

Office of the Auditor General
Performance Audit Report

Child Care Fund
Michigan Department of Health and Human Services

December 2020

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.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



Performance Audit

Child Care Fund (CCF)

Michigan Department of Health and Human Services (MDHHS)

Report Number:
431-1400-19

Released:
December 2020

MDHHS administers the CCF, which supports a collaborative effort between the State and county governments and tribes to fund programs that serve neglected, abused, and delinquent youth in Michigan. The State reimburses counties and tribes 50% for eligible CCF activities. MDHHS reviews and approves annual county and tribe CCF program and spending plans and monthly reimbursement requests, and it conducts on-site monitoring reviews to ensure that county and tribe services comply with State statute and MDHHS policies and procedures applicable to CCF reimbursements. CCF reimbursements to counties and tribes totaled \$262.6 million for the 21-month period October 1, 2017 through June 30, 2019.

Audit Objective			Conclusion
Objective #1: To assess the sufficiency of MDHHS's efforts in monitoring the appropriateness of CCF expenditures reimbursed to counties and tribes.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS did not select Wayne County for an on-site CCF monitoring review for a nearly five-year period, although it accounted for more than 30% of reimbursements and consistently ranked as one of the highest risk counties (Finding #1).	X		Agrees

Audit Objective			Conclusion
Objective #2: To assess the timeliness of MDHHS's CCF expenditure reimbursements to counties and tribes.			Timely
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

Audit Objective		Conclusion	
Objective #3: To assess the sufficiency of MDHHS's efforts to approve county and tribe CCF annual plans and budgets that comply with State statute and CCF Handbook requirements.		Sufficient	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

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Doug A. Ringler, CPA, CIA
Auditor General

December 18, 2020

Mr. Robert Gordon, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Mr. Gordon:

This is our performance audit report on the Child Care Fund, Michigan Department of Health and Human Services.

We organize our findings and observations by audit objective. Your agency provided the preliminary response to the recommendation 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 to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

MONITORING OF CCF EXPENDITURES REIMBURSED TO COUNTIES AND TRIBES

BACKGROUND

The Child Care Fund (CCF) was created by Public Act 87 of 1978 (Sections 400.117a - 400.117h of the *Michigan Compiled Laws*) to establish a juvenile justice funding system that is administered under the Michigan Department of Health and Human Services' (MDHHS's) superintending control. The enabling legislation sought to provide the agency with the authority and responsibility for administering youth services and programs in the State.

MDHHS is responsible for monitoring and ensuring the appropriate State reimbursement of county and Native American Indian tribe* CCF activities. MDHHS reimburses counties and tribes* 50% of all approved CCF eligible activities. Eligible CCF activities include in-home care* (IHC) services, such as intensive probation, counseling, truancy intervention, and family reunification programming, and out-of-home care* (OHC) services provided in foster care, institutional care, and independent living settings.

Counties and tribes must electronically submit a monthly CCF reimbursement request with supporting documentation to MDHHS using the Michigan Statewide Automated Child Welfare Information System (MiSACWIS). MDHHS CCF Reimbursement Section auditors conduct desk reviews of all county and tribe monthly reimbursement requests and document their reviews on approval checklists. If the review does not identify any noncompliance issues, the CCF Reimbursement Section manager will approve the monthly reimbursement request in MiSACWIS and, on a monthly basis, payments for approved reimbursement requests are issued to counties and tribes.

In addition to the desk reviews, the MDHHS CCF Audit Division performs on-site fiscal* and programmatic* monitoring reviews of selected counties and tribes each year to validate that expenditures submitted in monthly reimbursement requests complied with CCF reimbursement program requirements. During these reviews, CCF Audit Division auditors sample and review expenditure and revenue transactions, employee records, and youth case files for selected periods of between 3 and 12 months. The CCF Audit Division provides written reports to the counties and tribes that document the results of the on-site fiscal and programmatic monitoring reviews, findings, and any other relevant information. The CCF Audit Division conducted on-site monitoring reviews for 42 counties from October 1, 2017 through June 30, 2019.

* See glossary at end of report for definition.

During the two-year period ended September 30, 2019, the State annually reimbursed, on average, \$154 million to 83 counties and 8 tribes (see Exhibits #1, #2A, and #2B).

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts in monitoring the appropriateness of CCF expenditures reimbursed to counties and tribes.

CONCLUSION

Sufficient, with exceptions.

**FACTORS
IMPACTING
CONCLUSION**

- For the CCF monthly reimbursement requests and on-site monitoring processes and reviews that we examined, MDHHS:
 - Reviewed and properly approved monthly CCF reimbursement requests, including completion of review checklists, prior to reimbursing the expenditures for all monthly reimbursement requests reviewed.
 - Implemented improvements to the risk assessment process for selecting counties and tribes for on-site monitoring reviews.
 - Conducted on-site monitoring reviews of 42 counties during the 21-month period from October 1, 2017 through June 30, 2019 and maintained documentation supporting the work completed and the overall conclusions reached for the on-site monitoring reviews that we examined.
 - Identified instances of noncompliance with CCF program requirements and drew conclusions that, in general, were consistent with our independent sampling results for:
 - CCF expenditure and revenue transactions.
 - The eligibility of youth served in IHC programs.
 - The performance of weekly face-to-face meetings for youth in intensive IHC programs.
 - CCF employee educational and/or certification qualifications.
- The CCF OHC program expenditures that we examined that were not subject to MDHHS's on-site monitoring review were for CCF eligible youths and placements and paid in

accordance with MDHHS's established rate policy, with only minimal exceptions.

- The CCF IHC program expenditures that we examined that were not subject to MDHHS's on-site monitoring review were:
 - Approved in the applicable CCF annual plan and budget* prior to reimbursement.
 - Allowable according to the CCF Handbook.
- The IHC contracts reviewed had contract scopes that aligned with the approved program descriptions in the applicable CCF annual plan and budget.
- Material condition* related to continued improvement needed in MDHHS's selection of high-risk counties and tribes for on-site CCF monitoring reviews (Finding #1).

* See glossary at end of report for definition.

FINDING #1

Continued improvement needed for selection of counties and tribes for on-site CCF monitoring reviews.

MDHHS should continue to improve its process for selecting counties and tribes for on-site CCF monitoring reviews. Improving its selection process would help MDHHS ensure that its limited monitoring resources are consistently directed toward counties and tribes that have been identified as exhibiting greater risk and increase MDHHS's assurance regarding the proper use of CCF funds.

The CCF Handbook states that MDHHS is committed to ensuring high standards of integrity and accountability for public funds and improving government operations for the benefit of all Michigan citizens. As part of this commitment, MDHHS conducts on-site fiscal and programmatic monitoring reviews to validate the expenses reported in CCF reimbursement requests of counties and tribes across the State.

Governmental agencies often use a risk-based approach to establish priorities to help ensure that limited resources are targeted to those areas of highest risk. In 2016, MDHHS began implementing improvements to its on-site CCF monitoring review process, including updating MDHHS's formalized risk assessment work sheet to better identify counties and tribes exhibiting a greater risk for improper CCF reimbursements and to assist MDHHS in selecting counties and tribes for on-site monitoring reviews.

The updated risk assessment work sheet incorporated several qualitative and quantitative factors to help MDHHS assess risk for each county and tribe. MDHHS informed us that it used the resulting risk assessment rankings as a primary factor for selecting counties and tribes for on-site monitoring review. During the period October 1, 2017 through June 30, 2019, MDHHS conducted on-site CCF monitoring reviews for 42 counties, including 37 (88%) that it identified as high risk using the updated risk assessment work sheet process.

MDHHS did not select Wayne County for an on-site monitoring review for nearly five years despite consistently ranking the county as first or second highest risk out of over 90 counties and tribes Statewide.

Although MDHHS's risk assessment process repeatedly ranked Wayne County as the first or second highest risk county out of over 90 counties and tribes Statewide, MDHHS did not select the county for an on-site monitoring review during the nearly five-year period between October 2014 and July 2019 (see the following timeline).



¹MDHHS issued CCF reimbursements to 83 counties and 8 tribes Statewide during the audit period.

²MDHHS issued its final report related to its July 2019 Wayne County on-site CCF monitoring review subsequent to our audit period on July 7, 2020.

The factors that MDHHS noted during its risk assessment process that contributed to Wayne County's consistent high-risk ranking included the county's large amount of CCF expenditures that exceeded 30% of annual Statewide reimbursements (see Exhibit #2A), the lack of a recent MDHHS on-site CCF monitoring review, the high number of CCF youth served by Wayne County, and the existence of concerns that MDHHS identified during its review of Wayne County's annual plans and budgets and monthly CCF reimbursement request reviews.

MDHHS informed us that it did not select Wayne County for an on-site monitoring review until 2019 for many reasons, including:

- Numerous monitoring team staffing changes from 2015 through 2019.
- Dedicating monitoring resources to other priorities in 2016 and 2017, such as addressing CCF program weaknesses that presented significant risk and assisting in reviewing a significant backlog of CCF annual plans and budgets and reimbursement requests.
- Management decisions to postpone on-site monitoring reviews of Wayne County in 2017 and 2018 because its monitoring team did not possess the experience necessary to undertake a review of Wayne County's size and complexity.

We consider this finding to be a material condition because of the significance of Wayne County relative to the overall CCF program and, although MDHHS had developed a sound risk assessment process for determining the counties that should receive an on-site monitoring review, it did not follow the results of the process.

RECOMMENDATION

We recommend that MDHHS continue to improve its process for selection of counties and tribes for on-site CCF monitoring reviews.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees that it can continue to improve its process for the selection of counties and tribes for on-site CCF monitoring reviews. MDHHS, in its commitment to ensuring high standards of integrity and accountability for public funds and improving government operations, decided that its limited monitoring resources would be best used by addressing overall CCF Program weaknesses that presented the greatest risk before performing an on-site monitoring review of Wayne County. Accordingly, resources were dedicated to rewriting the CCF Handbook, providing statewide trainings, refining the fiscal oversight review process for annual plans and budgets, and gaining the experience and expertise necessary to undertake a review of Wayne County's size and complexity by completing reviews at other counties first.

In addition to the regular monthly reimbursement request review process, during the two-year period October 2017 through September 2019, MDHHS also performed extended transactional based reviews for Wayne County. During these reviews, MDHHS requested detailed supporting documentation from Wayne County for various expenditure transactions reported on seven different monthly reimbursement requests, reviewed the expenditures' allowability, and required removal of unallowable expenditures from the reimbursement requests. These reviews provided additional oversight of Wayne County until an onsite review could be completed.

MDHHS will continue to improve its process for the selection of counties and tribes for on-site CCF monitoring reviews by refining its risk assessment process as needed and ensuring the performance of monitoring reviews of counties and tribes that present the greatest risk of non-compliance.

TIMELINESS OF CCF EXPENDITURE REIMBURSEMENTS TO COUNTIES AND TRIBES

BACKGROUND

MDHHS issues CCF reimbursements monthly to counties and tribes for eligible CCF expenditures. Counties and tribes must electronically submit a monthly CCF reimbursement request to MDHHS, with supporting documentation, using MiSACWIS. MDHHS performs a desk review of each request and communicates with the county or tribe to resolve any identified non-compliance issues, and then the CCF Reimbursement Section manager electronically approves the reimbursement request in MiSACWIS. MDHHS identifies all of the approved CCF reimbursement requests in MiSACWIS on one specified date each month and issues payments to the applicable counties and tribes through the Statewide Integrated Governmental Management Applications* (SIGMA).

During the 21-month period October 1, 2017 through June 30, 2019, the State approved approximately 1,900 monthly reimbursement requests and issued CCF reimbursements to 83 counties and 8 tribes totaling \$262.6 million.

AUDIT OBJECTIVE

To assess the timeliness of MDHHS's CCF expenditure reimbursements to counties and tribes.

CONCLUSION

Timely.

FACTORS IMPACTING CONCLUSION

- MDHHS issued CCF reimbursements to counties and tribes, on average, 43 business days after the county or tribe submitted the monthly reimbursement requests with complete supporting documentation for the reimbursements reviewed.

* See glossary at end of report for definition.

APPROVAL OF COUNTY AND TRIBE CCF ANNUAL PLANS AND BUDGETS

BACKGROUND

Each county and tribe must submit a CCF annual plan and budget to MDHHS through MiSACWIS to receive reimbursement for eligible CCF expenditures. County and tribe annual plan and budget submissions must include a detailed list and description of the child welfare and juvenile justice services* the county or tribe will provide to meet the needs of the community along with the projected expenditures for the upcoming fiscal year, including OHC and IHC services and programs.

MDHHS reviews all submitted annual plan and budget forms and supporting documents to assess compliance with State statute and CCF Handbook requirements, and MDHHS has a goal of providing its final approval within 30 days. Counties and tribes are not reimbursed for eligible CCF expenditures until MDHHS has approved the applicable annual plan and budget.

AUDIT OBJECTIVE

To assess the sufficiency of MDHHS's efforts to approve county and tribe CCF annual plans and budgets that comply with State statute and CCF Handbook requirements.

CONCLUSION

Sufficient.

FACTORS IMPACTING CONCLUSION

- CCF Reimbursement Section ensured that the county and tribe annual plans and budgets, including IHC programs, met CCF Handbook requirements for all of the annual plans and budgets that we reviewed.
- MDHHS properly approved all county and tribe annual plans and budgets that we reviewed within its goal of 30 days.
- MDHHS completed and retained review checklists for all annual plans and budgets that we reviewed.

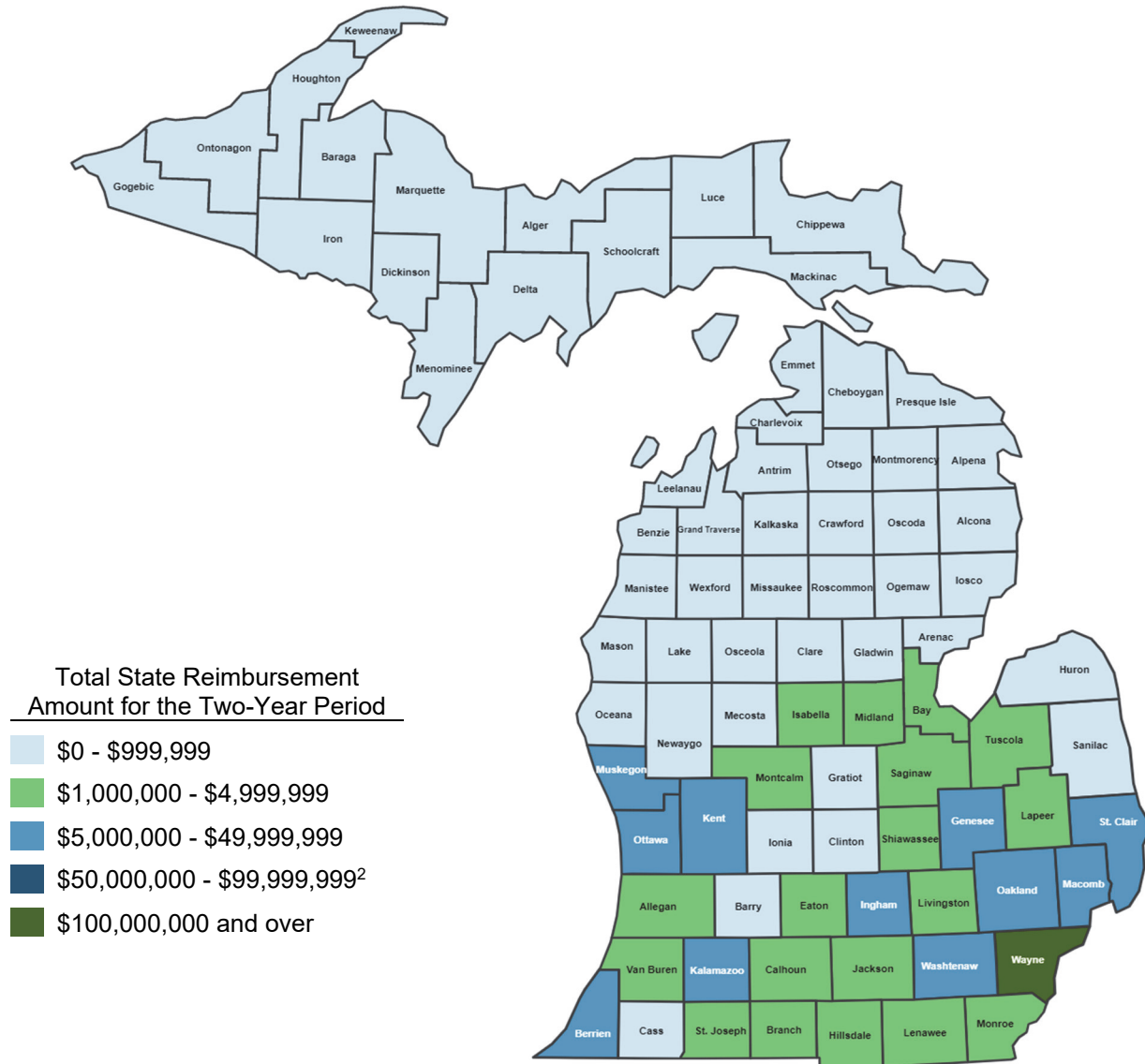
* See glossary at end of report for definition.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

CHILD CARE FUND Michigan Department of Health and Human Services

Map of CCF Expenditure Reimbursements by County¹
Fiscal Years 2018 and 2019



¹ This map excludes CCF expenditure reimbursements to tribes, which represent 0.7% of total Statewide CCF reimbursements. See Exhibits #2A and #2B for CCF expenditure reimbursements to tribes.

² There were no counties with reimbursements in this range.

For more detail, view the interactive map: <https://audgen.michigan.gov/431-1400-19-map/>

Source: The OAG created this map using data obtained from MDHHS's MiSACWIS.

CHILD CARE FUND
Michigan Department of Health and Human Services

CCF Expenditure Reimbursements to Counties and Tribes (Dollar Amount Order)
Fiscal Years 2018 and 2019

County/Tribe	Fiscal Year		Total	County/Tribe	Fiscal Year		Total
	2018	2019			2018	2019	
Wayne	\$ 54,679,089	\$ 56,826,843	\$ 111,505,932	Hannahville Indian Community	\$ 262,561	\$ 223,117	\$ 485,678
Oakland	12,862,527	12,440,500	25,303,028	Wexford	252,629	231,164	483,793
Kent	9,738,383	9,705,397	19,443,780	Sault Ste. Marie Tribe of			
Ingham	7,222,766	7,312,900	14,535,666	Chippewa Indians	219,078	248,110	467,188
Macomb	6,337,490	6,686,395	13,023,885	Charlevoix	243,153	219,769	462,922
Genesee	4,686,056	4,761,413	9,447,469	Saginaw Chippewa Indian			
Kalamazoo	4,456,177	4,518,556	8,974,732	Tribe (Isabella)	128,663	275,773	404,436
Muskegon	4,372,621	3,824,216	8,196,837	Lake	165,012	217,663	382,675
Washtenaw	3,384,400	3,503,100	6,887,500	Chippewa	226,501	152,418	378,919
Berrien	3,234,402	3,360,071	6,594,474	Arenac	159,626	191,459	351,085
Ottawa	2,737,828	3,149,178	5,887,005	Benzie	140,785	206,604	347,389
St. Clair	2,802,413	2,820,067	5,622,479	Manistee	147,033	182,294	329,327
Allegan	2,163,521	2,327,186	4,490,708	Leelanau	163,227	165,633	328,860
Saginaw	2,273,723	2,014,428	4,288,151	Oscoda	132,986	193,696	326,682
Jackson	2,007,197	2,243,705	4,250,902	Clare	111,019	195,930	306,949
Calhoun	1,876,027	2,345,268	4,221,296	Baraga	98,062	205,766	303,829
Eaton	1,921,067	1,968,577	3,889,644	Dickinson	109,857	180,161	290,018
Midland	1,720,421	1,743,178	3,463,599	Gogebic	142,357	144,095	286,453
Lenawee	1,734,029	1,703,246	3,437,275	Keweenaw Bay Indian			
Monroe	1,265,627	1,553,703	2,819,330	Community	108,116	163,493	271,609
Bay	1,246,154	1,342,244	2,588,398	Houghton	126,565	93,330	219,895
Livingston	1,276,675	1,219,711	2,496,385	Oceana	106,353	113,290	219,643
Van Buren	833,207	1,026,711	1,859,918	Mecosta	106,402	112,298	218,700
Isabella	854,142	648,847	1,502,989	Luce	146,738	71,208	217,946
Hillsdale	619,459	604,082	1,223,541	Presque Isle	124,908	83,573	208,481
Shiawassee	536,492	649,745	1,186,237	Antrim	110,583	69,135	179,718
St. Joseph	584,313	504,025	1,088,337	Bay Mills Indian Community	76,685	96,762	173,447
Tuscola	600,526	438,148	1,038,674	Schoolcraft	51,244	113,317	164,561
Montcalm	504,389	522,247	1,026,636	Alcona	65,699	96,421	162,120
Branch	477,131	533,591	1,010,722	Gladwin	62,028	92,177	154,205
Lapeer	465,456	537,071	1,002,527	Kalkaska	82,371	64,531	146,902
Ogemaw	331,831	628,397	960,228	Little Traverse Bay Bands of			
Barry	468,881	459,173	928,054	Odawa Indians (Emmet)	88,585	53,719	142,304
Newaygo	479,013	448,639	927,652	Iron	62,008	56,627	118,634
Grand Traverse	487,847	414,527	902,375	Menominee	46,305	54,013	100,318
Gratiot	434,505	451,563	886,068	Montmorency	42,056	18,414	60,470
Roscommon	431,989	434,419	866,408	Alger	21,479	35,777	57,256
Sanilac	457,709	404,616	862,324	Mackinac	31,927	10,613	42,540
Cass	378,734	468,501	847,236	Inter-Tribal Council	15,825	26,350	42,175
Iosco	325,240	493,371	818,611	Ontonagon	13,380	17,363	30,743
Clinton	388,012	427,171	815,183	Keweenaw	15,000	15,000	30,000
Crawford	424,171	358,897	783,069	Grand Traverse Band of			
Alpena	320,075	415,165	735,239	Ottawa and Chippewa Indians	11,815	13,197	25,012
Marquette	373,642	354,429	728,071				
Delta	338,342	303,647	641,989	Total	\$ 151,659,368	\$ 155,846,289	\$ 307,505,657
Ionia	354,097	276,463	630,560				
Otsego	340,839	274,888	615,728				
Osceola	264,147	333,242	597,389				
Emmet	297,111	274,577	571,688				
Cheboygan	289,861	279,998	569,859				
Missaukee	330,871	216,907	547,778				
Huron	235,376	288,101	523,477				
Mason	214,745	300,989	515,734				

Source: The OAG created this exhibit using data obtained from MDHHS's MiSACWIS.

CHILD CARE FUND
Michigan Department of Health and Human Services

CCF Expenditure Reimbursements to Counties and Tribes (Alphabetical Order)
Fiscal Years 2018 and 2019

County/Tribe	Fiscal Year		Total	County/Tribe	Fiscal Year		Total
	2018	2019			2018	2019	
Alcona	\$ 65,699	\$ 96,421	\$ 162,120	Lake	\$ 165,012	\$ 217,663	\$ 382,675
Alger	21,479	35,777	57,256	Lapeer	465,456	537,071	1,002,527
Allegan	2,163,521	2,327,186	4,490,708	Leelanau	163,227	165,633	328,860
Alpena	320,075	415,165	735,239	Lenawee	1,734,029	1,703,246	3,437,275
Antrim	110,583	69,135	179,718	Little Traverse Bay Bands of Odawa Indians (Emmet)	88,585	53,719	142,304
Arenac	159,626	191,459	351,085	Livingston	1,276,675	1,219,711	2,496,385
Baraga	98,062	205,766	303,829	Luce	146,738	71,208	217,946
Barry	468,881	459,173	928,054	Mackinac	31,927	10,613	42,540
Bay	1,246,154	1,342,244	2,588,398	Macomb	6,337,490	6,686,395	13,023,885
Bay Mills Indian Community	76,685	96,762	173,447	Manistee	147,033	182,294	329,327
Benzie	140,785	206,604	347,389	Marquette	373,642	354,429	728,071
Berrien	3,234,402	3,360,071	6,594,474	Mason	214,745	300,989	515,734
Branch	477,131	533,591	1,010,722	Mecosta	106,402	112,298	218,700
Calhoun	1,876,027	2,345,268	4,221,296	Menominee	46,305	54,013	100,318
Cass	378,734	468,501	847,236	Midland	1,720,421	1,743,178	3,463,599
Charlevoix	243,153	219,769	462,922	Missaukee	330,871	216,907	547,778
Cheboygan	289,861	279,998	569,859	Monroe	1,265,627	1,553,703	2,819,330
Chippewa	226,501	152,418	378,919	Montcalm	504,389	522,247	1,026,636
Clare	111,019	195,930	306,949	Montmorency	42,056	18,414	60,470
Clinton	388,012	427,171	815,183	Muskegon	4,372,621	3,824,216	8,196,837
Crawford	424,171	358,897	783,069	Newaygo	479,013	448,639	927,652
Delta	338,342	303,647	641,989	Oakland	12,862,527	12,440,500	25,303,028
Dickinson	109,857	180,161	290,018	Oceana	106,353	113,290	219,643
Eaton	1,921,067	1,968,577	3,889,644	Ogemaw	331,831	628,397	960,228
Emmet	297,111	274,577	571,688	Ontonagon	13,380	17,363	30,743
Genesee	4,686,056	4,761,413	9,447,469	Osceola	264,147	333,242	597,389
Gladwin	62,028	92,177	154,205	Oscoda	132,986	193,696	326,682
Gogebic	142,357	144,095	286,453	Otsego	340,839	274,888	615,728
Grand Traverse	487,847	414,527	902,375	Ottawa	2,737,828	3,149,178	5,887,005
Grand Traverse Band of Ottawa and Chippewa Indians	11,815	13,197	25,012	Presque Isle	124,908	83,573	208,481
Gratiot	434,505	451,563	886,068	Roscommon	431,989	434,419	866,408
Hannahville Indian Community	262,561	223,117	485,678	Saginaw	2,273,723	2,014,428	4,288,151
Hillsdale	619,459	604,082	1,223,541	Saginaw Chippewa Indian Tribe (Isabella)	128,663	275,773	404,436
Houghton	126,565	93,330	219,895	Sanilac	457,709	404,616	862,324
Huron	235,376	288,101	523,477	Sault Ste. Marie Tribe of Chippewa Indians	219,078	248,110	467,188
Ingham	7,222,766	7,312,900	14,535,666	Schoolcraft	51,244	113,317	164,561
Inter-Tribal Council	15,825	26,350	42,175	Shiawassee	536,492	649,745	1,186,237
Ionia	354,097	276,463	630,560	St. Clair	2,802,413	2,820,067	5,622,479
Iosco	325,240	493,371	818,611	St. Joseph	584,313	504,025	1,088,337
Iron	62,008	56,627	118,634	Tuscola	600,526	438,148	1,038,674
Isabella	854,142	648,847	1,502,989	Van Buren	833,207	1,026,711	1,859,918
Jackson	2,007,197	2,243,705	4,250,902	Washtenaw	3,384,400	3,503,100	6,887,500
Kalamazoo	4,456,177	4,518,556	8,974,732	Wayne	54,679,089	56,826,843	111,505,932
Kalkaska	82,371	64,531	146,902	Wexford	252,629	231,164	483,793
Kent	9,738,383	9,705,397	19,443,780				
Keweenaw	15,000	15,000	30,000				
Keweenaw Bay Indian Community	108,116	163,493	271,609	Total	\$ 151,659,368	\$ 155,846,289	\$ 307,505,657

Source: The OAG created this exhibit using data obtained from MDHHS's MiSACWIS.

DESCRIPTION

The CCF was created by Public Act 87 of 1978 (Sections 400.117a - 400.117h of the *Michigan Compiled Laws*) to establish a juvenile justice funding system that is administered under MDHHS's superintending control. The enabling legislation sought to provide the agency with the authority and responsibility for administering youth services and programs in the State. The CCF was originally designed to improve care for children under the jurisdiction of county juvenile courts with the State reimbursing counties and tribes 50% of all eligible CCF activities in approved annual plans and budgets.

MDHHS is responsible for monitoring and ensuring the appropriate State reimbursement of county and tribe CCF activities. MDHHS CCF activities are primarily funded with State General Fund/general purpose appropriations and federal financial assistance. MDHHS employed 13 staff with responsibilities related to CCF. Reimbursements to counties and tribes totaled \$262.6 million for the 21-month period October 1, 2017 through June 30, 2019.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to State CCF reimbursements to counties and tribes. 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 the period October 1, 2017 through June 30, 2019, except for our review of CCF:

- Annual plans and budgets for October 1, 2018 through September 30, 2019.
- Monthly reimbursement requests from October 1, 2018 through June 30, 2019.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of CCF processes, programs, and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MDHHS management and staff to obtain an understanding of the organization's structure, responsibilities, and activities related to the CCF.
- Reviewed applicable *Michigan Compiled Laws*, *Michigan Administrative Code* requirements, and CCF appropriations acts.
- Examined the policies and procedures published in the CCF Handbook.
- Performed analytical review procedures of county and tribe CCF expenditures from October 1, 2017 through June 30, 2019.
- Performed preliminary testing of selected county and tribe annual plans and budgets and monthly reimbursement requests for compliance with applicable laws, policies, and procedures.

* See glossary at end of report for definition.

- Reviewed a selected legislatively required report of annual CCF expenditures compiled by MDHHS for accuracy.

OBJECTIVE #1

To assess the sufficiency of MDHHS's efforts in monitoring the appropriateness of CCF expenditures reimbursed to counties and tribes.

To accomplish this objective, we:

- Obtained an understanding of MDHHS's process for approval of monthly reimbursement requests and performance of on-site CCF fiscal and programmatic monitoring reviews of counties and tribes.
- Randomly and judgmentally selected 10 counties and 1 tribe for testing of monthly reimbursement requests from the population of 83 counties and 8 tribes that received CCF reimbursements during the audit period. We judgmentally selected 2 counties based on fiscal year CCF expenditures, randomly selected 4 counties with greater than \$5 million CCF expenditures and 4 counties with less than \$5 million CCF expenditures, and judgmentally selected 1 tribe for review. For each of the selected counties and the selected tribe, we randomly selected 3 months from the population of fiscal year 2019 monthly reimbursement requests that were approved by MDHHS on or before June 30, 2019. We reviewed the 33 associated monthly reimbursement requests to determine whether MDHHS:
 - Completed and retained checklists to document its review of monthly reimbursement requests.
 - Required the counties and tribes to submit all required documentation prior to MDHHS's approval of the monthly reimbursement requests.
 - Ensured that appropriate staff approved monthly reimbursement requests.
- Reviewed all 9 MiSACWIS users with access to approve monthly reimbursement requests to verify that the access was appropriate for the users' job responsibilities.
- Interviewed MDHHS management and staff and reviewed policies and procedures related to improvements in MDHHS's on-site CCF monitoring review process, including implementation of a risk-based approach for selecting counties and tribes for on-site monitoring reviews and the consideration of numerous other factors when selecting samples for on-site testing.

- Reviewed the qualitative and quantitative factors considered by MDHHS in assigning risk scores and identifying high-risk counties for on-site CCF monitoring reviews.
- Compared MDHHS's 2016 through 2019 risk assessment work sheets with MDHHS's completed on-site CCF monitoring review records to verify that MDHHS performed monitoring reviews of counties and tribes, generally in accordance with MDHHS's assigned risk rankings.
- Judgmentally selected 4 counties from the population of 40 counties that were subject to an MDHHS on-site monitoring review from October 1, 2017 through June 30, 2019 and had finalized results as of August 19, 2019, and we randomly selected 1 county from the remaining 36 counties. Our selection of counties was based on the geographic location, amount of CCF expenditures, and number of issues that MDHHS noted during its on-site monitoring reviews. For each selected county, we:
 - Verified that MDHHS auditors adequately documented their on-site monitoring review procedures and conclusions.
 - Performed on-site visits and judgmentally and/or randomly selected and reviewed records related to:
 - 145 county CCF transactions from a population of approximately 1,800 CCF expenditure and revenue transactions to determine if the transactions complied with CCF Handbook requirements, including:
 - 72 transactions that were reviewed by MDHHS to determine if MDHHS auditors properly identified ineligible county CCF reimbursements.
 - 73 transactions that were not reviewed by MDHHS to evaluate our sample-based review results for consistency with MDHHS's sample-based review results.
 - 15 CCF county employees from a population of approximately 100 CCF county employees to determine if the

employees met educational and/or certification qualifications, including:

- 10 employees who were reviewed by MDHHS to determine if MDHHS auditors properly assessed employee qualifications.
 - 5 employees who were not reviewed by MDHHS to evaluate our sample-based review results for consistency with MDHHS's sample-based review results.
- 38 youths from a population of 300 youths receiving IHC services to determine if the counties' case file documentation met CCF requirements, including:
 - 18 youth case files that were reviewed by MDHHS to determine if MDHHS auditors properly identified ineligible youths and missed face-to-face meetings, as applicable.
 - 20 youth case files that were not reviewed by MDHHS to evaluate our sample-based review results for consistency with MDHHS's sample-based review results.
- Randomly selected 8 counties from the population of 33 counties with approved OHC expenditures for the period October 1, 2017 through June 30, 2019 that were not subject to an MDHHS on-site monitoring review. We randomly selected 3 monthly reimbursement requests for each selected county and identified a total population of 1,735 OHC youths associated with the requests. We randomly and judgmentally selected and reviewed a total of 6 OHC youths for each selected county to determine if the youth and the associated placement were eligible to be funded by CCF and that the rates paid were in accordance with MDHHS established rate policies.
 - Judgmentally and randomly selected 6 counties from the population of 28 counties with approved IHC expenditures for the period October 1, 2017 through June 30, 2019 that were not subject to an MDHHS on-site monitoring review. For the selected counties, we employed both random and judgmental techniques to select a total of 32 IHC expenditures for review to determine if expenditures were allowable according to the CCF Handbook and were approved in the annual plan and budget prior to reimbursement. Also, we

reviewed 8 contracts that were associated with the selected IHC expenditures, as applicable, to determine if the contract scopes aligned with the approved program descriptions in the applicable annual plan and budget.

Our random samples were selected to eliminate bias and enable us to project the results to the entire population. We selected other samples judgmentally and, therefore, could not project those results to the respective populations.

OBJECTIVE #2

To assess the timeliness of MDHHS's CCF expenditure reimbursements to counties and tribes.

To accomplish this objective, we:

- Gained an understanding of MDHHS's processes for approving and distributing county and tribe CCF reimbursements.
- Randomly and judgmentally selected 10 counties and 1 tribe from the population of 83 counties and 8 tribes for testing of approved expenditures for the period October 1, 2018 through June 30, 2019. We judgmentally selected 2 counties based on fiscal year CCF expenditures, randomly selected 4 counties with greater than \$5 million of CCF expenditures and 4 counties with less than \$5 million of CCF expenditures, and judgmentally selected 1 tribe. For each of the selected counties and the selected tribe, we randomly selected 3 months from the population of fiscal year 2019 monthly reimbursement requests that were approved by MDHHS on or before June 30, 2019 to determine the number of business days between:
 - The date on which the county or tribe submitted a monthly reimbursement request with all required supporting documentation, and
 - The date that MDHHS issued the corresponding CCF reimbursement to the county or tribe in SIGMA.

Our random samples were selected to eliminate bias and enable us to project the results to the entire population. We selected other samples judgmentally and, therefore, could not project those results to the respective populations.

OBJECTIVE #3

To assess the sufficiency of MDHHS's efforts to approve county and tribe CCF annual plans and budgets that comply with State statute and CCF Handbook requirements.

To accomplish this objective, we:

- Obtained an understanding of MDHHS's process for review and approval of county and tribe annual plans and budgets.
- Randomly and judgmentally selected 10 counties and 1 tribe for fiscal year 2019 testing of annual plans and budgets from the population of 83 counties and 8 tribes that submitted annual plans and budgets during the audit period. We judgmentally selected 2 counties based on fiscal year CCF expenditures, randomly selected 4 counties with greater than \$5 million of CCF expenditures and 4 counties with less than \$5 million of CCF expenditures, and judgmentally selected 1 tribe. For the selected counties and tribe, we reviewed the applicable fiscal year 2019 annual plans and budgets to determine whether MDHHS ensured that approved annual plans and budgets:
 - Met CCF Handbook requirements and included all required documents to support the overall budget.
 - Included only IHC programs with planned activities that were eligible for State reimbursement in accordance with CCF Handbook requirements for the 60 IHC program budgets contained in the selected county and tribe annual plans and budgets.
 - Were approved within MDHHS's 30-day goal and supported with completed reviewer checklists.
- Reviewed all 9 MiSACWIS users with access to approve annual plans and budgets to verify that the access was appropriate for the users' job responsibilities.

Our random samples were selected to eliminate bias and enable us to project the results to the entire population. We selected other samples judgmentally and, therefore, could not project those results to the respective populations.

CONCLUSIONS

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

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

* See glossary at end of report for definition.

AGENCY RESPONSES

Our audit report contains 1 finding and 1 corresponding recommendation. MDHHS's response indicates that it agrees with the recommendation.

The agency preliminary response that follows the 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 to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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 June 2016 performance audit of the Child Care Fund, Michigan Department of Health and Human Services (431-1400-13):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Evaluation of county IHC program performance needed.	No longer applicable.	
2	Improved IHC program impact evaluation documentation needed.	No longer applicable.	
3	Improved annual plan and budget review and approval process needed.	Complied, as reported in our August 2017 follow-up report (431-1400-13F).	Not applicable
4	Improved annual on-site fiscal review procedures and documentation needed.	Complied	Not applicable
5	Improved monthly expenditure report review and approval process needed.	Complied	Not applicable
6	Improved annual on-site program review documentation needed.	Complied	Not applicable

SUPPLEMENTAL INFORMATION

Our audit report includes supplemental information presented as Exhibits #1, #2A, and #2B. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

annual plan and budget	A service spending plan submitted yearly by each county and tribe to request CCF funding for programs serving neglected, abused, and delinquent youth.
CCF	Child Care Fund.
fiscal monitoring review	An on-site monitoring review of fiscal records to assess whether the county or tribe CCF program recorded and reported direct expenditures and revenues that were accurate, allowable, and appropriate according to State laws, regulations, and departmental policy.
in-home care (IHC)	Programs intended to provide early intervention services for youth who are within, or likely to come within, the jurisdiction of the family court for delinquency, abuse, or neglect and/or those affecting a youth's early return to his or her home from foster care or institutional care.
juvenile justice services	A service, exclusive of judicial functions, provided by a county for juveniles who are within or likely to come within the court's jurisdiction and includes intake, detention, detention alternatives, probation, foster care, diagnostic evaluation and treatment, or shelter care.
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. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MiSACWIS	Michigan Statewide Automated Child Welfare Information System.
Native American Indian tribes	The eight Native American Indian tribes that MDHHS works collaboratively with to fund CCF programming for youths under tribal jurisdiction.
out-of-home care (OHC)	Services for youths placed out of the home in county-operated detention facilities, family foster care homes, or other private child caring institutions.

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.
programmatic monitoring review	An on-site monitoring review to assess whether the county or tribe CCF program met general employee and IHC compliance requirements.
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.
Statewide Integrated Governmental Management Applications (SIGMA)	The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.
tribe	For purposes of this report, synonymous with Native American Indian tribe.



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