

Office of the Auditor General
Performance Audit Report

**State Child Abuse and Neglect Prevention Board
(Children's Trust Fund)**

Michigan Department of Health and Human Services

March 2018

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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Office of the Auditor General

Report Summary

Performance Audit

State Child Abuse and Neglect Prevention Board
(Children's Trust Fund)

Michigan Department of Health and Human
Services (MDHHS)

Report Number:
431-0178-17

Released:
March 2018

The State Child Abuse and Neglect Prevention Board is administered under the supervision of MDHHS. The Board is commonly referred to as the Children's Trust Fund (CTF) and is the Michigan chapter of Prevent Child Abuse America. The CTF Unit within MDHHS carries out the duties, functions, and responsibilities of the Board. As used predominantly in this report, CTF collectively refers to the Board and the Unit within MDHHS. CTF's mission is to serve as a voice for Michigan's children and families and to promote their health, safety, and welfare by funding effective local programs and services that prevent child abuse and neglect. A CTF charitable and educational endowment fund (Trust Fund) provides the necessary resources. In fiscal year 2016, Trust Fund revenues totaled \$2.5 million and expenditures totaled \$2.0 million; fund balance was \$26.7 million as of September 30, 2016.

This performance audit was required by Section 722.612 of the *Michigan Compiled Laws*.

Audit Objective			Conclusion
Objective #1: To assess CTF's compliance with selected child abuse and neglect prevention laws, regulations, rules, and procedures.			Complied, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
CTF had not documented the criteria used in fiscal years 2015, 2016, and 2017 to establish annual base allocations of \$2.6 million to 73 local councils and for \$248,000 of other allocations to 6 local councils to help ensure that the Trust Fund allocations were equitable (<u>Finding #1</u>).		X	Agrees
CTF needs to reassess and improve its monitoring of direct service and local council grant programs. CTF did not conduct 64% of direct service grantee on-site monitoring visits as planned, did not have a policy to conduct on-site monitoring visits of local council grantees, and did not augment its on-site monitoring by obtaining underlying support for grantee activities and expenditures (<u>Finding #2</u>).		X	Agrees
CTF needs to strengthen its Electronic Grants Administration and Management System (EGrAMS) user access controls and segregation of duties for submitting and approving grant reports. Some grantees shared user accounts or used the accounts of terminated employees (<u>Finding #3</u>).		X	Agrees

Audit Objective		Conclusion	
Objective #2: To assess the sufficiency of CTF's internal control to safeguard the Pam Posthumous Signature Auction Event (Auction Event) inventory and proceeds.		Sufficient, with exceptions	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
CTF needs to continue to improve its on-site reconciliation procedures for Auction Event revenue to help ensure that the cash and checks collected during the Auction Event are properly accounted for and safeguarded. On-site reconciliation will help CTF reduce any risk of shortage, theft, or misappropriation (<u>Finding #4</u>).		X	Agrees

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March 27, 2018

Mr. Nick Lyon, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan
and
Mr. Randy Richardville, Chair
State Child Abuse and Neglect Prevention Board
(Children's Trust Fund)
2060 North Custer Road
Monroe, Michigan

Dear Mr. Lyon and Mr. Richardville:

This is our performance audit report on the State Child Abuse and Neglect Prevention Board (Children's Trust Fund), Michigan Department of Health and Human Services.

This report is issued pursuant to Section 722.612 of the *Michigan Compiled Laws*, which requires the Auditor General to review the functions, responsibilities, and performance of the State Child Abuse and Neglect Prevention Board (Children's Trust Fund) every three years.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days of the date above 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.

We appreciate the courtesy and cooperation extended to us during this audit.

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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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

COMPLIANCE WITH SELECTED CHILD ABUSE AND NEGLECT PREVENTION LAWS, REGULATIONS, RULES, AND PROCEDURES

BACKGROUND

The Child Abuse and Neglect Prevention Act (Public Act 250 of 1982) delineates the duties and activities expected of the State Child Abuse and Neglect Prevention Board (currently referred to as the Children's Trust Fund [CTF*]), including:

- Develop a State plan for the distribution of the CTF's charitable and educational endowment fund (Trust Fund*) biennially.
- Review, approve, and monitor the expenditure of Trust Fund money by local councils* and prevention programs.
- Establish a procedure for an annual, internal evaluation of CTF's functions, responsibilities, and performance.
- Hold meetings not less than twice annually in accordance with the Open Meetings Act.

CTF awards the following two types of grants:

- Local council grants provide for the development and facilitation of collaborative community prevention programs. The grants are typically used for primary prevention activities, public awareness campaigns, parent education and youth mentoring programs, trainings and annual conferences, capacity building, and violence prevention programs. The grants are noncompetitive and awarded to 73 local councils for a three-year term. CTF provides annual allocations of the grants on a quarterly reimbursement basis. From October 1, 2014 through June 30, 2017, CTF reimbursed \$2.5 million to the local councils for 2013 and 2016 grants.
- Direct service* grants provide funding through a competitive bid process that is focused on families with risk factors or challenges that could impact positive parenting and optimal child development. The goal is to work collaboratively with other services and funding sources so that communities build a framework of protection and support for all children and families. Direct service grants are typically for a three-and-a-half-year term, and CTF provides awards to grantees on a quarterly reimbursement basis. During October 1, 2014 through June 30, 2017, there were 43 active direct service grants that CTF reimbursed \$1.9 million.

* See glossary at end of report for definition.

AUDIT OBJECTIVE

To assess CTF's compliance with selected child abuse and neglect prevention laws, regulations, rules, and procedures.

CONCLUSION

Complied, with exceptions.

**FACTORS
IMPACTING
CONCLUSION**

- CTF developed a comprehensive State plan for Trust Fund distributions as required for fiscal years 2016 and 2017. The State plan appropriately demonstrated that all geographical areas within the State had an equal opportunity to establish prevention programs.
- CTF used a competitive process for awarding limited direct service grants which ensured that all applicants were considered and that the highest rated applicants were appropriately awarded grants while also considering geographical dispersion. We noted that CTF appropriately denied 3 selected applicants we reviewed.
- CTF appropriately reviewed and approved the grant applications, work plans, and contracts for all 15 local council grants and 11 direct service grants that we reviewed.
- CTF appropriately approved quarterly expenditure reimbursements prior to payment for 98% of the 54 local council grant and 100% of the 28 direct service grant reimbursements that we reviewed.
- CTF established a procedure and completed an annual, internal evaluation of its functions, responsibilities, and performance as required.
- CTF met more than twice in 2017 in accordance with the Open Meetings Act.
- Reportable conditions* related to documentation of annual local council grant funding criteria (Finding #1); monitoring of direct service and local council grantees activities and expenditures (Finding #2); and Electronic Grants Administration and Management System (EGrAMS) internal control* (Finding #3).

* See glossary at end of report for definition.

FINDING #1

Documentation of annual local council grant funding criteria needed to ensure equitable allocations.

CTF allocated a total of \$248,000 to 6 (8%) local councils in excess of their annual base grant amount and could not provide the criteria it used for the amounts.

CTF had not documented the criteria used to establish the amount of annual grant funding allocated to each local council to ensure that allocations are equitable.

CTF's annual funding allocations for local council grants are based on a tier structure in which local councils receive a base allocation of \$5,000, \$10,000, or \$20,000 and an additional \$1,000 annually for each additional county served.

We reviewed the annual amounts that CTF allocated to all 73 local councils in fiscal years 2015, 2016, and 2017. We noted:

- a. CTF did not maintain documentation of the rationale used to establish its annual base allocation tiers or how CTF determined each local council's tier classification.
- b. CTF allocated a total of \$248,000 to 6 (8%) local councils in excess of their annual base grant amount in fiscal years 2015, 2016, and 2017 and could not provide the criteria it used to determine the additional funding allocated. All 6 of these local councils were included in the tier to receive a base allocation of \$20,000 and were granted annual allocations ranging from \$20,608 to \$64,576 for each of the three years. This additional funding represented 9% of the total \$2.6 million provided to local councils during the period.

CTF informed us that it allocates the annual funding for local councils primarily based on tiers and criteria that were established and implemented during fiscal years 2002 and 2003, under a previous CTF administration, and that it had not retained documentation for the establishment of the tier amounts or the criteria used to determine each local council's tier classification. CTF also informed us that it has had a longstanding practice not to decrease annual funding to local councils that meet grant requirements.

The Child Abuse and Neglect Prevention Act and related administrative rules require CTF to:

- Develop a State plan to ensure that an equal opportunity exists for the establishment of prevention programs and the receipt of Trust Fund money among all geographic areas in the State.
- Develop and publicize criteria for the receipt of Trust Fund money by eligible local councils.
- Annually establish the proportion and amount of funding that shall be available for allocation to local councils and to establish the formula by which these funds will be distributed.

RECOMMENDATION

We recommend that CTF document the criteria used to establish the amount of annual grant funding allocated to each local council.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

CTF agrees. Criteria is in place for determining the three tier levels for funding the statewide local council network; however, CTF agrees it is not adequately documented. CTF will review existing base levels, determine if they are appropriate, and document the criteria utilized for annual grant funding allocations.

FINDING #2

Reassessment and improvement needed in monitoring of direct service and local council grant programs.

CTF needs to reassess and improve its monitoring of direct service and local council grant programs to help strengthen CTF's assurance that grantees' activities and expenditures are appropriate and in compliance with grant requirements.

We assessed the frequency of CTF's on-site monitoring visits and its review and approval process for grantees' financial and activity reports. We noted:

- a. CTF should implement a risk-based approach for on-site monitoring visits of direct service and local council grantees:
 - (1) CTF had a goal to conduct at least one on-site visit for each direct service grantee during the grant period to validate that reported activities and expenditures were in compliance with grant requirements. However, CTF did not conduct 9 (64%) of the planned on-site monitoring visits for 14 direct service grantees with completed grant cycles during our audit period.

CTF indicated that it did not conduct these on-site monitoring visits because of limited resources and transitions in CTF staffing.
 - (2) CTF informed us that it did not have a policy or goal for conducting on-site monitoring visits with local council grantees because it had limited resources and had historically relied on the grantee reporting process (see part b.) and contacts with the grantees through training and meetings as monitoring tools.
- b. CTF should augment its on-site monitoring by strengthening its review and approval process of grantees' financial and activity reports.

CTF required direct service and local council grantees to electronically submit quarterly financial status reports and semi-annual activity reports for review and approval. However, CTF did not require the grantees to submit underlying supporting documentation with their reports or require CTF staff to periodically sample and review selected items from grantee submitted reports. Such additional processes would increase the value of the reports, provide CTF with greater assurance of the propriety of grantees' reported expenditures and activities, and augment CTF's on-site monitoring visit process.

The Child Abuse and Neglect Prevention Act requires CTF to review, approve, and monitor the expenditure of Trust Fund money by direct service and local council grant programs.

RECOMMENDATION

We recommend that CTF reassess and improve its monitoring of direct service and local council grant programs.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

CTF agrees. CTF will develop monitoring protocols for review of grantee expenditures. An on-site monitoring plan will be developed using a risk-based approach and taking available resources into consideration.

FINDING #3

Improvements needed in EGrAMS user access controls and segregation of duties.

Some grantees shared user accounts or used the accounts of terminated employees.

CTF needs to strengthen its EGrAMS user access controls* and provide the appropriate segregation of duties* for submitting and approving grant reports. Improvements would help reduce the risk of unauthorized access, use, and modification of CTF grant reports and data.

We reviewed the use of EGrAMS at 6 CTF grantee locations. We also examined the EGrAMS submission and approval information for the 2,168 grant reports submitted by all local council and direct service grantees from October 1, 2014 through June 30, 2017. We noted:

- a. CTF's EGrAMS user access controls did not always prohibit grantees from sharing user accounts or using the accounts of terminated employees.

Two (33%) grantees that we visited informed us that some of their employees shared a user account because not all employees who needed access to submit CTF grant reports had been assigned a unique user account. Two (33%) grantees informed us that a CTF staff member had instructed them to use the account of a terminated employee and to change the password rather than having CTF disable the former employee's user account and create a new user account.

- b. CTF did not always provide proper segregation of duties for the submission and approval of grant reports in EGrAMS.

One CTF staff member submitted and approved 90 (4%) grant reports during the audit period. CTF informed us that EGrAMS was set up with role permissions that allowed some users to submit and approve reports in EGrAMS in order to expedite the payment process to grantees when they needed assistance with submitting reports in EGrAMS. Although we did not identify any reimbursements that were not directed to the local councils, this weakness increases the risk that inappropriate reimbursements could occur.

Department of Technology, Management, and Budget (DTMB) Administrative Guide policy 1340.00 requires agencies to establish a process to control and document access rights to users. The Federal Information System Controls Audit Manual* (FISCAM) indicates that inactive accounts and accounts for terminated individuals should be disabled or removed in a timely matter, users should be uniquely identified rather than share the same user account, and work responsibilities should be segregated so that one individual does not control all critical stages of a process.

* See glossary at end of report for definition.

RECOMMENDATION

We recommend that CTF strengthen its EGrAMS user access controls and provide the appropriate segregation of duties for submitting and approving grant reports.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

CTF and the Bureau of Purchasing and Grants agree. There are three key permissions available to grantees to properly manage their agreements and provide appropriate segregation of duties. Grantees are responsible for assignment of their employees to EGrAMS and removing these assignments when they have staff changes. MDHHS will perform the following:

- *Issue a memo to all MDHHS CTF grantee users advising of the proper usage of the system and how to access technical help.*
- *Provide grantees additional training to reinforce their responsibility for their system users.*
- *Work with grantees to review EGrAMS permissions and ensure each grantee has the three key permissions to provide appropriate segregation of duties.*

AUCTION EVENT INVENTORY AND PROCEEDS INTERNAL CONTROL

BACKGROUND	CTF holds an annual auction to raise funds to support child abuse and neglect prevention programs. CTF collected an average of \$375,000 per year for fiscal years 2015 through 2017.
AUDIT OBJECTIVE	To assess the sufficiency of CTF's internal control to safeguard the Pam Posthumous Signature Auction Event (Auction Event) inventory and proceeds.
CONCLUSION	Sufficient, with exceptions.
FACTORS IMPACTING CONCLUSION	<ul style="list-style-type: none">• CTF performed reconciliation procedures to ensure that Auction Event revenue received was correctly recorded to the Trust Fund.• CTF had effective processes for safeguarding the inventory during the Auction Event.• CTF had effective processes for safeguarding the inventory received, stored, and transported prior to and after the Auction Event.• Reportable condition related to continued improvement of CTF's Auction Event on-site cash and check revenue reconciliation procedures.

FINDING #4

Continued improvement needed in reconciliation of cash and checks collected.

CTF's procedures did not include on-site reconciliation of the amounts collected from cash and checks with the associated auction purchase records during the Auction Event.

CTF needs to continue to improve its on-site reconciliation procedures for Auction Event revenue. Continued improvement will help CTF ensure that the cash and checks collected during the Auction Event are properly accounted for and safeguarded.

We reviewed CTF's records for the 2015, 2016, and 2017 Auction Events and directly observed CTF's revenue handling procedures during the 2017 Event. We noted that CTF did not reconcile the total revenue collected from cash and checks with the associated auction purchase records during the 2015 and 2016 Events or at the close of the 2017 Event until prompted by the auditor. An on-site reconciliation of cash and checks would help reduce any risk of shortage, theft, or misappropriation. CTF collected a total of \$11,869, \$16,312, and \$15,349 in cash and checks at the 2015, 2016, and 2017 Auction Events, respectively.

We reported a similar condition in the prior audit. The agency response indicated that CTF began performing monthly revenue reconciliations between the accounting system and the auction software and that it would update Auction Event procedures to include a process to reconcile revenue collected from cash and checks at the Auction Event. CTF implemented the monthly revenue reconciliations; however, CTF had not updated its Auction Event procedures with a process for reconciling revenues from cash and checks with purchase records during the Event as of September 2017.

Michigan law requires that CTF establish and maintain recordkeeping procedures to control assets and revenues and that it develop internal control techniques that are effective and efficient.

RECOMMENDATION

We recommend that CTF continue to improve its on-site reconciliation procedures for Auction Event revenue.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

CTF agrees. CTF implemented additional reconciliation protocols after the last audit, but acknowledges that the final process of reconciling receipts to purchase records was not conducted. A new software system was purchased in 2017 that has capabilities to perform a reconciliation at the Auction Event. This new software system will be used during the Event to reconcile cash and checks to purchases in an efficient manner.

DESCRIPTION

The Child Abuse and Neglect Prevention Act (Public Act 250 of 1982) created the State Child Abuse and Neglect Prevention Board as an autonomous agency within the former Department of Management and Budget. Today, the Board is commonly referred to as the Children's Trust Fund (CTF) and is administered under the supervision of the Michigan Department of Health and Human Services (MDHHS).

CTF consists of 11 public members appointed by the Governor, with the advice and consent of the Senate, to serve three-year terms. CTF also includes the MDHHS Director, the Superintendent of Public Instruction, and the Michigan Department of State Police Director, or their designees. The Governor designates the chairperson of CTF from among the public members.

The CTF Unit within MDHHS carries out CTF's duties, functions, and responsibilities. CTF appoints an executive director and approves the number of CTF Unit staff hired and their job descriptions. As of June 30, 2017, the CTF Unit included the executive director and 5 staff.

As used predominantly in this report, CTF collectively refers to the Board and the Unit within MDHHS.

CTF is the Michigan chapter of Prevent Child Abuse America. CTF's mission is to serve as a voice for Michigan's children and families and to promote their health, safety, and welfare by funding effective local programs and services that prevent child abuse and neglect.

In addition, Public Act 249 of 1982 created a Children's Trust Fund (Trust Fund) as a charitable and educational endowment fund in the Department of Treasury. Sources of Trust Fund revenues are the federal Community-Based Child Abuse Prevention grant, fund-raising proceeds from the Auction Event, specialty license plates, State income tax contributions, and earnings on Trust Fund investments. CTF may expend funds from the Trust Fund only for direct service prevention programs, grants to local councils, and CTF administrative costs. Trust Fund revenues for fiscal year 2016 totaled \$2.5 million and expenditures totaled \$2.0 million. As of September 30, 2016, the balance of the Trust Fund was \$26.7 million.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine CTF's activities and records related to selected laws, regulations, rules, and procedures, including the Auction Event. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2014 through June 30, 2017.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of CTF's operations and internal control and to establish our audit objectives and methodology. To accomplish these objectives, we:

- Interviewed CTF management and staff.
- Reviewed the *Michigan Compiled Laws*, regulations, rules, and procedures applicable to CTF.
- Obtained an understanding of CTF's Auction Event processes.
- Obtained an understanding of CTF's local council grant and direct service grant processes.
- Reviewed CTF meeting minutes from October 1, 2014 through June 30, 2017.

OBJECTIVE #1

To assess CTF's compliance with selected child abuse and neglect prevention laws, regulations, rules, and procedures.

To accomplish this objective, we:

- Reviewed CTF's State plan covering fiscal years 2016 and 2017 to ensure that it was comprehensive and demonstrated that all geographical areas within the State had an equal opportunity to establish prevention programs and receive money from the Trust Fund.

* See glossary at end of report for definition.

- Reviewed CTF's internal evaluation procedures to determine that it annually evaluated its functions, responsibilities, and performance.
- Reviewed CTF procedures for holding meetings in accordance with the Open Meetings Act.
- Analyzed federal funds, gifts, grants, bequests, donations, and income tax contributions received and dedicated for CTF activities and the Trust Fund from October 1, 2014 through June 30, 2017 to determine that the revenues were appropriately deposited in the Trust Fund.
- Analyzed Trust Fund expenditures from October 1, 2014 through June 30, 2017 to ensure that CTF expended amounts as appropriated by the Legislature and met one of the following criteria: funding of prevention programs, funding of local councils, or funding of the State Board and the CTF Unit.
- Reviewed CTF operating expenditures from October 1, 2014 through June 30, 2017 to ensure that CTF kept expenditures at a minimum in furtherance of the primary purpose of the Trust Fund and CTF mission.
- Reviewed CTF's methodology and criteria to annually establish the proportion and amount of Trust Fund monies allocated to local councils.
- Selected 15 of 219 local council annual grant allocations to 73 local councils from October 1, 2014 through June 30, 2017 and evaluated whether:
 - Quarterly expenditure, biannual program, and biannual activity reports were timely submitted, appropriately approved, and received prior to providing the council requested expenditure reimbursements.
 - Fifty-three quarterly requested expenditure reimbursements were appropriately approved prior to payment and payments made were accurate.
 - Applicable grant applications for the 2013 and 2016 grant cycles contained required elements, included expected outcomes and measurements, had proposed budgets that included the means to meet matching requirements, and contained proper CTF approval for the sampled applications and resulting contracts.

Our sample included 9 randomly selected and 6 judgmentally selected grants based on higher grant amounts, councils selected for site visits, and geographical location. Therefore, we could not project the results to the entire population.

- Reviewed CTF's competitive grant awarding process for fiscal year 2015, 2016, and 2017 direct service grants and recalculated the CTF ratings for 55 applicants.
- Reviewed CTF's direct service grant ratings for 3 denied applications to determine that the denials were appropriate. Our sample included 2 randomly selected grants and 1 judgmentally selected grant based on highest rating for applicants not awarded.
- Reviewed applications for 11 of 43 active direct service grants to determine whether the applications contained required elements, included expected outcomes and measurements, included proposed budgets showing means to meet matching requirements, and contained CTF proper approval for the sampled applications and resulting contracts.

Our sample included grant applications applicable to a random selection of 8 of 73 grant allocations from October 1, 2014 through June 30, 2017 and 3 judgmentally selected grants based on one entity receiving a local council grant and grants selected for site visits. Therefore, we could not project the full testing results to the entire population.

- Reviewed required reports and reimbursement requests applicable to 8 of 43 active direct service grants from October 1, 2014 through June 30, 2017 to determine whether:
 - Twenty-eight quarterly financial status, 28 quarterly program reports, and 14 biannual work plan progress reports were timely submitted and appropriately approved prior to quarterly grant payments.
 - Twenty-eight quarterly reimbursement requests were approved prior to payment, CTF made the payments within 45 days, and the payments made were accurate.

Our sample included 6 of 73 randomly selected grant allocations from October 1, 2014 through June 30, 2017 and 2 judgmentally selected grants chosen for site visits. Therefore, we could not project the full testing results to the entire population.

- Analyzed the population of all 14 direct service grants closed during the audit period to determine if CTF completed a site visit during the grant cycle.
- Examined the EGrAMS submission and approval information for 2,168 grant reports submitted by local councils and direct service grantees from October 1, 2014 through June 30, 2017 to determine whether proper segregation of duties existed.
- Conducted site visits for 3 randomly selected active direct service grantees and their associated local councils to test the propriety of information reported in EGrAMS. We also interviewed council staff to assess the councils' satisfaction with CTF's communication, coordination, expenditure reimbursements, and grant application process.
- Reviewed CTF's efforts in providing coordination and training for establishing and maintaining prevention programs to grantees and community partners.
- Compared proceeds with the expenses of the 2015, 2016, and 2017 Auction Events to assess the Events' profitability.

OBJECTIVE #2

To assess the sufficiency of CTF's internal control to safeguard the Auction Event inventory and proceeds.

To accomplish this objective, we:

- Reviewed CTF's procedures for the May 2017 Auction Event to determine if CTF implemented a reconciliation of cash and check revenue received at the Auction Event.
- Observed CTF's inventory of the items to be auctioned before and after items arrived at the May 2017 Auction Event to determine whether CTF appropriately safeguarded the inventory.
- Observed the check-out process at the May 2017 Auction Event to determine whether CTF appropriately safeguarded the auction inventory and proceeds.
- Performed an on-site reconciliation of cash and checks collected at the May 2017 Auction Event and compared it with the auction software. We also reviewed CTF's reconciliation of revenue recorded in the Trust Fund's accounting system and revenue recorded in CTF's auction management inventory program for the 2015, 2016, and 2017 Auction Events.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

AGENCY RESPONSES

Our audit report contains 4 findings and 4 corresponding recommendations. MDHHS's preliminary response indicates that CTF agrees with the 4 recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it 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.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported findings from our January 2015 performance audit of the Child Abuse and Neglect Prevention Board (Children's Trust Fund), Department of Human Services (431-0178-14):

<u>Prior Audit Finding Number</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
1	Annual Internal Evaluation	Complied	Not applicable
2	Biennial State Plan	Complied	Not applicable
3	Board Meetings	Complied	Not applicable
4	Auction Event Revenue Reconciliations	Rewritten*	<u>Finding #4</u>

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
Auction Event	Pam Posthumous Signature Auction Event.
CTF	Collectively for this report, the State Child Abuse and Neglect Prevention Board and the Children's Trust Fund Unit within MDHHS.
direct service	Help or benefits provided to children or their families on a person-by-person basis.
DTMB	Department of Technology, Management, and Budget.
EGrAMS	Electronic Grants Administration and Management System.
Federal Information System Controls Audit Manual (FISCAM)	A methodology published by the U.S. Government Accountability Office (GAO) for performing information system control audits of federal and other governmental entities in accordance with <i>Government Auditing Standards</i> .
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.
local council	An organization whose primary purpose is the development and facilitation of a collaborative community prevention program.
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.
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.
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.
rewritten	The recurrence of similar conditions reported in a prior audit in combination with current conditions that warrant the prior audit recommendation to be revised for the circumstances.
segregation of duties	Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties. Proper segregation of duties requires separating the duties of reporting, review and approval of reconciliations, and approval and control of documents.
Trust Fund	The Children's Trust Fund created in the Department of Treasury by Public Act 249 of 1982.



Report Fraud/Waste/Abuse

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