

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Child Care Fund
Michigan Department of Health and Human Services

September 2022

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Article IV, Section 53 of the Michigan Constitution



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Report Summary

Follow-Up Report

Child Care Fund (CCF)

Michigan Department of Health and Human Services (MDHHS)

Report Number:
431-1400-19F

Released:
September 2022

We conducted this follow-up to determine whether MDHHS had taken appropriate corrective measures in response to the material condition noted in our December 2020 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
Finding 1 - Material condition Continued improvement needed for selection of counties and Native American Indian tribes for on-site CCF monitoring reviews. Agency agreed.	Complied		Not applicable

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Doug A. Ringler, CPA, CIA
Auditor General

September 27, 2022

Ms. Elizabeth Hertel, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Ms. Hertel:

This is our follow-up report on the material condition (Finding 1) and corresponding recommendation reported in the performance audit of the Child Care Fund, Michigan Department of Health and Human Services. That audit report was issued and distributed in December 2020. Additional copies are available on request or at audgen.michigan.gov.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

CHILD CARE FUND

	<u>Page</u>
Report Summary	1
Report Letter	3
Introduction, Purpose of Follow-Up, and Description	6
Prior Audit Finding and Recommendation, Agency Plan to Comply, and Follow-Up Conclusion	7
Supplemental Information	
CCF Expenditure Reimbursements to Counties and Tribes (Dollar Amount Order), From October 1, 2020 Through May 31, 2022	9
Follow-Up Methodology and Period	10
Glossary of Abbreviations and Terms	11

INTRODUCTION, PURPOSE OF FOLLOW-UP, AND DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the material condition* (Finding 1) and corresponding recommendation reported in our performance audit* of the Child Care Fund (CCF), Michigan Department of Health and Human Services (MDHHS), issued in December 2020.

PURPOSE OF FOLLOW-UP

To determine whether MDHHS had taken appropriate corrective measures to address our corresponding recommendation.

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 Native American Indian tribes* (tribes) 50% of all eligible CCF activities and, beginning October 1, 2021, 100% of eligible Raise the Age* costs included in approved annual plans and budgets.

MDHHS is responsible for monitoring and ensuring the appropriate State reimbursement of county and tribe CCF activities. Historically, this included performance of on-site fiscal and programmatic monitoring reviews of selected counties and tribes each year to validate those expenditures submitted in monthly reimbursement requests complied with CCF reimbursement program requirements. In March 2020, MDHHS began performing monitoring reviews virtually because of the COVID-19* pandemic. As of October 1, 2021, MDHHS formally moved to a hybrid model allowing for performance of on-site and/or virtual CCF monitoring reviews of selected counties and tribes each year. Consequently, MDHHS no longer refers to the reviews as *on-site* monitoring reviews; instead, the reviews are referred to as monitoring reviews.

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 \$184.7 million for the 20-month period October 1, 2020 through May 31, 2022 (see supplemental information).

* See glossary at end of report for definition.

PRIOR AUDIT FINDING AND RECOMMENDATION, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSION

FINDING 1

Audit Finding Classification: Material condition.

Summary of the December 2020 Finding:

MDHHS needed to improve its selection process to ensure that counties and tribes exhibiting a greater risk of noncompliance were selected for on-site CCF monitoring reviews*. Specifically, we noted that 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; however, MDHHS did not select Wayne County for an on-site CCF monitoring review during the nearly five-year period between October 2014 and July 2019.

Recommendation Reported in December 2020:

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

AGENCY PLAN TO COMPLY*

On December 14, 2021, MDHHS indicated that it continued to improve its process for the selection of counties and tribes for CCF monitoring reviews by refining the risk assessment process and ensuring it performed CCF monitoring reviews of counties and tribes that present the greatest risk of noncompliance.

Specifically, MDHHS indicated it had:

- Performed CCF monitoring reviews for all counties and tribes identified in its 2020 risk assessment process.
- Completed the 2021 risk assessment process with further refinements from the 2020 risk assessment process and would ensure performance of CCF monitoring reviews of the resulting counties and tribes that presented the greatest risk of noncompliance.

FOLLOW-UP CONCLUSION

Complied.

Our review noted:

- MDHHS conducted CCF monitoring reviews generally in accordance with its 2020, 2021, and 2022 risk rankings for counties and tribes exhibiting the greatest risk of noncompliance, including on-site CCF monitoring reviews of Wayne County in July 2019 and October 2021.

* See glossary at end of report for definition.

- MDHHS accurately scored and assigned risk rankings for its 2021 and 2022 risk assessment process for the five counties we reviewed.
- MDHHS maintained documentation supporting the work completed and the overall conclusions reached for the three CCF monitoring reviews we examined.

SUPPLEMENTAL INFORMATION

UNAUDITED

CHILD CARE FUND
Michigan Department of Health and Human Services

CCF Expenditure Reimbursements to Counties and Tribes (Dollar Amount Order)
From October 1, 2020 Through May 31, 2022

County/Tribe	Fiscal Year		Total	County/Tribe	Fiscal Year		Total
	2021	2022*			2021	2022*	
Wayne	\$ 42,055,465	\$ 24,010,765	\$ 66,066,230	Ogemaw	\$ 186,710	\$ 141,555	\$ 328,266
Kent	10,048,801	6,215,308	16,264,109	Newaygo	187,486	127,566	315,053
Oakland	8,775,787	4,809,515	13,585,302	Lake	189,126	117,950	307,076
Ingham	4,976,385	3,900,973	8,877,358	Mecosta	185,646	102,699	288,345
Macomb	3,583,637	2,720,734	6,304,371	Dickinson	179,047	96,117	275,164
Kalamazoo	2,955,241	2,061,466	5,016,707	Iosco	160,180	85,121	245,301
Genesee	2,898,958	1,775,904	4,674,862	Crawford	157,801	72,697	230,498
Berrien	2,877,091	1,792,745	4,669,836	Leelanau	127,345	87,462	214,806
Washtenaw	2,561,196	1,918,286	4,479,482	Manistee	123,172	84,113	207,285
Ottawa	2,523,153	1,750,688	4,273,841	Arenac	125,360	79,769	205,128
Muskegon	2,020,694	1,595,194	3,615,888	Hannahville Indian Community	143,057	60,790	203,847
St. Clair	2,070,480	1,407,645	3,478,124	Wexford	110,608	91,130	201,738
Allegan	1,897,146	1,312,890	3,210,036	Saginaw Chippewa Indian Tribe (Isabella)	103,677	97,239	200,915
Saginaw	1,978,053	1,159,913	3,137,966	Oceana	102,632	77,121	179,754
Midland	1,749,224	1,186,298	2,935,522	Bay Mills Indian Community	92,082	86,234	178,316
Monroe	1,425,590	1,298,718	2,724,308	Osceola	103,822	72,069	175,891
Eaton	1,606,859	1,073,703	2,680,562	Chippewa	97,730	73,563	171,293
Lenawee	1,374,915	977,146	2,352,060	Ionia	106,580	52,188	158,768
Jackson	1,355,810	976,831	2,332,641	Otsego	91,550	65,020	156,570
Calhoun	1,364,135	850,860	2,214,995	Menominee	85,739	59,036	144,775
Bay	867,023	679,251	1,546,274	Missaukee	68,770	53,206	121,975
Livingston	671,550	475,863	1,147,414	Huron	78,068	43,079	121,147
Hillsdale	545,665	380,852	926,517	Clare	78,556	35,149	113,704
Van Buren	498,780	369,096	867,876	Gogebic	72,962	38,649	111,610
Isabella	479,137	263,024	742,162	Oscoda	63,073	46,555	109,628
Alpena	372,415	320,952	693,367	Houghton	55,497	47,492	102,989
Shiawassee	368,471	310,038	678,509	Benzie	72,132	26,983	99,115
Clinton	353,239	279,310	632,549	Iron	53,581	40,697	94,278
Cheboygan	306,046	323,466	629,512	Presque Isle	64,817	29,133	93,950
Roscommon	375,370	248,926	624,297	Antrim	49,688	39,897	89,585
Lapeer	381,602	239,244	620,846	Baraga	24,749	57,998	82,747
Emmet	187,843	313,480	501,323	Gladwin	54,818	27,159	81,976
Barry	310,099	186,901	497,000	Schoolcraft	42,089	32,581	74,669
St. Joseph	290,944	191,612	482,556	Alger	50,543	19,772	70,316
Delta	286,637	186,359	472,996	Alcona	41,233	27,581	68,814
Branch	263,379	201,594	464,974	Kalkaska	39,028	28,308	67,335
Marquette	259,074	202,731	461,805	Luce	26,929	35,567	62,495
Grand Traverse	229,385	228,170	457,555	Little Traverse Bay Bands of Odawa Indians (Emmet)	35,745	20,761	56,505
Sanilac	235,501	176,527	412,028	Mackinac	28,466	22,598	51,064
Tuscola	220,176	190,364	410,540	Keweenaw Bay Indian Community	44,518	4,693	49,211
Montcalm	238,381	160,588	398,969	Montmorency	18,711	23,768	42,479
Gratiot	254,270	143,054	397,323	Inter-Tribal Council	25,204	16,364	41,568
Mason	210,885	184,107	394,992	Ontonagon	14,546	6,811	21,357
Sault Ste. Marie Tribe of Chippewa Indians	222,818	165,954	388,772	Keweenaw	13,676	488	14,164
Cass	233,882	128,680	362,562	Grand Traverse Band of Ottawa and Chippewa Indians	1,452		1,452
Charlevoix	199,193	146,478	345,671				
				Total	\$ 112,738,580	\$ 71,946,927	\$ 184,685,507

* Includes expenditure reimbursements to counties and tribes for the 8-month period from October 1, 2021 through May 31, 2022.

Source: The OAG created this exhibit using data obtained from MDHHS's Michigan Statewide Automated Child Welfare Information System (MiSACWIS).

FOLLOW-UP METHODOLOGY AND PERIOD

METHODOLOGY

We reviewed MDHHS's corrective action plan and conducted interviews with management to obtain an understanding of improvements made to its process for the selection of counties and tribes for CCF monitoring reviews. Also, we:

- Reviewed MDHHS's 2020, 2021, and 2022 risk assessment process to evaluate MDHHS's enhancements intended to improve its process for selecting counties and tribes for CCF monitoring reviews.
- Randomly and judgmentally selected a sample of 5 counties from the population of 91 counties and tribes and verified that the qualitative and quantitative factors evaluated by MDHHS in its 2021 and 2022 risk assessment work sheets for the selected counties were supported and accurately scored and that the proper risk ranking was assigned.
- Analyzed MDHHS's 2020, 2021, and 2022 risk assessment work sheets and MDHHS's completed CCF monitoring review records to verify that MDHHS performed the reviews of counties and tribes generally in accordance with MDHHS's assigned risk rankings.
- Examined MDHHS's CCF monitoring review documentation for 3 randomly and judgmentally selected counties of the 18 counties having monitoring reviews started and completed between December 1, 2020 and May 31, 2022 to determine whether MDHHS auditors adequately documented their review procedures and conclusions.

PERIOD

Our follow-up generally covered December 1, 2020 through May 31, 2022; however, our review of MDHHS's risk assessment process and verification of MDHHS's performance of CCF monitoring reviews covered the period January 1, 2020 through May 31, 2022.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan 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.
CCF	Child Care Fund.
COVID-19	The disease caused by a new coronavirus called SARS-CoV-2. It is a potentially severe illness often characterized by fever, coughing, and shortness of breath. The World Health Organization learned of the virus in December 2019.
juvenile justice service	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.
monitoring review	<p>An MDHHS 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; and an assessment of whether the county or tribe was compliant with employee contractor, in-home care, basic grant, and out-of-home placement requirements.</p> <p>These reviews were formerly <i>on-site</i> monitoring reviews. Beginning October 1, 2021, MDHHS moved to a hybrid model, allowing for performance of on-site and/or virtual monitoring reviews.</p>

Native American Indian tribes (tribes)

The eight Native American Indian tribes that MDHHS works collaboratively with to fund CCF programming for youths under tribal jurisdiction.

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.

Raise the Age

Beginning October 1, 2021, the State is required to pay 100% of the cost to provide juvenile justice services when a court exercises jurisdiction over a juvenile who is 17 years of age, but under the age of 18, at the time of the offense.

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: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.



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