



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Community Programming and Support
Services Division
Department of Human Services

Report Number:
 431-0286-05

Released:
 January 2007

The Department of Human Services' Community Programming and Support Services Division (CPSSD) responsibilities include administration of juvenile justice federal grants and administration of the Child Care Fund. The Child Care Fund, created by Act 280, P.A. 1939 (Sections 400.117a - 400.117g of the Michigan Compiled Laws), supports a collaborative effort between State and county governments to fund programs to serve neglected, abused, and delinquent youth in Michigan.

Audit Objective:

To assess the effectiveness and efficiency of CPSSD's process for approving State-reimbursed county program plans serving neglected, abused, and delinquent youth.

Audit Conclusion:

CPSSD's process for approving State-reimbursed county program plans was effective and efficient. However, our assessment disclosed a reportable condition related to documentation for reviews of county plans and budgets (Finding 1).

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Audit Objective:

To assess CPSSD's efforts in evaluating the effectiveness and efficiency of State-reimbursed county programs serving neglected, abused, and delinquent youth.

Audit Conclusion:

CPSSD's efforts in evaluating the effectiveness and efficiency of State-reimbursed county programs were moderately effective. Our assessment disclosed a reportable condition related to fiscal and program reviews (Finding 2).

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Agency Response:

Our report contains 2 findings and 2 corresponding recommendations. The Department of Human Services indicated that it agrees with both recommendations.

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January 17, 2007

Mrs. Marianne Udow, Director
Department of Human Services
Grand Tower
Lansing, Michigan

Dear Mrs. Udow:

This is our report on the performance audit of the Community Programming and Support Services Division, Department of Human Services.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

The Community Programming and Support Services Division (CPSSD) is a unit of the Bureau of Juvenile Justice, Department of Human Services (DHS). CPSSD responsibilities include administration of juvenile justice federal grants and administration of the Child Care Fund (CCF).

The CPSSD responsibility related to the juvenile justice federal grants includes allocating federal funds to local units of government and auditing the communities that received those funds for compliance with the federal grant requirements.

The State reimburses counties for 50% of all eligible CCF costs. CCF, created by Act 280, P.A. 1939 (Section 400.117a - 400.117g of the *Michigan Compiled Laws*), supports a collaborative effort between State and county governments to fund programs to serve neglected, abused, and delinquent youth in Michigan. To be eligible to receive CCF reimbursement, each county must submit an annual plan and budget* to CPSSD. Each county must submit a detailed list of the services it wishes to provide as well as a projection of anticipated expenditures. CPSSD reviews and approves the plan and budget. Also, CPSSD conducts periodic on-site reviews to ensure that the county programs comply with CCF laws, rules, and policies and with approved plans and budgets. For fiscal year 2004-05, State reimbursement to the counties for CCF programs totaled over \$171 million.

As of July 31, 2005, CPSSD employed a total of 18 staff, including 3 staff who administered CCF.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of the Community Programming and Support Services Division (CPSSD), Department of Human Services (DHS), had the following objectives:

1. To assess the effectiveness* and efficiency* of CPSSD's process for approving State-reimbursed county program plans serving neglected, abused, and delinquent youth.
2. To assess CPSSD's efforts in evaluating the effectiveness and efficiency of State-reimbursed county programs serving neglected, abused, and delinquent youth.

Audit Scope

Our audit scope was to examine the program and other records related to the Community Programming and Support Services Division's administration of the Child Care Fund. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, performed from June through August 2005, included examination of program records and activities for the period October 1, 2002 through July 31, 2005.

We conducted a preliminary review of CPSSD to gain an understanding of its activities and to form a basis for selecting certain operations for audit. We interviewed CPSSD staff to gain an understanding of CPSSD operations. Also, we reviewed applicable laws, management reports, and policies and procedures to gain an understanding of management control* related to pertinent CPSSD functions.

To accomplish our first objective, we obtained an understanding of CPSSD's process for approving State-reimbursed county program annual plans and budgets for neglected,

* See glossary at end of report for definition.

abused, and delinquent youth by reviewing applicable policies and procedures and by interviewing CPSSD staff. In addition, we tested CPSSD files to assess the effectiveness and efficiency of the approval process of county submitted plans and budgets.

To accomplish our second objective, we obtained an understanding of CPSSD's efforts in evaluating county programs for neglected, abused, and delinquent youth by reviewing applicable policies and procedures and interviewing CPSSD staff. In addition, we tested CPSSD files to assess the effectiveness and efficiency of annual fiscal reviews* and program reviews* of Child Care Fund and county plans expenditures.

We use a risk and opportunity based approach when selecting activities or programs to be audited. Accordingly, our audit efforts are focused on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. By design, our limited audit resources are used to identify where and how improvements can be made. Consequently, our performance audit reports are prepared on an exception basis.

Agency Responses

Our report contains 2 findings and 2 corresponding recommendations. DHS indicated that it agrees with both recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DHS to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

* See glossary at end of report for definition.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS AND EFFICIENCY OF PROCESS FOR APPROVING STATE-REIMBURSED COUNTY PROGRAM PLANS

COMMENT

Background: The Department of Human Services (DHS) requires each county to submit an annual plan and budget to the Community Programming and Support Services Division (CPSSD) to be eligible for State reimbursement from the Child Care Fund (CCF). After CPSSD receives the counties' annual plans and budgets, CPSSD staff review the counties' plans for completeness and eligibility of programs. As part of the review process, CPSSD works with the counties to ensure that the plans and budgets meet program requirements. Upon completion of the review of the annual plans and budgets, CPSSD sends an approval letter to the counties indicating the programs within the plans that are eligible for State reimbursement from CCF.

Audit Objective: To assess the effectiveness and efficiency of CPSSD's process for approving State-reimbursed county program plans serving neglected, abused, and delinquent youth.

Conclusion: CPSSD's process for approving State-reimbursed county program plans was effective and efficient. However, our assessment disclosed a reportable condition* related to documentation for reviews of county plans and budgets (Finding 1).

FINDING

1. Documentation for Reviews of County Plans and Budgets

CPSSD had not implemented a sufficient standard for documenting its review of county plans and budgets. As a result, CPSSD was unable to provide documentation of its review of program eligibility requirements, which could result in the State reimbursing counties for ineligible CCF expenditures.

CPSSD staff review county annual plans and budgets to ensure that the programs within the plans meet the eligibility requirements for CCF funding. CPSSD approved the annual plans and budgets based on its staff review and recommendation. Our review of 64 annual plans and budgets from 22 counties disclosed that CPSSD did not document its review of the program eligibility requirements in 49 (77%) of the 64 approved plans.

* See glossary at end of report for definition.

CCF policies require that CPSSD document its county plan reviews. However, the policies did not specify the nature or content of the documentation required. CPSSD implemented a checklist on which its staff was to document that the counties presented the required documents in their annual plans and budgets. However, the checklist did not provide documentation to support CPSSD's determination of the eligibility of the county programs. Instead, it was used to determine that the county submitted the required forms and that those forms had the required signatures and information.

RECOMMENDATION

We recommend that CPSSD implement a sufficient standard for documenting its review of county plans and budgets.

AGENCY PRELIMINARY RESPONSE

DHS agrees and it informed us that more thorough documentation of its review of eligibility is warranted. DHS informed us that CPSSD employs a checklist in its current process. Also, DHS informed us that it is making efforts to improve the process through use of its Juvenile Justice Information System.

EFFORTS IN EVALUATING EFFECTIVENESS AND EFFICIENCY OF STATE-REIMBURSED COUNTY PROGRAMS

COMMENT

Background: CPSSD performs annual fiscal reviews and program reviews of county programs that are reimbursed by the State from CCF. A fiscal review consists of an on-site review of a sample of CCF expenditures for which the county sought reimbursement. The reviewer will evaluate the expenditure for proper authorization, appropriate supporting documentation, and accurate posting and reporting by account classification. A program review consists of an on-site review of program files to ensure the county's compliance with its approved annual plan and budget. The reviewer uses CCF laws, rules, and policies as a basis to determine compliance.

Audit Objective: To assess CPSSD's efforts in evaluating the effectiveness and efficiency of State-reimbursed county programs serving neglected, abused, and delinquent youth.

Conclusion: CPSSD's efforts in evaluating the effectiveness and efficiency of State-reimbursed county programs were moderately effective. Our assessment disclosed a reportable condition related to fiscal and program reviews (Finding 2).

FINDING

2. Fiscal and Program Reviews

CPSSD had not implemented an effective process to ensure that its staff completed fiscal and program reviews as required. As a result, CPSSD had limited assurance that its staff completed fiscal and program reviews that were effective in detecting problems with CCF-funded county programs, which could result in the State reimbursing counties for ineligible CCF expenditures.

CPSSD's Child Care Fund On-Site Program Review and Consultation Manual establishes procedures for fiscal and program reviews. CPSSD requires that its staff follow the Manual's requirements when performing fiscal and program reviews. Based on the Manual's requirements, CPSSD developed review forms to assist its staff in their fiscal and program reviews. However, the review forms did not address all of the Manual's requirements.

Our review of the review forms disclosed:

- a. The review forms did not require CPSSD to review case files for any provisions requiring the family or another party, such as an insurance carrier, to pay for any portion of court-ordered placements. These payments could offset costs to the State or county. The Manual requires CPSSD to determine whether there are any other financially responsible parties specified in the court-ordered placements.
- b. The review forms did not require CPSSD to review program controls designed to ensure the reliability of fiscal data and compliance with laws and regulations. The Manual requires that CPSSD review program processes for disbursements during its fiscal reviews.

In addition, our review of 28 fiscal and program reviews conducted by CPSSD disclosed:

- (a) CPSSD did not document that it reviewed the required number of programs in 14 (50%) of the reviews. For the 28 fiscal reviews, CPSSD should have reviewed a minimum of 36 programs. However, CPSSD only documented its review of 17 programs. The Manual requires that CPSSD review at least one program operated by each administrative unit* during its fiscal review.
- (b) CPSSD did not review the required number of case files in 7 (25%) of the reviews. The Manual requires that CPSSD review a minimum number of cases during its fiscal reviews based on the amount of funding received.

RECOMMENDATION

We recommend that CPSSD implement an effective process to ensure that its staff complete fiscal and program reviews as required.

AGENCY PRELIMINARY RESPONSE

DHS agrees and informed us that it is examining the process to ensure that future reviews will include sufficient documentation to support significant judgments and conclusions.

* See glossary at end of report for definition.

GLOSSARY

Glossary of Acronyms and Terms

administrative unit	The circuit court family division of a county or the DHS local office of a county, both of which have subaccounts in the county CCF.
annual plan and budget	A service spending plan submitted yearly by each county to request CCF funding for programs serving neglected, abused, and delinquent youth.
CCF	Child Care Fund.
CPSSD	Community Programming and Support Services Division.
DHS	Department of Human Services.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
fiscal review	An on-site review of fiscal records for proper authorization, appropriate supporting documentation, and accurate posting and recording by account classification.
management control	The plan of organization, methods, and procedures adopted by management to provide reasonable assurance that goals are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or

function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

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, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

