintaining this documentation would help MDHHS demonstrate that analysts appropriately and thoroughly assessed, reviewed, and verified all applicable IHC eligibility requirements during on-site program reviews.

## RECOMMENDATION

We recommend that MDHHS improve its documentation of annual on-site program review procedures to assist it with ensuring proper oversight of county IHC program activities and resulting CCF reimbursements.

**AGENCY  
PRELIMINARY  
RESPONSE**

MDHHS provided us with the following response:

*MDHHS agrees with the finding.*

*MDHHS transferred the responsibility for the CCF on-site reviews to BARQA. In January 2015, BARQA hired two additional auditors to perform the on-site reviews. BARQA management designed an on-site review protocol that assesses whether the county CCF expenditures and revenues were accurate, allowable, and appropriate according to State laws, regulations, and departmental policy. This protocol includes specific steps for the review of general employee, IHC, and basic grant compliance requirements. All CCF on-site review reports will be reviewed and approved by BARQA management prior to release to ensure that conclusions are appropriate and necessary documentation is maintained.*



# SUPPLEMENTAL INFORMATION

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UNAUDITED  
Exhibit #1

CHILD CARE FUND  
Michigan Department of Health and Human Services

Descriptions of IHC Program Types

Each county utilizes the CCF to create a set of programs with diverse requirements and treatment goals unique to its county's needs. Although these programs vary greatly, each can be categorized into distinct program types. Below is a brief explanation of the types of IHC programs and expenditures supported by the CCF. It is important to note that the CCF does not support expenditures that are eligible for reimbursement via other funding sources.

**Assessment**

This category includes expenditures for a professional to perform risk and need assessments of youth (and/or their families) who are in care or who are under the jurisdiction of the court. The CCF does not support expenditures for competency exams.

**Community Service**

This category includes expenditures for the supervision of youth under court jurisdiction during their completion of community service hours (as ordered by a judge or probation officer).

**Counseling**

This category includes expenditures for counseling or therapy sessions with a licensed therapist or counselor.

**Court Appointed Special Advocate (CASA)**

This category includes expenditures for CASA involvement with youth who are the subject of child abuse/neglect cases. The CCF does not support charges for legal fees for this or any other CCF program.

**Day Treatment**

This category includes expenditures for the operation of alternative schools offering mental and/or physical health, educational, and counseling services.

**Diversion**

This category includes expenditures to prevent youth who are likely to come under the jurisdiction of the court from being adjudicated.

**Electronic Monitoring**

This category (which is sometimes referred to as "tether") includes expenditures for tether units and tether monitoring staff.

**Family Preservation**

This category includes expenditures aimed at decreasing the likelihood that youth are removed from their homes or that family units are disrupted when children are removed.

**Home Detention**

This category includes expenditures limited to keeping an adjudicated youth in his or her home.

**Intensive Probation**

This category includes expenditures for intensive monitoring of youth by a probation officer.

**Mentoring**

This category includes expenditures for transportation, assisting a youth/family in learning new skills, and other supportive services.

**Multi-Service**

This is an umbrella category for numerous in-home programs and includes expenditures for programs encompassing multiple facets of treatment.

**Multi-Systemic Therapy (MST)**

This category includes expenditures for counseling staff for MST programs. MST is a family-based treatment program that takes place in a youth's home and involves the whole family. A practitioner is a daily presence in the family, providing intensive and direct assistance.

**Non-Scheduled Payments**

This category consists of expenditures for non-recurring costs to support a youth/family involved in another program area and non-recurring costs to prevent a youth/family from increased court or MDHHS involvement.

**Sex Offender**

This category includes expenditures for counseling and/or treatment specifically targeting youth who are sexual offenders.

**Substance Abuse**

This category includes expenditures for Juvenile Drug Courts (not including attorney or court fees), drug testing, drug counseling, or other treatments to assist a youth in recovery from drug and/or alcohol abuse.

**Supervised Visitation**

This category includes expenditures for youth transportation and staff monitoring of youth and parent visitation.

**Truancy**

This category includes expenditures for programs offering tutoring, mentoring, oversight, and other programming for youth with high absenteeism from school.

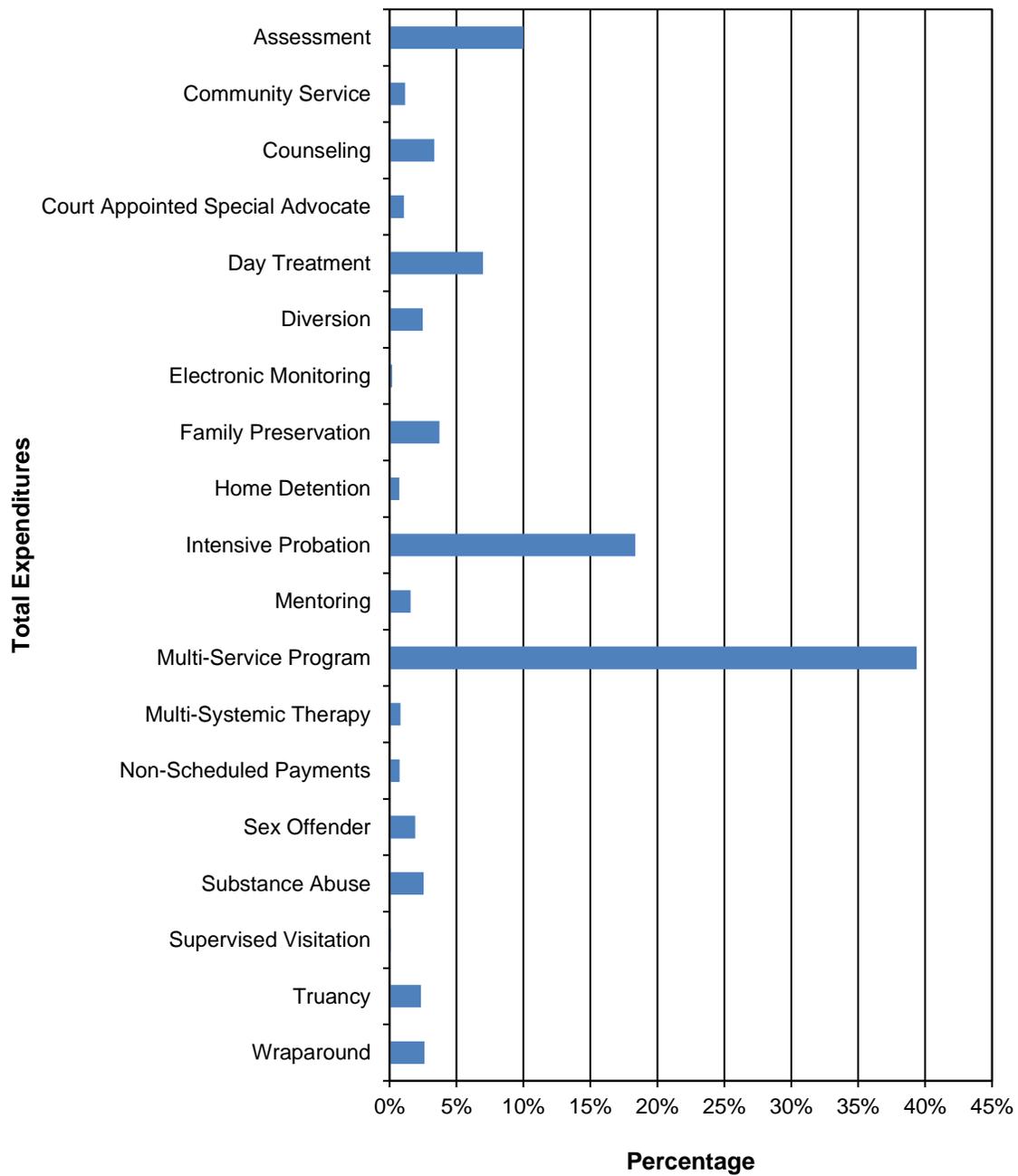
**Wraparound**

This category includes expenditures for Wraparound counselors, transportation, and other non-recurring expenditures that are specific to Wraparound.

Source: MDHHS one-time expense analysis report dated February 22, 2013 provided to the Legislature pursuant to Public Act 200 of 2012.

CHILD CARE FUND  
Michigan Department of Health and Human Services

IHC Expenditures by Program Type  
Fiscal Year 2012



Source: MDHHS one-time expense analysis report dated February 22, 2013 provided to the Legislature pursuant to Public Act 200 of 2012.

CHILD CARE FUND  
Michigan Department of Health and Human Services

County Expenditures\*  
Fiscal Years 2010 Through 2014

County	Fiscal Year				
	2010	2011	2012	2013	2014
Alcona	\$ 193,701	\$ 198,328	\$ 199,807	\$ 166,264	\$ 189,945
Alger	87,438	152,441	81,130	37,317	49,813
Allegan	4,542,052	4,562,147	4,455,804	4,280,789	4,012,475
Alpena	633,507	745,403	695,841	818,909	895,908
Antrim	514,372	515,572	353,531	214,743	226,727
Arenac	44,587	118,181	65,898	26,191	105,396
Baraga	69,907	55,943	54,422	44,066	52,176
Barry	859,925	652,427	715,041	958,714	863,127
Bay	2,249,610	2,371,672	2,177,964	2,323,357	2,561,028
Benzie	360,287	199,195	401,127	188,889	292,508
Berrien	6,946,498	7,300,670	6,960,744	7,573,207	7,279,187
Branch	608,778	875,527	907,739	1,047,255	900,923
Calhoun	4,244,963	4,402,336	4,335,066	3,903,226	3,656,954
Cass	948,352	932,935	690,669	915,065	822,462
Charlevoix	883,081	958,938	864,112	610,188	582,372
Cheboygan	622,816	719,851	733,605	812,439	969,378
Chippewa	227,614	266,672	222,807	260,048	394,907
Clare	366,009	398,365	367,701	380,323	485,654
Clinton	1,155,467	1,074,787	1,159,319	1,813,983	1,409,796
Crawford	335,378	393,099	476,752	511,546	561,691
Delta	476,216	427,852	464,182	535,479	572,627
Dickinson	472,629	398,363	304,999	525,027	378,527
Eaton	5,360,838	5,797,417	5,180,569	4,339,073	4,314,849
Emmet	976,211	845,678	755,059	811,726	1,047,979
Genesee	13,625,350	13,461,718	11,887,638	9,540,214	10,046,301
Gladwin	156,365	174,386	208,000	224,613	328,902
Gogebic	111,766	94,174	174,146	163,045	124,322
Grand Traverse	1,911,620	1,581,003	1,335,330	1,578,159	1,379,910
Graiot	747,207	743,193	1,023,289	895,358	870,107
Hillsdale	918,031	975,369	1,101,004	1,073,066	876,792
Houghton	159,294	255,983	292,561	244,750	145,865
Huron	190,730	181,255	116,404	140,154	241,247
Ingham	15,387,447	15,394,479	16,296,919	15,414,246	15,003,743
Ionia	914,322	1,206,455	1,013,607	1,058,901	741,491
Iosco	737,812	535,658	553,352	716,934	712,914
Iron	74,468	61,349	58,861	62,111	67,602
Isabella	2,228,714	2,124,291	1,722,940	1,956,289	1,939,723
Jackson	3,878,507	3,848,642	4,154,650	4,993,947	5,407,161
Kalamazoo	7,917,259	8,405,784	8,722,358	8,808,781	8,997,173
Kalkaska	283,804	139,013	133,801	120,949	146,842
Kent	28,849,980	30,008,308	28,846,026	28,017,577	28,375,391
Keweenaw	6,672	2,880			
Lake	420,654	344,723	387,242	545,096	732,748
Lapeer	1,135,025	952,709	1,020,019	828,724	920,606
Leelanau	312,667	347,758	383,398	480,839	492,445
Lenawee	3,870,155	3,576,041	3,449,330	3,589,150	3,428,493
Livingston	1,329,338	1,940,223	1,604,367	1,736,356	1,862,927
Luce	118,165	103,281	37,309	24,988	69,249
Mackinac	121,679	37,539	144,597	287,429	261,787
Macomb	20,230,414	16,918,511	15,045,587	15,622,667	15,295,865
Manistee	287,799	285,306	383,181	310,947	291,506

**CHILD CARE FUND**  
Michigan Department of Health and Human Services

County Expenditures\*  
Fiscal Years 2010 Through 2014  
(Continued)

County	Fiscal Year				
	2010	2011	2012	2013	2014
Marquette	\$ 2,268,368	\$ 2,470,146	\$ 2,482,489	\$ 2,302,393	\$ 2,043,568
Mason	511,128	509,271	539,676	567,059	469,958
Mecosta	345,386	211,475	230,831	239,508	305,440
Menominee	60,986	61,321	80,594	85,558	85,605
Midland	3,644,506	3,606,532	3,677,118	3,575,672	3,573,719
Missaukee	394,538	258,782	272,242	506,457	620,612
Monroe	4,088,657	3,608,655	3,508,899	3,498,059	3,716,109
Montcalm	574,485	870,604	1,065,553	865,119	808,296
Montmorency	134,911	268,306	289,619	289,769	298,410
Muskegon	6,986,524	8,047,757	7,439,513	7,897,729	7,048,423
Newaygo	909,723	861,959	838,131	1,040,355	1,100,732
Oakland	27,963,090	28,737,151	29,929,117	28,811,051	29,821,121
Oceana	312,185	310,113	192,688	196,278	171,817
Ogemaw	472,004	415,873	604,499	415,067	558,558
Ontonagon	3,693	3,037	2,986	1,050	1,155
Osceola	277,155	249,306	328,680	309,444	321,040
Oscoda	74,901	91,713	252,696	118,606	303,992
Otsego	382,124	337,587	437,133	424,609	479,770
Ottawa	7,491,967	6,834,728	7,520,734	7,774,647	7,840,197
Presque Isle	226,627	199,335	279,924	324,212	409,369
Roscommon	501,040	730,683	775,090	766,860	861,056
Saginaw	4,780,889	4,276,097	4,415,218	4,602,459	4,415,883
Sanilac	200,779	276,966	197,801	761,758	961,458
Schoolcraft	142,438	246,804	107,185	5,482,647	5,568,255
Shiawassee	869,236	947,398	942,397	661,120	808,534
St. Clair	5,895,859	5,135,490	5,766,251	288,559	276,645
St. Joseph	967,565	826,794	674,053	132,059	129,658
Tuscola	985,367	700,056	889,523	933,531	1,084,765
Van Buren	1,444,085	1,482,897	1,300,860	1,211,744	1,291,072
Washtenaw	8,751,121	7,352,513	8,020,013	8,919,424	9,305,707
Wayne	199,976,104	177,294,627	171,548,515	153,968,892	140,435,590
Wexford	353,182	444,175	512,080	434,725	641,182
<b>Total</b>	<b>\$ 421,096,104</b>	<b>\$ 395,731,980</b>	<b>\$ 387,841,911</b>	<b>\$ 368,939,531</b>	<b>\$ 357,145,217</b>

\* Gross CCF expenditures incurred by the county prior to revenue adjustments and 50% State reimbursement.

Source: The Office of the Auditor General prepared this exhibit with data obtained from the CCF data collection system.

CHILD CARE FUND  
Michigan Department of Health and Human Services

County OHC Expenditures\*  
Fiscal Years 2010 Through 2014

County	Fiscal Year				
	2010	2011	2012	2013	2014
Alcona	\$ 140,712	\$ 136,250	\$ 136,221	\$ 32,830	\$ 119,657
Alger	78,996	143,926	54,590	16,862	40,960
Allegan	3,665,057	3,667,013	3,575,657	3,335,073	3,068,316
Alpena	338,755	405,525	375,290	436,748	448,644
Antrim	423,586	452,805	264,817	135,091	127,835
Arenac	44,587	118,181	65,898	26,191	85,441
Baraga	27,698	24,379	6,095	4,263	6,514
Barry	451,161	242,114	367,903	546,834	417,382
Bay	1,818,605	1,859,668	1,706,882	1,786,173	2,009,510
Benzie	243,508	129,093	304,616	99,814	171,912
Berrien	5,577,477	5,798,212	5,541,029	6,344,600	6,060,149
Branch	232,618	406,827	456,363	675,040	521,929
Calhoun	3,003,591	3,239,804	3,274,971	2,924,230	2,754,894
Cass	580,987	569,430	383,627	609,039	451,219
Charlevoix	386,759	429,942	379,878	210,159	235,439
Cheboygan	230,123	239,329	207,694	437,647	406,033
Chippewa	84,213	114,918	102,496	150,701	295,759
Clare	279,059	307,124	279,070	290,331	392,456
Clinton	911,818	803,253	916,748	1,454,706	1,038,453
Crawford	67,594	90,864	165,449	101,706	109,518
Delta	1,105	5,760	8,781	54,329	74,989
Dickinson	232,559	150,552	120,594	299,352	174,962
Eaton	3,359,566	3,765,099	3,381,660	2,652,438	2,446,413
Emmet	435,368	370,283	324,896	324,356	599,800
Genesee	10,980,114	11,333,032	9,714,297	7,722,020	8,255,271
Gladwin	90,198	108,068	141,294	159,496	264,248
Gogebic	48,165	27,570	105,365	69,588	15,047
Grand Traverse	1,134,611	892,441	649,421	908,908	731,503
Gratiot	377,977	339,960	617,149	463,529	440,553
Hillsdale	649,950	689,801	909,906	861,345	673,167
Houghton	159,294	255,983	230,288	202,450	108,641
Huron	186,704	181,255	109,305	108,867	156,455
Ingham	8,606,461	8,789,151	10,763,042	9,243,158	8,679,783
Ionia	702,440	984,496	792,683	889,699	553,519
Iosco	367,862	188,398	217,605	376,812	364,841
Iron	14,921	3,678	628	4,103	
Isabella	1,442,703	1,298,973	882,154	1,062,418	1,029,479
Jackson	3,728,195	3,720,462	3,977,641	4,814,601	5,223,896
Kalamazoo	5,533,539	6,022,170	6,381,477	6,518,742	6,865,579
Kalkaska	171,863	62,982	74,238	58,711	86,622
Kent	20,372,413	21,350,928	20,230,601	19,335,834	20,419,125
Keweenaw	6,672	2,880			
Lake	223,202	182,281	211,023	362,957	532,269
Lapeer	792,707	660,541	732,563	573,580	681,084
Leelanau	141,781	156,036	185,074	281,594	309,289
Lenawee	3,608,659	3,282,970	3,135,442	3,248,095	3,130,860
Livingston	703,943	1,283,601	966,644	808,297	693,761
Luce	118,165	103,281	37,309	24,988	69,249
Mackinac	121,679	37,539	144,597	287,429	261,787
Macomb	18,014,950	14,675,052	12,466,670	13,074,687	13,096,667
Manistee	84,501	121,984	204,161	126,709	108,297

**CHILD CARE FUND**  
Michigan Department of Health and Human Services

County OHC Expenditures\*  
Fiscal Years 2010 Through 2014  
(Continued)

County	Fiscal Year				
	2010	2011	2012	2013	2014
Marquette	\$ 1,640,354	\$ 1,807,305	\$ 1,843,307	\$ 1,697,101	\$ 1,436,464
Mason	370,203	332,328	351,038	365,589	241,685
Mecosta	259,721	130,655	138,720	144,667	202,210
Menominee	25,986	17,729	35,074	26,890	13,484
Midland	2,197,357	2,115,589	2,110,315	2,187,504	2,260,600
Missaukee	337,449	182,826	193,227	433,972	541,532
Monroe	3,631,648	3,415,923	3,322,397	3,293,562	3,528,574
Montcalm	500,756	803,005	1,005,349	824,871	766,804
Montmorency	86,742	214,729	246,531	196,795	163,737
Muskegon	5,493,130	6,474,968	5,810,469	5,918,930	5,086,833
Newaygo	457,961	402,967	436,764	654,357	722,767
Oakland	24,970,358	24,982,210	26,734,929	25,486,155	26,677,332
Oceana	184,250	185,058	67,198	102,670	72,988
Ogemaw	187,336	155,774	342,192	155,932	227,925
Ontonagon	1,200	720	480	1,050	1,155
Osceola	137,777	144,051	199,065	191,358	186,065
Oscoda	45,845	81,258	218,619	31,496	195,184
Otsego	197,884	183,670	313,066	295,250	251,084
Ottawa	3,517,171	3,244,442	3,759,564	3,825,142	4,156,608
Presque Isle	186,676	166,186	254,065	280,217	373,462
Roscommon	199,233	373,395	399,930	396,304	520,435
Saginaw	3,875,813	3,528,622	3,587,492	3,731,369	3,616,324
Sanilac	58,743	106,072	85,015	282,714	404,563
Schoolcraft	45,843	157,934	36,228	4,057,626	2,056,366
Shiawassee	327,413	419,312	407,773	241,914	345,154
St. Clair	4,828,903	3,561,552	4,214,783	165,580	153,894
St. Joseph	584,359	352,593	236,527	67,496	77,741
Tuscola	787,219	479,046	593,352	648,289	798,123
Van Buren	1,019,799	1,058,758	908,231	783,097	828,518
Washtenaw	6,185,921	5,255,455	6,143,654	6,629,995	7,059,867
Wayne	148,952,895	122,761,854	111,623,083	100,595,430	87,043,666
Wexford	206,592	291,835	366,764	292,025	494,602
	<u>\$ 312,501,707</u>	<u>\$ 283,613,688</u>	<u>\$ 272,267,002</u>	<u>\$ 258,542,476</u>	<u>\$ 245,314,922</u>

\* Gross CCF expenditures incurred by the county prior to revenue adjustments and 50% State reimbursement.

Source: The Office of the Auditor General prepared this exhibit with data obtained from the CCF data collection system.

CHILD CARE FUND  
Michigan Department of Health and Human Services

County IHC Expenditures\*  
Fiscal Years 2010 Through 2014

County	Fiscal Year				
	2010	2011	2012	2013	2014
Alcona	\$ 52,989	\$ 62,078	\$ 63,586	\$ 133,434	\$ 70,287
Alger	8,442	8,515	26,541	20,455	8,853
Allegan	876,996	895,135	880,147	945,716	944,159
Alpena	294,752	339,878	320,550	382,161	447,264
Antrim	90,785	62,767	88,713	79,652	98,892
Arenac					19,955
Baraga	42,209	31,564	48,327	39,803	45,662
Barry	408,764	410,312	347,138	411,880	445,745
Bay	431,005	512,004	471,082	537,183	551,518
Benzie	116,779	70,102	96,512	89,074	120,596
Berrien	1,369,021	1,502,458	1,419,715	1,228,607	1,219,039
Branch	376,159	468,701	451,376	372,216	378,994
Calhoun	1,241,371	1,162,532	1,060,095	978,996	902,060
Cass	367,364	363,505	307,042	306,025	371,243
Charlevoix	496,321	528,995	484,234	400,029	346,933
Cheboygan	392,693	480,522	525,911	374,792	563,346
Chippewa	143,401	151,754	120,311	109,347	99,149
Clare	86,951	91,241	88,631	89,991	93,197
Clinton	243,649	271,534	242,571	359,277	371,343
Crawford	267,783	302,235	311,303	409,841	452,173
Delta	475,111	422,092	455,401	481,150	497,637
Dickinson	240,070	247,812	184,405	225,675	203,565
Eaton	2,001,273	2,032,318	1,798,910	1,686,635	1,868,436
Emmet	540,843	475,395	430,163	487,370	448,179
Genesee	2,645,236	2,128,685	2,173,341	1,818,195	1,791,030
Gladwin	66,167	66,318	66,706	65,117	64,654
Gogebic	63,602	66,604	68,782	93,457	109,275
Grand Traverse	777,009	688,561	685,909	669,252	648,407
Gratiot	369,230	403,233	406,140	431,829	429,553
Hillsdale	268,081	285,568	191,098	211,721	203,625
Houghton			62,273	42,300	37,224
Huron	4,026		7,100	31,287	84,792
Ingham	6,780,986	6,605,328	5,533,877	6,171,088	6,323,959
Ionia	211,883	221,958	220,923	169,202	187,972
Iosco	369,950	347,260	335,748	340,122	348,073
Iron	59,547	57,671	58,233	58,009	67,602
Isabella	786,011	825,318	840,786	893,871	910,244
Jackson	150,311	128,180	177,009	179,345	183,265
Kalamazoo	2,383,720	2,383,613	2,340,881	2,290,039	2,131,594
Kalkaska	111,941	76,031	59,563	62,238	60,220
Kent	8,477,567	8,657,380	8,615,425	8,681,743	7,956,265
Keweenaw					
Lake	197,452	162,442	176,219	182,140	200,479
Lapeer	342,317	292,168	287,456	255,144	239,522
Leelanau	170,886	191,721	198,324	199,246	183,156
Lenawee	261,496	293,071	313,888	341,055	297,633
Livingston	625,395	656,622	637,723	928,059	1,169,166
Luce					
Mackinac					
Macomb	2,215,464	2,243,459	2,578,917	2,547,979	2,199,199
Manistee	203,298	163,322	179,020	184,238	183,210

**CHILD CARE FUND**  
Michigan Department of Health and Human Services

County IHC Expenditures\*  
Fiscal Years 2010 Through 2014  
(Continued)

County	Fiscal Year				
	2010	2011	2012	2013	2014
Marquette	\$ 628,013	\$ 662,841	\$ 639,182	\$ 605,292	\$ 607,104
Mason	140,925	176,943	188,638	201,470	228,273
Mecosta	85,665	80,820	92,111	94,841	103,230
Menominee	35,000	43,592	45,521	58,668	72,121
Midland	1,447,149	1,490,943	1,566,803	1,388,168	1,313,119
Missaukee	57,089	75,956	79,015	72,485	79,080
Monroe	457,009	192,732	186,502	204,497	187,535
Montcalm	73,729	67,599	60,204	40,247	41,492
Montmorency	48,169	53,577	43,088	92,975	134,673
Muskegon	1,493,395	1,572,788	1,629,044	1,978,799	1,961,590
Newaygo	451,762	458,992	401,367	385,998	377,965
Oakland	2,992,732	3,754,942	3,194,188	3,324,896	3,143,789
Oceana	127,935	125,055	125,490	93,607	98,829
Ogemaw	284,669	260,099	262,306	259,135	330,633
Ontonagon	2,493	2,317	2,506		
Osceola	139,377	105,254	129,615	118,086	134,976
Oscoda	29,056	10,456	34,077	87,110	108,808
Otsego	184,241	153,918	124,067	129,359	228,687
Ottawa	3,974,796	3,590,286	3,761,170	3,949,505	3,683,589
Presque Isle	39,951	33,149	25,859	43,995	35,907
Roscommon	301,807	357,288	375,160	370,556	340,621
Saginaw	905,075	747,475	827,726	871,090	799,559
Sanilac	142,036	170,894	112,785	479,044	556,896
Schoolcraft	96,595	88,870	70,956	1,425,021	3,511,889
Shiawassee	541,823	528,086	534,624	419,206	463,380
St Clair	1,066,957	1,573,939	1,551,467	122,978	122,751
St Joseph	383,207	474,201	437,527	64,563	51,918
Tuscola	198,148	221,010	296,172	285,241	286,643
Van Buren	424,287	424,140	392,629	428,647	462,554
Washtenaw	2,565,200	2,097,059	1,876,359	2,289,430	2,245,839
Wayne	51,023,209	54,532,772	59,925,432	53,373,462	53,391,924
Wexford	146,590	152,340	145,316	142,700	146,580
	<u>\$ 108,594,397</u>	<u>\$ 112,118,292</u>	<u>\$ 115,574,909</u>	<u>\$ 110,397,055</u>	<u>\$ 111,830,295</u>

\* Gross CCF expenditures incurred by the county prior to revenue adjustments and 50% State reimbursement.

Source: The Office of the Auditor General prepared this exhibit with data obtained from the CCF data collection system.

## DESCRIPTION

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The CCF was created by Public Act 87 of 1978 (Sections 400.117a - 400.117f of the *Michigan Compiled Laws*) to establish a juvenile justice funding system that is administered under MDHHS's superintending control. The enabling legislation sought to provide the agency with the authority and responsibility for administering youth services and programs in the State. The CCF was originally designed to improve care for children under the jurisdiction of county juvenile courts with the State reimbursing counties 50% of all eligible CCF activities in approved annual plans and budgets. Eligible CCF activities include both OHC and IHC services. OHC services include placements in county-operated detention facilities, family foster care, private child caring institutions, and independent living arrangements. IHC services include placements in programs with diverse requirements and treatment goals and provide an alternative to OHC services (see Exhibit #1 for a listing of IHC program types). The CCF is the largest funding source for juvenile court wards throughout the State.

MDHHS's CCFMU is responsible for monitoring and ensuring the appropriate State reimbursement of county CCF activities. CCFMU activities are primarily funded with State General Fund/general purpose appropriations and federal financial assistance. As of April 30, 2015, CCFMU employed a total of 5 staff (4 analysts and 1 supervisor). For fiscal years 2010 through 2014, annual State reimbursements to counties averaged \$185 million (see Exhibits #3 through #5).

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the records and processes related to county CCF programs, expenditures, and State reimbursements. 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.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2009 through September 30, 2012 and October 1, 2013 through September 30, 2014.

We initially performed our audit procedures during January 2013 through October 2013. Effective October 1, 2013, MDHHS significantly revised CCF monitoring policies and procedures and the CCF Handbook. We postponed the audit because of a need to reassign audit resources and to provide MDHHS with the opportunity to operate under the revised policies and procedures that were anticipated to correct deficiencies noted during our initial audit procedures. We restarted our additional audit procedures in January 2015.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of CCF processes, programs, and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MDHHS management and staff.
- Reviewed applicable *Michigan Compiled Laws* and *Michigan Administrative Code* requirements.
- Examined the CCF Handbook and the CCF Monitoring Policies and Procedures Manual.
- Analyzed available CCF records, data, and statistics.
- Performed preliminary testing of:
  - County annual plans and budgets for compliance with applicable laws, policies, and procedures.

\* See glossary at end of report for definition.

- CCFMU program and fiscal reviews for compliance with applicable laws, policies, and procedures.
- CCF data collection system controls.
- Legislatively required reports for accuracy.

**OBJECTIVE #1**

To assess the effectiveness of MDHHS's efforts in evaluating the performance of county CCF programs.

To accomplish this objective, we:

- Examined the Social Welfare Act, CCF enabling legislation, and a 1997 Michigan Supreme Court decision (*Oakland County et al. v State of Michigan, Department of Social Services and Department of Management and Budget*, 456 Mich 144; 566 N.W.2d 616) to assess MDHHS's authority and responsibilities for CCF program performance.
- Judgmentally selected 6 counties with the highest fiscal year 2012 CCF expenditures and tested all 76 fiscal year 2010 through 2012 IHC program cost savings estimates and impact evaluations. We also randomly and judgmentally selected 10 and 5 counties, respectively, for fiscal year 2014 IHC program testing. We judgmentally selected the 5 counties based on location and amount of fiscal year 2014 CCF expenditures. We then judgmentally selected and tested one IHC program from each of the 15 counties based on the amount of IHC program expenditures. We tested each IHC program to determine if:
  - Counties provided cost savings estimates of placing youth in IHC programs as opposed to OHC placements.
  - MDHHS documented its review of IHC program impact evaluations.
  - Counties explained how estimated cost reduction figures were calculated.
- Analyzed performance indicators that counties must provide in the annual plan and budget, such as number of youth served, costs per youth, and number of youth in institutional care.
- Reviewed the CCF one-time expense analysis report to determine if MDHHS appropriately reported information to the Legislature in accordance with Public Act 200 of 2012.

## OBJECTIVE #2

To assess the effectiveness of MDHHS's efforts in approving county CCF plans and budgets to ensure counties' compliance with State statute and the CCF Handbook.

To accomplish this objective, we:

- Randomly and judgmentally selected 10 and 5 counties, respectively, for fiscal year 2010 through 2014 testing. We judgmentally selected the 5 counties based on location and average amount of fiscal year CCF expenditures.
- Reviewed and examined MDHHS's internal control processes related to approving budgeted expenditures in county annual plans and budgets.
- Tested documentation for 47 of 475 judgmentally selected fiscal year 2012 through 2014 county IHC program budgets from 15 counties (see first bullet for this objective) based on the amount of IHC program expenditures to determine if MDHHS:
  - Approved only planned activities that were eligible for State reimbursement in accordance with CCF Handbook requirements.
  - Verified that counties appropriately described applicable contracted services.
- Tested documentation for 60 fiscal year 2010, 2011, 2012, and 2014 county annual plans and budgets (one for each of the 15 counties during each fiscal year) to determine if MDHHS:
  - Obtained and approved county annual plans and budgets on a timely basis.
  - Approved planned OHC activities in accordance with the CCF Handbook.
  - Verified that fiscal year 2014 county-operated facility descriptions included required information in accordance with the CCF Handbook.
- Reviewed CCFMU fiscal year 2014 annual plan and budget review checklists for 15 counties (see first bullet for this objective) to determine if CCFMU completed and retained the checklists.

### OBJECTIVE #3

To assess the effectiveness of MDHHS's efforts in monitoring the appropriateness of the State's reimbursement of county CCF expenditures.

To accomplish this objective, we:

- Randomly and judgmentally selected 10 and 5 counties, respectively, for fiscal years 2010 through 2012 and fiscal year 2014 testing. We judgmentally selected the 5 counties based on location and average amount of fiscal year CCF expenditures. For fiscal year 2014, our review of CCFMU program and fiscal reviews was limited to 9 of the 15 counties because CCFMU did not conduct program or fiscal reviews for the remaining 6 counties.

For fiscal year 2010 through 2012 testing, we visited and reviewed county CCF individual IHC case records and expenditure transactions at 9 of the 15 counties. For fiscal year 2014 testing, we visited and reviewed CCF expenditure transactions at 4 of the 9 counties. We judgmentally selected the 9 and 4 counties, respectively, based on location and amount of CCF expenditures. County CCF transactions were both randomly selected and judgmentally selected based on transactions that were considered higher risk.

We did not project the errors identified during our review of county CCF expenditure transactions Statewide because a portion of our samples were judgmentally selected based on risk and differences in CCF activities, expenditures, and internal control among the counties. Therefore, we could not be confident that our test results for the counties selected would be representative of the other remaining counties.

- Interviewed 13 MDHHS local office directors, 15 county circuit court administrators, and one county's key Department of Child and Family Services staff to obtain an understanding of county CCF billing and transaction review and approval processes.
- Examined master user access rights to the CCF data collection system in existence during fiscal years 2010 through 2014.
- Tested August 2014 monthly expenditure reports and related documentation for 15 counties to determine if MDHHS:
  - Completed and documented approval work sheets in accordance with the CCF Monitoring Policies and Procedures Manual.

- Verified that the county provided all required documentation prior to CCFMU approving the monthly expenditures for State reimbursement.
- Tested fiscal year 2014 checklists and work sheets used by MDHHS to document annual on-site program review procedures for 9 counties to determine if MDHHS sufficiently documented its review.
- Tested 131 of 521 individual IHC case records reviewed by MDHHS during on-site program reviews from 9 counties during fiscal year 2012 to determine if the case records included all required documentation.
- Tested 683 fiscal year 2011 and 2012 expenditure transactions from 9 counties that were subject to MDHHS annual on-site fiscal review to determine if MDHHS adequately identified ineligible county CCF reimbursements. These 683 transactions accounted for \$3.2 million of the \$41.8 million in total expenditures for the months reviewed.
- Tested 129 fiscal year 2014 expenditure transactions from 4 counties that were subject to MDHHS annual on-site fiscal review to determine if MDHHS adequately identified ineligible county CCF expenditures. These 129 transactions accounted for \$1.6 million of the \$13.7 million in total expenditures for the months reviewed.
- Tested 216 fiscal year 2011 and 2012 expenditure transactions from 9 counties that were not subject to MDHHS annual on-site fiscal review to determine if the State reimbursed ineligible county CCF expenditures. These 216 transactions accounted for \$0.7 million of the \$7.6 million in total expenditures for the months reviewed.
- Tested 121 fiscal year 2014 expenditure transactions from 4 counties that were not subject to MDHHS annual on-site fiscal review to determine if the State reimbursed ineligible county CCF expenditures. These 121 transactions accounted for \$2.1 million of the \$17.3 million in total expenditures for the months reviewed.
- Tested fiscal year 2014 indirect costs reimbursed totaling \$1.1 million for 4 of 83 counties to determine if MDHHS reimbursed only allowable costs.
- Tested all 119 fiscal year 2014 equipment rental and lease transactions totaling \$37,549 for 4 of 83 counties to determine if MDHHS reimbursed only allowable costs.
- Reviewed CCF Compliance Reports for 15 counties during fiscal years 2010 through 2012 and 9 counties

during fiscal year 2014 to determine if MDHHS conducted and completed on a timely basis annual on-site program and annual on-site fiscal reviews for each applicable county MDHHS planned to review.

- Examined documentation for 72 fiscal reviews for 15 counties during fiscal years 2010 through 2012 and 9 fiscal reviews for 9 counties during fiscal year 2014 to determine if MDHHS appropriately documented its fiscal review procedures on standardized tools.
- Examined CCF expenditure supporting documentation provided by 23 subcontractors to one judgmentally selected county based on the number of county CCF subcontractors and dollar amount of CCF funds awarded to subcontractors during fiscal years 2011 through 2014 to determine if MDHHS reimbursed only allowable costs.

## **CONCLUSIONS**

We base our conclusions on our audit efforts and the resulting material conditions and reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

## **AGENCY RESPONSES**

Our audit report contains 6 findings and 7 corresponding recommendations. MDHHS's preliminary response indicates that it agrees with 5 findings and partially agrees 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 at the end of 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 an audited agency to develop a plan to comply with the 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.

## **PRIOR AUDIT FOLLOW-UP**

Below is the status of the reported findings from our January 2007 performance audit of the Community Programming and

Support Services Division, Department of Human Services  
(431-0286-05):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Documenting Reviews of County Plans and Budgets	Rewritten	3
2	Completing Fiscal and Program Reviews	Rewritten	4 and 6

**SUPPLEMENTAL INFORMATION**

Our audit report includes supplemental information that relates to our audit objectives (Exhibits #1 through #5). Our audit was not directed toward expressing a conclusion on this information.

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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<b>administrative unit</b>	A county circuit court or MDHHS local office.
<b>annual plan and budget</b>	A service spending plan submitted yearly by each county to request CCF funding for programs serving neglected, abused, and delinquent youth.
<b>BARQA</b>	Bureau of Audit, Reimbursement and Quality Assurance.
<b>CASA</b>	Court Appointed Special Advocate.
<b>CCF</b>	Child Care Fund.
<b>CCF Compliance Report</b>	A report that documents the results and findings of a CCFMU analyst's on-site program and/or fiscal review. This report is submitted to the appropriate county by the CCFMU analyst.
<b>CCFMU</b>	Child Care Fund Monitoring Unit.
<b>effectiveness</b>	Success in achieving mission and goals.
<b>efficiency</b>	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
<b>fiscal review</b>	An on-site review of fiscal records of all CCF expenditures for which reimbursement was sought. The CCFMU analyst will ensure proper authorization, appropriate supporting documentation, and accurate posting and recording by account classification.
<b>higher risk</b>	Transactions identified and selected based on the description of the service provided and related eligibility according to the CCF Handbook and/or dollar amount of the transaction.
<b>in-home care (IHC)</b>	Services that are determined by MDHHS to be alternatives to OHC or to provide an early return home for children placed out of the home.
<b>internal control</b>	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 also 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.

**juvenile justice service**

A service, exclusive of judicial functions, provided by a county for juveniles who are within or likely to come within the court's jurisdiction and includes intake, detention, detention alternatives, probation, foster care, diagnostic evaluation and treatment, or shelter care.

**material condition**

A matter that, in the auditor's judgment, is more severe than a reportable condition and 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.

**MDHHS**

Michigan Department of Health and Human Services.

**MiSACWIS**

Michigan Statewide Automated Child Welfare Information System.

**MST**

Multi-Systemic Therapy.

**outcome**

An actual impact of a program or an entity.

**out-of-home care (OHC)**

Services for children placed out of the home in county-operated detention facilities, family foster care homes, or other private child caring institutions.

**performance audit**

An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

**performance indicator**

Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.

**program review**

An on-site review of program files to ensure compliance with CCF laws, rules, and policies.

**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 audit objectives; 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.



