



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



ISMAEL AHMED
DIRECTOR

September 30, 2008

Mr. Doug Ringler, CPA
Director, Office of Internal Audit Services
Office of the State Budget
George W. Romney Building, 7th Floor
111 South Capitol Avenue
Lansing, Michigan 48913

Dear Mr. Ringler:

Enclosed is the Department of Human Services' response and corrective action plan to the Auditor General's report of the Performance Audit of Child Development and Care Program Payments for the period of October 2003 through March 2006.

Sincerely,

signed by Charles Jones

Ismael Ahmed

Enclosure

c: Stanley Stewart
John Sorbet
Lisa Brewer-Walraven
Cindy Osga

SUMMARY

- I. Recommendations Complied With
 - 1, 6, 11
- II. Recommendations Agreed With
 - A. To be Complied With
 - 2, 3, 4, 7, 8, 9a, 9b, 10,
 - B. Budget Considerations
 - 5, 12
- III. Recommendations Disagreed With
 - None
- IV. Findings Disagreed With
 - None

Department of Human Services
Corrective Action Plan and Status of the Audit Recommendations
Performance Audit of Child Development and Care Program Payments
10/05/2003-03/04/2006
Report Issued July 29, 2008

OAG Audit Finding	Responsible Administration	Proposed Implementation Date	Corrective Action/Update	Status
Finding 01—Need for CDC Program Childcare Assistance <i>(material weakness)</i>				
The OAG recommends that DHS provide CDC program resources to only those parents who demonstrate a verified need for, or request, childcare assistance.				
a. DHS improperly provided CDC program funded childcare assistance to parents without a verified need for the assistance.	EEC	implemented	OQA began a case review project in May 2008 that will help improve case record documentation. In September 2008 DHS will expand number of cases reviewed across the state. This project will measure for accurate and complete documentation in the CDC case record (both the client file and the provider file). Identified errors and program noncompliance will be corrected. Each local office will develop a corrective action plan that will be approved by a central office team which is comprised of representatives from FOA, Office of Early Care and Education, and OQA. Follow up visits will take place to ensure compliance with corrective action plan.	closed
b. DHS provided CDC program funded childcare assistance to parents who did not complete and sign an application for CDC program funded childcare assistance.	EEC	implemented	See corrective action for Finding 1a.	closed
c. DHS provided childcare assistance to parents without obtaining the parents' daily work schedules.	EEC	implemented	See corrective action for Finding 1a.	closed
Finding 02—Authorization of CDC Program Childcare Services <i>(material weakness)</i>				
The OAG recommends that DHS implement controls to help ensure that DHS authorizes and pays for CDC program-funded childcare services only while parents work or participate in approved activities and when children need childcare services.				
DHS does not require working parents to furnish DHS daily work schedules to help DHS verify when the parents actually require childcare assistance in order to work. In addition, DHS does not take into consideration the hours that school-aged children attend school when determining the number of childcare assistance hours it authorizes for parents. Rather than using parents' actual schedules and children's school schedules to determine the number of childcare hours to authorize, DHS uses estimates and a graduated tier schedule.	EEC	04/01/2009	See corrective action for Finding 1a. In April 2009 DHS will modify its current billing system to require providers to report daily hours of care per child. Clients will report daily need hours per pay period and total hours of child care needed per pay period. Provider and client entries will be verified bi-weekly to decrease the risk of improper payment prior to the release of payments.	open
Finding 03—Provider Billings <i>(material weakness)</i>				
The OAG recommends that DHS establish effective controls to help prevent improper and potentially fraudulent over billings by CDC program providers.				
DHS controls did not prevent improper childcare payments to providers that billed DHS for childcare services not provided; services not supported by time and attendance records; and/or services not in correlation with the parent's work schedule, the child's school schedule, or the provider's schedule.	EEC	04/01/2009	Since March 2007 DHS has sampled 2,548 enrolled day care and relative care providers to determine if providers have attendance records that meet DHS requirements. To date, DHS has disenrolled 1,063 providers who did not respond to the request for records. In April 2009 DHS will modify its current billing system to require providers to report daily hours of care per child. Clients will report daily need hours per pay period and total hours of child care needed per pay period.	open

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			Provider and client entries will be verified bi-weekly to decrease the risk of improper payment prior to the release of payments. For entries that do not match, DHS will require additional information before making payment adjustments	
Finding 04—UIA Wage Verification (material weakness)				
The OAG recommends that DHS use UIA wage data to help verify CDC program parent employment at application and redetermination. The OAG also recommends that DHS consistently use UIA wage data to help identify high-risk CDC program cases for investigation.				
DHS did not use UIA wage data to help verify CDC program parent employment at application and redetermination. In addition, DHS did not consistently use UIA wage data to help identify high-risk CDC program cases for investigation. As a result, DHS could not ensure that childcare payments on behalf of parents who reported that they were employed were proper. In addition, DHS did not always identify and investigate high-risk cases to help ensure that childcare payments were proper.	EEC	10/01/2009	Currently, the CDC program is not included in the UIA wage match process. A request to include the CDC program in the match has been made. DHS plans to implement the match as soon as resources to do so become available. Since 2005, the OIG has utilized a reverse wage match in 36 counties. The department will continue to explore resources to expand the reverse wage match to field staff. In the meantime, OIG staff will continue to utilize the reverse wage match to identify targeted cases for investigations.	open
Finding 05—Relative Care Providers (material weakness)				
The OAG recommends that DHS implement effective controls to help ensure that CDC program relative care providers meet established relationship requirements.				
DHS had not implemented effective controls to help ensure that CDC program relative care providers met DHS's established relationship requirements. DHS requires that individuals enrolled as relative providers be related to the child needing care by blood, marriage (divorce terminates a relationship gained by marriage), or adoption as a grandparent, step-grandparent, great-grandparent, step great-grandparent, aunt, step aunt, uncle, step uncle, sibling, or step sibling; and that the provider care for the child in the provider's home.	EEC	01/01/2010	Because of the complex nature of this finding, DHS will continue to explore policy changes and other potential strategies to address verification of relationships. In the meantime, DHS policy will continue to allow caseworkers to request proof of relationship as needed.	open
Finding 06—Enrolled Provider Certifications and Identification and Address Information (material weakness)				
The OAG recommends that DHS implement effective controls to help ensure that it obtains and retains the required application, certification, and identification information for individuals it enrolls as CDC program childcare providers.				
DHS had not implemented effective controls to help ensure that it obtained and retained the required application, certification, and identification information for individuals it enrolled as CDC program childcare providers. DHS policy requires that prospective day care aides and relative care providers certify they meet certain requirements by completing the Day Care Aide/Relative Care Provider Application (DHS-220) and to provide proof of identity, age, and social security number. DHS policy also requires local offices establish and maintain	EEC	implemented	See corrective action for Finding 1a.	closed

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files for all enrolled day care aides and relative providers that contain each provider's completed and certified DHS-220, and copies of the provider's proof of identity, age, and social security number.				
Finding 07—Day-Care Aides With Multiple Service Type Classifications (<i>material weakness</i>)				
The OAG recommends that DHS implement effective controls to help prevent improper CDC program-funded childcare payments to day-care aides who bill DHS for childcare services using multiple service type classifications.				
DHS had not implemented effective controls to help prevent improper CDC program-funded childcare payments to day-care aides who billed DHS for childcare services using multiple service type classifications. Based on the provider's licensure, registration, or enrollment, DHS classifies and regulates childcare providers into five different service types: day-care centers, group day-care homes, family day-care homes, day-care aides, and relative care providers. DHS uses the service type classification to define specific care requirements of the provider and to establish the rate of payment to the provider.	EEC	04/01/2009	The CDC program office referred all 26 providers identified in this finding to the OIG. As of July 14, 2008, the OIG had processed all of the referrals. In April 2009 DHS will modify its current billing system to require providers to report daily hours of care per child. Clients will report daily need hours per pay period and total hours of child care needed per pay period. Provider and client entries will be verified bi-weekly to decrease the risk of improper payment prior to release of payments.	open
Finding 08—Unlicensed Providers				
The OAG recommends that DHS implement effective controls to help ensure that it obtains and retains required application and certifications for unlicensed childcare providers.				
DHS had not implemented effective controls to help ensure that it obtained and retained required applications and certifications for unlicensed childcare providers. As a result, DHS could not ensure that childcare payments to unlicensed childcare providers were appropriate. In addition, DHS had no assurance that the childcare providers it classified as unlicensed were appropriately exempted from State Child Day Care licensure requirements; that the facilities met applicable health and safety requirements; and that DHS retained documentation of important facility information, such as provider name and address.	EEC	11/01/2008	In July 2008, the DHS CDC policy office followed up on all unlicensed provider files to ensure appropriate documentation is on file. In September 2008 (in coordination with FOA), a second notice was sent to each local office which did not respond to the CDC program office. Follow-up with each local office will continue until all responses are received. Also, see corrective action for Finding 1a.	open
Finding 09—Deceased CDC Program Participants				
The OAG recommends that DHS implement effective controls to prevent improper and potentially fraudulent payments to, or on behalf of, deceased CDC program participants.				
a. DHS did not match its childcare provider, child, or parents with SSA or DCH death records to help identify deceased CDC program participants.	EEC	04/01/2009	The CDC program office referred all deceased participants to OIG. As of July 14, 2008, the OIG had processed all of the referrals. The CDC program office also submitted a work order to DIT for a data match with DCH. A match has been sent, but the program office has not received a response. DHS is still exploring additional data match options. In addition, DHS continues to require providers and parents to report changes in their circumstances within 10 days to DHS.	open

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b. DHS used open ended dating (99/99/999) for the provider's period of eligibility to receive childcare payments and did not require enrolled providers to renew their enrollments or to periodically validate their information on file with DHS. DHS continued eligibility for providers until (1) DHS became aware of change in the provider's status, such as death, or (2) a provider's billings ceased for a period of six months. If neither event occurred, the provider's eligibility to receive childcare payments continued indefinitely. In addition, DHS commonly used open ended dating for authorization of children to receive childcare services and relied on parents to report changes affecting their need and/or eligibility for childcare assistance to DHS between yearly redeterminations. See findings 1 and 2.	EEC	04/01/2009	A work order has been placed with DIT to have a three year end certification period for providers. This is on hold until Release 2 of Bridges.	open
Finding 10—Incarcerated CDC Program Participants				
The OAG recommends that DHS implement effective controls to prevent improper and potentially fraudulent childcare payments to, and on behalf of, incarcerated CDC program participants.				
a. DHS did not match its childcare provider, child, or parents with SSA's prisoner information system or with DOC's incarceration records to help identify incarcerated CDC program participants.	EEC	07/01/2009	The identified incarcerated participants were referred to the OIG and have been investigated. DHS implemented an automated match of DOC data for incarcerated providers in November 2007. In addition, DHS has a pending data match to add the SSA component match. DHS continues to do an OTIS check prior to enrollment (effective April 2007) and a monthly tape match. There is a pending incarceration match process for CDC program parents and clients.	open
b. DHS used open ended dating (99/99/999) for the provider's period of eligibility to receive childcare payments and did not require enrolled providers to renew their enrollments or to periodically validate their information on file with DHS. DHS continued eligibility for providers until (1) DHS became aware of change in the provider's status, such as incarceration, or (2) a provider's billings ceased for a period of six months. If neither event occurred, the provider's eligibility to receive childcare payments continued indefinitely. In addition, DHS commonly used open ended dating for authorization of children to receive childcare services and relied on parents to report changes affecting their need and/or eligibility for childcare assistance to DHS between yearly redeterminations. See findings 1 and 2.	EEC	07/01/2009	A work order has been placed with DIT to have a three year end certification period for providers. This is on hold until Release 2 of Bridges	open
Finding 11—CDC Program Payments to CDC Program Clients				
The OAG recommends that DHS implement effective controls to prevent improper childcare payments to CDC program clients for providing childcare services to children on their own cases.				

CDC – Child Development and Care
DCH – Department of Community Health
DHS- Department of Human Services
DIT – Department of Information Technology

DOC – Department of Corrections
EEC – Early Education and Care
FOA – Field Operations Administration
OAG – Office of the Auditor General

OIG – Office of the Inspector General
OQA – Office of Quality Assurance
SSA – Social Security Administration
UIA – Unemployment Insurance Agency

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DHS had not implemented effective controls to prevent improper childcare payments to CDC program clients for providing childcare services to children on their own cases.	EEC	implemented	DHS added a system edit to prevent this practice in November 2006. AT that same time DHS policy concerning agency error was changed to include the CDC program, thereby allowing DHS to recoup this type of improper payment.	closed
Finding 12—CDC Program Payments for Reciprocal Childcare Services				
The OAG recommends that DHS consider revising its policies so that it does not allow reciprocal childcare agreements.				
DHS should consider revising its policies so that it does not allow reciprocal childcare agreements. The use of the reciprocal care agreements appears contrary to the overall goal of the CDC program to provide childcare assistance to parents in order to promote their economic independence and self-sufficiency. DHS policy allows the use of CDC program resources to fund childcare assistance and payments to parents whose need for childcare, and unavailability to care for their own children, is solely created because the parent is providing childcare services to another CDC program parent's children. This includes reciprocal care agreements between two CDC program parents when each parent receives both CDC program funded childcare assistance and payments for simultaneously caring for each other's children.	EEC	01/01/2009	DHS continues to review its policy and identify when reciprocal care is and is not appropriate. In addition, DHS will work to establish system edits and/or policies to prevent the specific situations cited in this finding.	open