

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

**Youth Transitioning From
Foster Care to Self-Sufficiency**
Michigan Department of Health and Human Services

October 2015



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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Report Summary

Follow-Up Report

Youth Transitioning From Foster Care to Self-Sufficiency

Michigan Department of Health and Human Services (MDHHS)

Report Number:
431-0279-11F

Released:
October 2015

We conducted this follow-up to determine whether MDHHS had taken appropriate corrective measures in response to the two material conditions noted in our February 2012 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
<p>Finding #1 - Material condition</p> <p>Need for comprehensive process to evaluate the outcomes and value of services provided to transitioning youth.</p> <p>Agency agreed, in part.</p>	Partially complied	Reportable condition exists. See <u>Finding #1</u> .	Agrees
<p>Finding #2 - Material condition</p> <p>Improved internal control and fully established guidance needed for discretionary payments made using Youth in Transition (YIT) resources.</p> <p>Agency agreed.</p>	Complied	Not applicable	Not applicable

A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
<http://audgen.michigan.gov>

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Doug A. Ringler, CPA, CIA
Auditor General

October 22, 2015

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 follow-up report on the two material conditions (Findings #1 and #2) and three corresponding recommendations reported in the performance audit of Youth Transitioning From Foster Care to Self-Sufficiency, Department of Human Services. That audit report was issued and distributed in February 2012. Additional copies are available on request or at <http://audgen.michigan.gov>.

Our follow-up disclosed that the Department complied with two recommendations regarding discretionary payments and partially complied with one recommendation regarding the evaluation of outcomes and services provided to transitioning youth. A reportable condition exists related to the establishment of outcomes and performance measures for noncontracted goods and services provided (Finding #1). Therefore, we have issued one rewritten recommendation.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND PROGRAM DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the two material conditions* (Findings #1 and #2) and three corresponding recommendations reported in our performance audit* of Youth Transitioning From Foster Care to Self-Sufficiency, Department of Human Services (DHS), issued in February 2012.

In April 2015, after our performance audit, Executive Order No. 2015-4 created the Michigan Department of Health and Human Services (MDHHS) and abolished DHS.

PURPOSE OF FOLLOW-UP

To determine whether MDHHS had taken appropriate corrective measures to address our corresponding recommendations.

PROGRAM DESCRIPTION

A youth in transition* (YIT) from foster care is generally defined as a youth between the ages of 14 and 21 who is currently experiencing, or has previously experienced, foster care. Included in the population served are juvenile justice, tribal youth, and undocumented immigrant youth cases. A priority of MDHHS is to improve the success of the youth transitioning from the State's foster care system into adulthood. MDHHS's goal* is to help youth transition from the State's foster care system to independence with the ability to care for themselves physically, socially, economically, and emotionally (self-sufficiency*). YIT resources* may be used to provide goods and services to transitioning youth* that are not available from other funding sources or agencies for an eligible youth to prepare for functional independence. These goods and services include independent living* skills training, mentoring and family connection services, educational assistance, employment assistance, housing assistance*, medical and mental health needs, money management training, transportation, and a variety of goods to help the youth become self-sufficient.

* See glossary at end of report for definition.

PRIOR AUDIT FINDINGS AND RECOMMENDATIONS; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSIONS, RECOMMENDATION, AND AGENCY RESPONSE

FINDING #1

Audit Finding Classification: Material condition.

Summary of the February 2012 Finding:

DHS had not developed or implemented a comprehensive process to evaluate the outcomes* and value of the services it provided to transitioning youth.

As a result, DHS limited its ability to identify weaknesses or gaps in its services for transitioning youth, establish and strengthen accountability for the expenditure of public funds, maximize resource allocations, and demonstrate the success of its efforts to assist transitioning youth.

Recommendation Reported in February 2012:

We recommended that DHS develop and implement a comprehensive process to evaluate the outcomes and value of the services it provides to transitioning youth.

AGENCY PLAN TO COMPLY*

DHS's plan to comply indicated that it would add outcomes and performance measures to contract agreements with service providers who provided services to transitioning youth.

Michigan Compiled Laws and administrative procedures required DHS to develop a plan to comply with the audit recommendations within 60 days after release of the February 2012 audit report.

DHS also indicated that the federal government had begun collecting data and surveys from transitioning youth at ages 17, 19, and 21 from all states to further measure the impact of services to youth in foster care. DHS indicated that it would work closely with its federal partners to evaluate the data and surveys submitted.

* See glossary at end of report for definition.

**FOLLOW-UP
CONCLUSION**

MDHHS ensured that contract agreements required YIT service providers to report on outcomes and performance measures.

Only 26% of YIT payments go to contracted YIT service providers.

Our follow-up noted:

- a. Partially complied. We determined that MDHHS had identified and established desired outcomes and performance measures* for contracted YIT services (see part c.), but not for the noncontracted goods and services that it provided to transitioning youth.

In fiscal year 2014, 26% of MDHHS's YIT payments were for contracted services and 74% were for noncontracted goods and services. Examples of contracted YIT services include post-secondary educational services and homeless, runaway, or at-risk youth outreach services. Examples of noncontracted YIT goods and services include housing assistance and start-up goods*.

- b. Complied. We verified that MDHHS collected information to evaluate the actual outcomes and value of the goods and services provided to transitioning youth.
- c. Complied. We reviewed MDHHS's contract agreements with YIT service providers and verified that the contracts included outcome and performance measurement reporting requirements.

**FOLLOW-UP
RECOMMENDATION**

We recommend that MDHHS identify and establish desired outcomes and performance measures for the noncontracted goods and services it provides to transitioning youth.

**FOLLOW-UP
AGENCY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees and has complied with the recommendation to identify and establish outcomes and performance measures for noncontracted goods and services provided to transitioning youth. Noncontracted YIT goods and services are based on the specific need(s) of an individual youth. Individual desired outcomes are identified for discretionary (noncontracted) goods and services provided to youth and documented in the case service plan during a youth's individual assessment of need. Caseworkers are involved in ongoing assessment of a youth's needs through various reporting mechanisms throughout the year. In addition, MDHHS developed a desired outcomes and performance measures checklist that includes a section where the caseworker specifically describes expected outcomes and monitors outcomes. The Youth in Transition Policy was updated to require the caseworker to continue to assess and document the youth's benefit received from services provided in future reports.

* See glossary at end of report for definition.

FINDING #2

Audit Finding Classification: Material condition.

Summary of the February 2012 Finding:

DHS's internal control* did not ensure the propriety and reasonableness of discretionary payments it made using YIT resources. In addition, DHS had not fully established guidance regarding these payments.

DHS did not ensure that it made discretionary payments that were appropriately documented and approved, limited to reasonable and required amounts, and clearly supported a need for a transitioning youth's achievement of self-sufficiency.

Recommendations Reported in February 2012:

We recommended that DHS strengthen its internal control to ensure the propriety and reasonableness of discretionary payments it makes using YIT resources.

We also recommended that DHS fully establish guidance for discretionary payments made on behalf of transitioning youth using YIT resources.

AGENCY PLAN TO COMPLY

DHS's plan to comply indicated that policy was updated in August 2011 and January 2012 to clarify payments that are allowable and unallowable and payments that are subject to lifelong limits when using YIT resources.

DHS also indicated that, in January 2012, it began conducting random quarterly monitoring reviews to track accuracy, compliance, and documentation of YIT expenditures. In addition, DHS indicated that it offers continued training and technical assistance regarding the use of YIT resources to both the local county offices and contracted YIT service providers.

* See glossary at end of report for definition.

**FOLLOW-UP
CONCLUSION**

MDHHS complied with policies for the YIT discretionary payments reviewed.

Complied. We noted that MDHHS sufficiently strengthened its internal control to help ensure the propriety and reasonableness of discretionary payments. Our review of 92 payments did not disclose any significant deficiencies.

We also noted that MDHHS established guidance for the discretionary payments made on behalf of transitioning youth through policy updates and employee training.

FOLLOW-UP SCOPE AND PERIOD

FOLLOW-UP SCOPE

We interviewed MDHHS personnel and reviewed their corrective action plans to determine the status of compliance with the recommendations related to the material conditions.

We assessed MDHHS's efforts to develop and implement a comprehensive process to evaluate the outcomes and value of the services it provided to transitioning youth through review of MDHHS's establishment of desired outcomes and performance measures; accumulation of information regarding goods and services provided; and execution of requirements for YIT contracted service providers to report on outcomes and performance measurements.

We assessed MDHHS's efforts to strengthen its internal control to ensure the propriety and reasonableness of discretionary payments through review of a judgmentally selected sample of 92 YIT discretionary payments. Also, we visited three local MDHHS county offices to review YIT payment records. In addition, we assessed MDHHS's efforts to fully establish guidance for YIT discretionary payments through review of MDHHS's updated YIT policies and procedures for discretionary payments.

PERIOD

Our follow-up was performed during June and July 2015.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and submit the plan 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.
DHS	Department of Human Services (abolished by Executive Order No. 2015-4 in April 2015).
goal	An intended outcome of a program or an entity to accomplish its mission.
housing assistance	Assistance in locating a suitable living arrangement and paying the first month's rent, damage (security) deposit, and utility deposit.
independent living	Those segments of the human services fields (including, at a minimum, child welfare, youth development, developmental disabilities, vocational, mental health, etc.) dedicated to the development of programs, policies, and services that best support the positive development of youth and adults as citizens, community members, employees, and family members.
internal control	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.
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 (created by Executive Order No. 2015-4 in April 2015).

outcome	An actual impact of a program or an agency.
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 measure	A composite of key indicators of a program's or an activity's inputs, outputs, outcomes, productivity, timeliness, and/or quality. Performance measures are a means of evaluating policies and programs by measuring results against agreed upon program goals or standards.
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.
self-sufficiency	The ability of a transitioning youth to care for, provide for, and maintain oneself physically, socially, economically, and emotionally without the need for assistance of a person or an agency.
start-up goods	Furniture, cleaning supplies, hygiene products, and other household goods.
transitioning youth	Youth transitioning from foster care to self-sufficiency. In the child welfare arena, transition, as it relates to youth, is generally understood to be the period of time from late adolescence to the early adult years during which the youth increases his or her level of skills and practice of independent living and begins taking on tasks and responsibilities.

youth in transition (YIT)

A youth aged 14 to 21 years old who is currently experiencing, or has previously experienced, foster care.

Youth in Transition (YIT)
resources

Funding sources available and used to improve the success of foster care youth in transitioning into adulthood from the State's foster care system. Funding sources include the Chafee Foster Care Independence Program, Educational and Training Voucher Program, Michigan Youth Opportunities Initiative, and Homeless Youth Runaway Services.

