



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

NICK LYON  
DIRECTOR

June 1, 2015

Jeffrey Bankowski, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, the Department of Health and Human Services is enclosing a summary table identifying the department's responses and the corrective action plans to address findings identified in the Office of the Auditor General's Performance Audit of the Child Abuse and Neglect Prevention Board (Children's Trust Fund), Department of Human Services (431-0178-14).

If you have questions, please contact me at 517-373-4659 or [hornj@michigan.gov](mailto:hornj@michigan.gov).

Sincerely,

Signature Redacted

Julie Horn Alexander, Director  
Office of Quality Assurance and Internal Control

c: Executive Office  
Office of the Auditor General  
House Fiscal Agency  
Senate Fiscal Agency  
House and Senate Appropriation Sub-Committees  
House and Senate Standing Committees



**Child Abuse and Neglect Prevention Board**  
**Children's Trust Fund Performance Audit**  
Audit Period: 10/01/2011 – 09/30/2014

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1. Findings Agreed With – Corrective Action Implemented

3, 4

2. Findings Agreed With – Corrective Action Will Be Implemented

1, 2

3. Findings Agreed with In Part – Corrective Action Implemented

None.

4. Findings Agreed with In Part – Corrective Action Will Be Implemented

None.

5. Findings Agreed with In Part – No Corrective Action Will be Implemented

None.

6. Findings Disagreed With – No Corrective Action Will be Implemented

None.



**Finding 1: Annual Internal Evaluation**

CTF did not formally develop and implement a procedure for an annual, internal evaluation of its functions, responsibilities, and performance. An annual internal evaluation would help CTF ensure it is conducting its operations in accordance with its mission to promote the health, safety, and welfare of children and families.

Section 722.606(1)(g) of the *Michigan Compiled Laws* requires CTF to establish a procedure for an annual, internal evaluation of its functions, responsibilities, and performance.

CTF stated that historically it informally evaluated the past year's activities at the final CTF board meeting of each fiscal year; however, CTF did not document these discussions. In addition, CTF is in the process of developing a procedure for a more formal board self-evaluation. CTF stated that not all board members were aware of the requirement for an annual internal evaluation of CTF functions, responsibilities, and performance.

**Recommendation:**

Recommend CTF formally develop and implement a procedure for an annual internal evaluation of its functions, responsibilities, and performance.

**RESPONSE AND CORRECTIVE ACTION PLAN**

MDHHS agrees with the finding.

CTF will document its annual internal evaluation procedures of its functions, responsibilities, and performance. The process will be established by April 1, 2015, and will be used annually to ensure that CTF is conducting its operations in accordance with its mission to promote the health, safety, and welfare of child and families.

**UPDATE 03-25-2015**

CTF developed a draft Board self-evaluation document that will be discussed at the April 15, 2015 board meeting. CTF plans that the final self-evaluation document will be available for distribution by late July 2015. The evaluation results will be reviewed by the Executive Committee for any themes that may be appropriate to develop strategies to strengthen the role of the board and organizational operations and discussed at the September and/or December 2015 board meetings.

**PLANNED IMPLEMENTATION DATE**

January 1, 2016

**Responsible Administration(s):**

Children's Services Agency

**Responsible Individual(s), Name(s), Title(s):**

Steve Yager, Executive Director, Children's Services Agency

Mike Foley, Director, Children's Trust Fund



**Finding 2: Biennial State Plan**

CTF did not provide the Legislature biennial State plans for the future distribution of funds from the Trust Fund. As a result, the Legislature did not have an opportunity to review plans for future Trust Fund distributions for local programs and services intended to prevent child abuse and neglect throughout the State.

Section 722.606(1)(b) of the *Michigan Compiled Laws* requires CTF to develop a biennial State plan for the distribution of funds from the Trust Fund and transmit the plan to the Legislature. In developing the plan, CTF shall review already existing prevention programs. A biennial State plan requires that all geographic areas within the State have an equal opportunity to establish prevention programs and receive funds.

Historically, CTF provided the Legislature a report of the funds that CTF distributed from the Trust Fund during the previous two-year period rather than providing a plan for the distribution of funds in the future two-year period. CTF developed a plan within its annual application for the federal Community-Based Child Abuse Prevention grant, which included details of funding, existing prevention programs, and geographic dispersion. CTF could use the information within this grant application for the biennial State plan.

**Recommendation:**

Recommend CTF provide the Legislature biennial State plans for the future distribution of funds from the Trust Fund.

**RESPONSE AND CORRECTIVE ACTION PLAN**

MDHHS agrees with the finding.

As noted in the finding, CTF does comprehensive planning on an annual basis as part of its federal Community-Based Child Abuse Prevention grant application. CTF will use those planning efforts as a basis for developing a plan to transmit to the Legislature as required by MCL 722.606(1)(b).

**UPDATE 03-25-2015**

CTF is developing the biannual plan to be presented to the legislature by the end of FY 2015.

**PLANNED IMPLEMENTATION DATE**

October 1, 2015

**Responsible Administration(s):**

Children's Services Agency

**Responsible Individual(s), Name(s), Title(s):**

Steve Yager, Executive Director, Children's Services Agency

Mike Foley, Director, Children's Trust Fund



### **Finding 3: State Board Meetings**

CTF did not post public notices of CTF meetings or document the members absent from CTF meetings within the meeting minutes. Posting these notices and documenting absent members within the meeting minutes would help CTF ensure that it fully complies with the Open Meetings Act, facilitates public participation, and fosters transparency of CTF decision making.

Section 722.605(1) of the *Michigan Compiled Laws* requires CTF to comply with the requirements of the Open Meetings Act (Sections 15.261 - 15.275 of the *Michigan Compiled Laws*). Section 15.264(b) of the Open Meetings Act requires CTF to post public notices of CTF meetings in its principal office. In addition, Section 15.269(1) of the Open Meetings Act requires CTF meeting minutes to document members absent from the meeting.

CTF stated that it posted CTF meeting information on its web site events calendar and believed that was sufficient public notice to comply with the Open Meetings Act. However, a review determined that, as of September 2014, CTF's web site did not include a 2014 events calendar with CTF meeting information. CTF also did not post public notices of CTF meetings in CTF's principal location at the Grand Tower Building in Lansing.

CTF stated that because it documented members present in the CTF meeting minutes, it believed that was sufficient to comply with the Open Meetings Act requirement to document the members absent from the meetings.

#### **Recommendation:**

Recommend CTF post public notices of State Board Meetings and document the members absent from CTF meetings within the meeting minutes, as required.

### **RESPONSE AND CORRECTIVE ACTION PLAN**

MDHHS agrees with the finding.

CTF will post notices of meeting in the Grand Tower Building when the 2015 meeting calendar is finalized and minutes will reflect the board members absent from the meeting.

### **UPDATE 03-25-2015**

CTF posted notices of its meetings for calendar year 2015 as of January 20, 2015 in the Grand Tower Building, the principle office for CTF, and on the CTF website. Effective with the September 16, 2014 meeting, the minutes reflect members absent from the meeting.

### **PLANNED IMPLEMENTATION DATE**

N/A. MDHHS has complied.

#### **Responsible Administration(s):**

Children's Services Agency

#### **Responsible Individual(s), Name(s), Title(s):**

Steve Yager, Executive Director, Children's Services Agency

Mike Foley, Director, Children's Trust Fund



**Child Abuse and Neglect Prevention Board**  
**Children's Trust Fund Performance Audit**  
Audit Period: 10/01/2011 – 09/30/2014

**Finding 4: Auction Event Revenue Reconciliation**

CTF needs to improve its reconciliation procedures over Auction Event revenue to help ensure that all revenue is properly accounted for and safeguarded.

Section 18.1485 of the *Michigan Compiled Laws* requires that CTF establish and maintain recordkeeping procedures to control assets and revenues and that CTF develop internal control techniques that are effective and efficient.

Annually, CTF conducts the Auction Event, and it collected an average of \$390,000 in revenue per year for fiscal years 2012 through 2014. A review of CTF's Auction Event revenue reconciliation procedures disclosed:

- a. CTF did not reconcile the Auction Event revenue recorded in the Trust Fund's accounting system to the Auction Event revenue recorded in the auction management inventory program. We performed these reconciliations and determined that an additional \$7,170 of Auction Event Revenue did not reconcile to the auction management inventory program for fiscal years 2012 through 2014, as detailed in the following table:

Reconciliation of Auction Event Revenue

<u>Fiscal Year</u>	<u>Accounting System</u>	<u>Auction Management Inventory Program</u>	<u>Difference</u>
2011-12	\$ 388,099	\$ 383,597	\$ 4,502
2012-13	\$ 398,228	\$ 400,640	\$ (2,412)
2013-14	\$ 382,978	\$ 377,898	\$ 5,080

- b. CTF did not reconcile total revenue collected from cash and checks at the Auction Event to the associated auction purchase receipts.

CTF's written Auction Event procedures include reconciling a summary of cash, checks, and credit card payments to the total of the associated auction purchase receipts. CTF completed a reconciliation of credit card payments but did not complete a reconciliation of cash or checks to the auction purchase receipts.

CTF stated that it did not perform the reconciliations because it believed that the Auction Event procedures completed were sufficient.

**Recommendation:**

Recommend that CTF improve its reconciliation procedures over Auction Event revenue to help ensure that all revenue is properly accounted for and safeguarded.

**RESPONSE AND CORRECTIVE ACTION PLAN**

MDHHS agrees with the finding.

- a. Corrective action has been implemented. Beginning with FY 2015, CTF now performs monthly revenue reconciliations between the accounting system and the auction software.



- b. The CTF Auction Event procedures will be updated to include a process that revenue collected from cash and checks will be reconciled at the Auction Event with the associated auction purchase receipts.

### **UPDATE 03-25-2015**

The CTF Auction Event procedures were updated March 24, 2015, and include a process so revenue collected from cash and checks will be reconciled at the Auction Event with the associated purchase receipts.

### **PLANNED IMPLEMENTATION DATE**

N/A. MDHHS has complied.

#### **Responsible Administration(s):**

Children's Services Agency

#### **Responsible Individual(s), Name(s), Title(s):**

Steve Yager, Executive Director, Children's Service Agency

Mike Foley, Director, Children's Trust Fund