

# Office of the Auditor General

## Follow-Up Report on Prior Audit Recommendations

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# Adult Foster Care and Camps Licensing Division

## Department of Licensing and Regulatory Affairs

May 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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*Follow-Up Report*  
*Adult Foster Care and Camps Licensing*  
*Division*  
*Department of Licensing and Regulatory*  
*Affairs (LARA)*

**Report Number:**  
**431-5115-14F**

**Released:**  
**May 2016**

We conducted this follow-up to determine whether LARA had taken appropriate corrective measures in response to the two material conditions noted in our May 2015 audit report.

Executive Order No. 2015-4 transferred the Division from the Michigan Department of Health and Human Services (MDHHS) to LARA effective April 10, 2015. The prior audit findings were addressed to MDHHS, and LARA provided the agency responses. In addition, LARA renamed the Adult Foster Care and Homes for the Aged Licensing Division as the Adult Foster Care and Camps Licensing Division.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
<p>Finding #1 - Material condition</p> <p>Improved inspection documentation is needed to enhance oversight of facility and home licensees.</p> <p>Agency agreed.</p>	Substantially complied	Not applicable	Not applicable
<p>Finding #7 - Material condition</p> <p>Improvements needed to ensure that the Division consistently notifies Adult Protective Services of complaints alleging abuse, neglect, and/or exploitation of facility and/or home residents.</p> <p>Agency agreed.</p>	Partially complied	Material condition still exists. See <u>Finding #7</u> .	Agrees

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[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

May 4, 2016

Ms. Shelly Edgerton, Director  
Department of Licensing and Regulatory Affairs  
Ottawa Building  
Lansing, Michigan

Dear Ms. Edgerton:

I am pleased to provide this follow-up report on the two material conditions (Findings #1 and #7) and two corresponding recommendations reported in the performance audit of the Adult Foster Care and Homes for the Aged Licensing Division, Michigan Department of Health and Human Services (MDHHS). That audit report was issued and distributed in May 2015. Additional copies are available on request or at [www.audgen.michigan.gov](http://www.audgen.michigan.gov).

Executive Order No. 2015-4 transferred the Division to the Department of Licensing and Regulatory Affairs (LARA) effective April 10, 2015. The prior audit findings were addressed to MDHHS, and LARA provided the agency responses. In addition, LARA renamed the Adult Foster Care and Homes for the Aged Licensing Division as the Adult Foster Care and Camps Licensing Division.

Our follow-up disclosed that LARA had substantially complied with our recommendation regarding improvements to inspection documentation and had partially complied with our recommendation regarding the reporting of allegations to Adult Protective Services (APS). A material condition still exists related to reporting allegations of abuse, neglect, and/or exploitation to APS (Finding #7). Therefore, we have issued one repeat recommendation and one new 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,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive style.

Doug Ringler  
Auditor General



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# INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

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## INTRODUCTION

This report contains the results of our follow-up of the two material conditions\* (Findings #1 and #7) and two corresponding recommendations reported in our performance audit\* of the Adult Foster Care and Homes for the Aged Licensing Division, Michigan Department of Health and Human Services (MDHHS), issued in May 2015.

Effective April 10, 2015, Executive Order No. 2015-4 transferred the Division to the Department of Licensing and Regulatory Affairs (LARA). The prior audit findings were addressed to MDHHS, and LARA provided the agency responses. In addition, LARA renamed the Adult Foster Care and Homes for the Aged Licensing Division as the Adult Foster Care and Camps Licensing Division.

## PURPOSE OF FOLLOW-UP

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

## AGENCY DESCRIPTION

The Division licenses and regulates Adult Foster Care family, group, and congregate homes; camps; and county infirmaries (facilities\*) and homes for the aged\* (homes). The Division conducts on-site inspections to determine compliance with State law and licensing rules and policy. In addition, the Division conducts complaint\*, abuse\*, and neglect\* investigations of facilities and homes and pursues disciplinary action on licensees\* when appropriate.

\* See glossary at end of report for definition.



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

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## **FINDING #1**

Audit Finding Classification: Material condition.

Summary of the May 2015 Finding:

The Division did not require inspectors to document their assessments, reviews, or verifications when licensees complied with licensing requirements or ensure that licensing study reports\* (LSRs) fully and accurately reported inspection activities.

Recommendation Reported in May 2015:

We recommended that the Division sufficiently document on-site licensing inspection review procedures and conclusions to assist MDHHS with ensuring proper oversight of facility and home licensees.

## **AGENCY PLAN TO COMPLY\***

LARA's plan to comply indicated that it would revise the LSR template to include relevant information, implement an Inspection Record to document licensing staff inspection activities, ensure that the LSR format includes information needed by the licensee to document compliance and by the public who rely upon the information, and document the assessment of compliance with rules related to resident funds and valuables on the Inspection Record.

## **FOLLOW-UP CONCLUSION**

LARA substantially complied with policies for documenting licensing inspection review procedures and conclusions.

Our follow-up noted:

- a. Substantially complied. We noted that LARA developed an Inspection Record to document licensing staff inspection activities and appropriately documented 92 (92%) of the 100 inspections reviewed.
- b. Complied. We verified that LARA updated the LSR template to include all relevant inspection procedures and that LARA properly reported all 100 inspections reviewed using the updated LSR template.
- c. Complied. We determined that LARA updated the LSR template to remove the statement that indicated that the licensee was in compliance with rules related to the handling and accounting of resident funds and valuables. LARA's consultants now document their assessment of compliance requirements related to resident funds and valuables only on the Inspection Record.

\* See glossary at end of report for definition.

## **FINDING #7**

Audit Finding Classification: Material condition.

Summary of the May 2015 Finding:

The Division did not notify MDHHS's APS of alleged abuse, neglect, and/or exploitation in 12 (25%) of 48 sampled complaint investigations as required by State statute and MDHHS policy.

Recommendation Reported in May 2015:

We recommended that the Division notify APS when it receives complaints alleging abuse, neglect, and/or exploitation of facility and/or home residents to help MDHHS ensure that it takes the appropriate actions to protect the health and safety of residents.

### **AGENCY PLAN TO COMPLY**

LARA's plan to comply indicated that it had revised its Licensing Policy Manual to clarify the definitions and circumstances of abuse, neglect, and exploitation\* investigated by APS and which are referred to APS.

LARA also indicated that it had created a new Bureau Information Tracking System\* (BITS) event and updated its policy to require staff to document APS referrals on BITS.

### **FOLLOW-UP CONCLUSION**

Partially complied. We reviewed 36 randomly selected complaint investigations that alleged abuse, neglect, and/or exploitation. Although LARA made considerable improvements, we noted that it did not notify APS of the allegations in 4 (11%) of the complaint investigations.

### **FOLLOW-UP RECOMMENDATIONS**

We again recommend that the Division notify APS when it receives complaints alleging abuse, neglect, and/or exploitation of facility and/or home residents to help LARA ensure that it takes the appropriate actions to protect the health and safety of residents.

We also recommend that the Division, in conjunction with APS, further refine its Licensing Policy Manual to clarify those complaints of abuse, neglect, and/or exploitation that the Division needs to refer to APS.

### **FOLLOW-UP AGENCY RESPONSE**

LARA provided us with the following response:

*LARA agrees with the finding and recommendations. LARA continues to remind staff via email and training of its policy to refer allegations of abuse, neglect, and exploitation to APS/central intake upon receipt. Direct managers have been instructed to look at the allegations when reviewing special investigation reports. If abuse, neglect, or exploitation is alleged, managers must verify that APS/central intake was notified.*

\* See glossary at end of report for definition.

*LARA will coordinate with APS to further refine its Licensing Policy Manual to clarify those complaints of abuse, neglect, and/or exploitation that the Division needs to refer to APS per MCL 400.11c. This will reduce referrals to APS.*

*While APS was not notified upon receipt of the allegation per policy, LARA did conduct an investigation for all 4 instances to determine if any Adult Foster Care licensing rules had been violated. In 3 of the 4 incidents, LARA's investigations were initiated within 1 day of receipt.*

## **FOLLOW-UP SCOPE AND PERIOD**

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### **FOLLOW-UP SCOPE**

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

We assessed LARA's efforts to sufficiently document on-site licensing inspection review procedures and conclusions. We visited six judgmentally selected field offices and reviewed the Division's updated inspection policies, revised reporting templates, and supporting documentation for 100 randomly selected facility and home inspections conducted during the period May 1, 2015 through January 20, 2016.

We assessed LARA's efforts to consistently notify MDHHS's APS when it received complaints alleging abuse, neglect, and/or exploitation of facility and/or home residents. We visited six judgmentally selected field offices and reviewed the supporting documentation for 36 randomly selected complaint investigations alleging abuse, neglect, and/or exploitation conducted during the period May 1, 2015 through January 25, 2016.

### **PERIOD**

Our follow-up was performed during January and February 2016.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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abuse	Harm or threatened harm to an adult's health or welfare caused by another person. Abuse includes, but is not limited to, nonaccidental physical or mental injury, sexual abuse, or maltreatment.
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.
APS	Adult Protective Services.
Bureau Information Tracking System (BITS)	The Division's licensing and complaint investigation information database.
complaint	A communication, either written or verbal, containing single or multiple allegations of noncompliance with the applicable statute, administrative rules, or terms of the license.
exploitation	An action that involves the misuse of a adult's funds, property, or personal dignity by another person.
facility	A governmental or nongovernmental establishment that provides foster care to adults and includes facilities and foster care family homes for adults who are aged, mentally ill, developmentally disabled, or physically disabled who require supervision on an ongoing basis but who do not require continuous nursing care.
homes for the aged (homes)	Supervised personal care domiciles, other than a hotel, adult foster care facility, hospital, nursing home, or county medical care facility, that provide room, board, and supervised personal care to 21 or more unrelated, nontransient individuals 60 years of age or older.
LARA	Department of Licensing and Regulatory Affairs.

licensee	An agency, an association, a corporation, an organization, a person, or a department or an agency of the State, county, city, or other political subdivision that has been issued a license or a permit.
licensing study report (LSR)	An official document that describes and documents findings of a licensing investigation, including areas of compliance and violations, and recommends the licensing action to be taken by LARA.
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.
neglect	Harm to an adult's health or welfare caused by the inability of the adult to respond to a harmful situation or by the conduct of a person who assumes responsibility for a significant aspect of the adult's health or welfare. Neglect includes the failure to provide adequate food, clothing, shelter, or medical care.
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.



