



STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

March 8, 2017

Rick Lowe, Chief Internal Auditor
Office of Internal Audit Services
George W. Romney Building
111 South Capitol, 8th Floor
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Child Care Fund.

Questions regarding the summary table or corrective action plans should be directed to me at 517-373-1508 or MyersP3@michigan.gov.

Sincerely,

Pam Myers, Director
Bureau of Audit, Reimbursement, and Quality Assurance

PM:kk

Enclosure

c: Office of the Auditor General	House Appropriations Committee
House Fiscal Agency	House Standing Committee
Senate Fiscal Agency	Senate Appropriations Committee
Executive Office	Senate Standing Committee
DHHS, Nick Lyon	DHHS, Farah Hanley
DHHS, Nancy Vreibel	DHHS, GERALYN Lasher
DHHS, Steve Yager	DHHS, Karla Ruest

PERFORMANCE AUDIT OF THE
CHILD CARE FUND

DEPARTMENT OF HEALTH AND HUMAN SERVICES

MARCH 7, 2017

AUDIT RESPONSE

Approved: Sarah A. Hanley
Farah A. Hanley, Senior Deputy Director
Department of Health & Human Services

Date: 3/7/17



AUDIT REPORT SUMMARY

DEPARTMENT: Health and Human Services
AUDIT PERIOD: October 1, 2009 through September 30, 2012 and
October 1, 2013 through September 30, 2014
REPORT DATED: June 9, 2016

DISPOSITION OF AUDIT RECOMMENDATIONS

<u>CITATIONS COMPLIED WITH</u>	<u>CITATIONS TO BE COMPLIED WITH</u>	<u>CITATIONS DCH DID NOT AGREE WITH</u>
	Finding 1 (9/30/16)	
Finding 2 (11/1/16)		
Finding 3 (2/28/16)		
Finding 4 (1/31/16)		
Finding 5 (2/10/16)		
Finding 6 (1/31/16)		

**Audit Response
Performance Audit
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Department of Health & Human Services
October 1, 2009 through September 30, 2012 and
October 1, 2013 through September 30, 2014**

Recommendation 1: Evaluation of county IHC program performance needed.

The OAG recommended that MDHHS evaluate the performance of CCF IHC programs to ensure that CCF funding is providing successful outcomes for the abused, neglected, and delinquent youth served.

The OAG also recommended that MDHHS seek an Attorney General Opinion, and potentially pursue amendatory legislation, regarding the breadth of its authority for IHC program performance, evaluation, oversight, and Statewide standardization of CCF funded juvenile justice services.

Response:

MDHHS partially agreed with the finding. MDHHS recognizes the importance of evaluating CCF IHC Programs to ensure that CCF funding is provided for services related to child care expenditures that satisfy the conditions for reimbursement as prescribed by Child Care Fund Administrative Rules, R400.2009 and CCF Handbook, Chapter 7. MCL 400.117d describes the allocation of funds to county juvenile justice service programs and the criteria that shall be considered when, under the former state allocation, that allocation would be distributed to each county as directed under MCL 400.117d (d). This section also specifically allows for the county to maintain flexibility in their own individual program development. Michigan Supreme Court ruling, Oakland et al, v State of Michigan, DSS and DBM, 456 Mich 144; 566 NW2d 616, changed the requirements for reimbursement from a legislatively established allocation to an entitlement of 50% reimbursement for all eligible costs, regardless of the state allocated amount. Therefore, MDHHS believes the evaluation of programs must be based on reimbursement eligibility requirements found in CCF Administrative Rules and the CCF Handbook.

MDHHS has consulted with the Attorney General's office regarding the breadth of its authority for IHC program performance, evaluation, oversight, and Statewide standardization of CCF funded juvenile justice services and their response is forthcoming.

Recommendation 2: Improved program impact evaluation process needed

The OAG recommended that MDHHS document its review of county IHC program impact evaluations and related cost reductions and obtain sufficient impact evaluation information from the counties.

Response:

MDHHS implemented a Child Care Fund Management System that enhances the entire budget review process and increases the levels of validation/documentation during the approval process. Impact evaluation information must be filled out during the annual plan and budget (AP&B) process for all continuing programs to ensure it can be reviewed.

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Recommendation 3: Improved annual plan and budget review and approval process needed.

The OAG recommended that MDHHS improve its county CCF annual plan and budget review and approval process to help ensure that CCF funding is only provided for with planned activities that comply with State law and CCF Handbook requirements.

Response:

MDHHS has implemented the following corrective actions:

- CCF annual plans, budgets and monthly reimbursement requests have been implemented into MiSACWIS.
- MDHHS has increased the level of review of the annual plan and budget completed by the analysts and the supervisor for final approval. Check lists have been developed and must be completed as the analyst and supervisor are approving the AP&B.
- MDHHS has developed an enhanced review protocol of the entire county reimbursement request. Analyst have been trained in the approval process and a supervisor approval must be completed before the monthly reimbursement is completed.

MDHHS also reviewed Annual Plan & Budget forms and changes have been implemented in MiSACWIS. A job aide was created and published in February 2016 for local offices and a check list was developed and implemented.

Recommendation 4: Improved annual on-site fiscal review procedures and documentation needed.

The OAG recommended that MDHHS improve its annual on-site fiscal review procedures and documentation to help ensure that it effectively monitors the propriety of CCF reimbursements to counties.

Response:

MDHHS transferred the responsibility for the CCF on-site reviews to the Bureau of Audit, Reimbursement & Quality Assurance (BARQA). In January 2016, BARQA hired two additional auditors to perform the on-site reviews. BARQA management designed an on-site review protocol that assesses whether the County Child Care Fund expenditures and revenues were accurate, allowable and appropriate according to state laws, regulations and departmental policy. This protocol includes specific steps for the review of ineligible costs, indirect costs and capped costs. The sampling methodology falls within generally accepted auditing standards. All CCF on-site review reports will be reviewed and approved by BARQA management prior to release to ensure that conclusions are appropriate and necessary documentation is maintained.

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Recommendation 5: Improved monthly expenditure report review and approval process needed.

The OAG recommended that MDHHS could improve its monthly review and approval process of county CCF expenditure reports to enhance its stewardship of CCF funding and its timely detection of ineligible CCF expenditures.

Response:

MDHHS has implemented additional approval protocol over the monthly review process and has implemented a Child Care Fund Management System in MiSACWIS which enhances the overall expenditure review process and increases the levels of validation in the approval process within the system. The CCFMU manager is reviewing general ledgers and supporting documentation to ensure forms are being utilized to document work.

Recommendation 6: Improved annual on-site program review documentation needed.

The OAG recommended that MDHHS could improve its documentation of annual on-site program review procedures to assist it with ensuring proper oversight of county in-home care (IHC) program activities and resulting CCF reimbursements.

Response:

MDHHS transferred the responsibility for the CCF on-site reviews to the Bureau of Audit, Reimbursement & Quality Assurance (BARQA). In January 2016, BARQA hired two additional auditors to perform the on-site reviews. BARQA management designed an on-site review protocol that assesses whether the County Child Care Fund expenditures and revenues were accurate, allowable and appropriate according to state laws, regulations and departmental policy. This protocol includes specific steps for the review of General Employee, In-Home Care & Basic Grant compliance requirements. All CCF on-site review reports are reviewed and approved by BARQA management prior to release to ensure that conclusions are appropriate and necessary documentation is maintained.