

Office of the Auditor General  
Performance Audit Report

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**State Child Abuse and Neglect Prevention Board  
(Children Trust Michigan)**  
Michigan Department of Health and Human Services

April 2024

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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*

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Office of the Auditor General

## Report Summary

### *Performance Audit*

*State Child Abuse and Neglect Prevention Board (Children Trust Michigan)*

*Michigan Department of Health and Human Services (MDHHS)*

**Report Number:**  
**431-0178-23**

**Released:**  
**April 2024**

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 and delineates the Board's powers and duties. The Board is administered under the supervision of MDHHS and referred to as Children Trust Michigan (CTM). CTM is the Michigan chapter of Prevent Child Abuse America. Its mission is to provide financial support, education, and resources to a network of partners throughout Michigan who work to prevent child abuse and neglect by strengthening families. The CTM Unit within MDHHS carries out activities including, but not limited to, managing and overseeing CTM grants and administering the Pam Posthumus Signature Auction Event (Auction Event). The Children's Trust Fund created by Public Act 249 of 1982 provides funding for CTM's direct service prevention programs, grants to local councils, and administrative costs. In fiscal year 2022, CTM reported total expenditures of \$4.0 million.

Public Act 250 of 1982 requires the Auditor General to complete a review of CTM every three years.

Audit Objective			Conclusion
Objective 1: To assess CTM'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
CTM did not conduct any site visit monitoring of local councils during fiscal years 2021 and 2022. In other years when conducted, CTM's records did not reflect an examination of the grantee's underlying financial records for 20% of visits reviewed ( <a href="#">Finding 1</a> ).		X	Agrees
CTM did not always publicly post notices for its planned meetings, make available for public inspection over 40% of approved meeting minutes, or include all required information in the minutes for over 25% of its meetings in compliance with the Open Meetings Act ( <a href="#">Finding 2</a> ).		X	Agrees

<b>Findings Related to This Audit Objective (Continued)</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
Over a three-year period, CTM lacked required annual internal evaluations designed to help CTM ensure its operations are consistent with achievement of its mission ( <u>Finding 3</u> ).		X	Agrees
CTM often did not make required transmittals and notifications to the Governor and applicable legislative members and staff related to CTM's biennial State Plan ( <u>Finding 4</u> ).		X	Agrees
CTM had not implemented monitoring procedures for Electronic Grants Administration and Management System (EGrAMS) grantee users to ensure compliance with State of Michigan technical standards ( <u>Finding 5</u> ).		X	Disagrees

<b>Audit Objective</b>			<b>Conclusion</b>
Objective 2: To assess the sufficiency of CTM's internal control to safeguard the Auction Event inventory and proceeds.			Sufficient
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
None reported.			Not applicable.

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**Doug A. Ringler, CPA, CIA**  
Auditor General

April 2, 2024

Elizabeth Hertel, Director  
Michigan Department of Health and Human Services  
South Grand Building  
Lansing, Michigan  
and  
Amy Tattrie Loepp, Chair  
State Child Abuse and Neglect Prevention Board  
(Children Trust Michigan)  
3787 West Maple Road  
Bloomfield Hills, Michigan

Director Hertel and Chair Loepp:

This is our performance audit report on the State Child Abuse and Neglect Prevention Board (Children Trust Michigan), 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 Trust Michigan) 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 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,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing 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

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## 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 Children Trust Michigan [CTM\*]), including:

- Develop a biennial State plan for the distribution of the Children's Trust Fund (Trust Fund\*), a charitable and educational endowment fund.
- Review, approve, and monitor the expenditure of Trust Fund money by direct service\* prevention programs and local councils\*.
- Establish a procedure for an annual, internal evaluation of CTM's functions, responsibilities, and performance.
- Hold meetings in accordance with the Open Meetings Act (Public Act 267 of 1976).

CTM awards the following types of grants:

- **Direct service grants.** These grants exist to fund secondary child abuse and neglect prevention efforts in communities throughout Michigan. This funding is awarded through a competitive bid process and is focused on families with risk factors or challenges that, if left unattended, could impact positive parenting and a child's personal safety. CTM's purpose in providing these grants to communities is so each grantee will work collaboratively with other services and funding sources to build a framework of protection and support for all children and families. Direct service grants were typically awarded for a four-year term and provided on a monthly basis. From April 1, 2020 through May 31, 2023, CTM provided \$3.4 million for direct service grants.
- **Local council grants.** These grants provide for the development and facilitation of collaborative community prevention programs in a specific geographical area. Local councils ensure every county has a prevention presence by collaborating with community partners and other local councils to provide primary prevention programs based upon defined local needs. Examples of local council prevention programming include facilitating research-based parenting skills and behavior programs, providing Statewide mandated reporter training sessions to the professional community, leading community education for child abuse and neglect awareness by

\* See glossary at end of report for definition.

distributing information at community events and through the local media, and providing direct support to families with childcare items such as baby clothing, diapers, and/or formula. The grants are noncompetitive and awarded for a three-year term to approximately 70 local councils. CTM provided monthly allocations from the annual grant amounts. From April 1, 2020 through May 31, 2023, CTM provided \$2.9 million for local council grants.

CTM uses the web-based Electronic Grants Administration and Management System (EGrAMS) to process and manage its grant activities with direct service and local council grantees. Grant activities include, but are not limited to, grant applications, grant agreements, financial status reports, program progress reports, and activity reports.

**AUDIT OBJECTIVE**

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

**CONCLUSION**

Complied, with exceptions.

**FACTORS  
IMPACTING  
CONCLUSION**

- CTM used a competitive process for awarding limited direct service grants.
- CTM developed and used standardized criteria for the allocation of annual local council grant funding.
- CTM appropriately reviewed and approved the grant applications, grant agreements, and all required financial status and program activities reports for the 15 direct service grants and 24 local council grants we reviewed.
- CTM conducted 27 local council work groups, 26 direct service grantee work groups, and 2 quarterly meetings to support local partner prevention programs.
- CTM promoted public awareness for child abuse and neglect prevention through virtual and in-person rallies, child abuse prevention month activities, and materials provided on its website.
- CTM met more than twice during each fiscal year from 2020 through 2023 in accordance with the Open Meetings Act.
- Reportable conditions\* related to needed improvements in:
  - Grantee site visit monitoring (Finding 1).
  - Compliance with the Open Meetings Act (Finding 2).

\* See glossary at end of report for definition.

- Completion of annual internal evaluations (Finding 3).
- Distribution of the State Plan (Finding 4).
- Monitoring grantee users' EGrAMS access (Finding 5).

## FINDING 1

### Improvements needed in CTM's site visit monitoring of local council grant programs.

CTM should improve its local council site visit monitoring procedures. Improvements would strengthen CTM's assurance local council grantees' activities and expenditures are appropriate and in compliance with grant requirements.

Section 722.606(1)(e) of the *Michigan Compiled Laws* requires CTM to review, approve, and monitor the expenditure of Trust Fund money by local council grant programs. CTM expended \$3.3 million in Trust Fund money to 71 local councils during the audit period and has developed site visit policies and procedures to help monitor CTM grant program activities and expenditures.

Our review noted:

- a. CTM did not always conduct site visits of local council grantees as frequently as indicated by its policy. Although CTM's policy indicates it will endeavor to conduct formal visits with approximately half of all local councils every other year, CTM did not conduct any site visits for the 71 local council grantees during fiscal years 2021 and 2022.
- b. CTM needs to improve its review documentation of grantees' financial reports. CTM's procedure is to document financial report reviews within its site visit monitoring tool. However, for 1 (20%) of 5 local council grantee site visits selected for our review, CTM did not maintain the documentation or other pertinent records to reflect its review of the grantee's underlying financial report records of activities and expenditures.

CTM informed us turnover in its grantee monitoring staff resulted in insufficient resources to always complete and document local council site visits as intended by its policy.

## RECOMMENDATION

We recommend CTM improve its local council site visit monitoring procedures.

## AGENCY PRELIMINARY RESPONSE

The Michigan Department of Health and Human Services (MDHHS) provided us with the following response:

*CTM agrees there are opportunities for improving compliance with site visit monitoring of local council grant programs. CTM is updating its policy to utilize a risk-based approach for fiscal year 2024 to determine the appropriate level of grantee monitoring. CTM will evaluate the current documentation procedure and determine if changes are needed.*

## FINDING 2

### Improved compliance with the Open Meetings Act needed.

CTM needs to improve its compliance with Open Meetings Act requirements. Doing so will enhance public awareness and transparency regarding Board activities and decision-making.

Section 722.605(1) of the *Michigan Compiled Laws* requires meetings conducted by CTM to comply with the Open Meetings Act (Sections 15.261 - 15.275 of the *Michigan Compiled Laws*).

We reviewed select meeting activities and documentation, including meeting minutes for the 23 meetings CTM held between April 1, 2020 and May 31, 2023. We noted:

- a. CTM did not publicly post a notice of its regularly planned meeting dates, time, or locations for calendar year 2023. We observed as of June 2023, neither CTM's website nor its principal office location included a posting of its calendar year 2023 meetings. CTM held its first regular meeting for 2023 on January 31 and had additional planned meetings on March 15, May 18, and July 20.

Section 15.265(2) of the *Michigan Compiled Laws* requires CTM to post a public notice stating the dates, times, and places of its regular meetings within 10 days after the first meeting in each calendar or fiscal year.

- b. CTM did not consistently make approved meeting minutes available for public inspection. CTM informed us its practice was to post meeting minutes to its website; however, we noted 10 (43%) of the 23 meeting minutes reviewed were not posted and/or approved by the Board.

Section 15.269(3) of the *Michigan Compiled Laws* requires CTM to make approved minutes available for public inspection within 5 business days after the meeting at which the minutes are approved by the public body.

- c. CTM did not always include required information within meeting minutes. We noted 6 (26%) of 23 meeting minutes did not indicate the attendance status for all Board members and/or the meeting location.

Section 15.269(1) of the *Michigan Compiled Laws* requires CTM to keep minutes of each meeting showing the date, time, place, and board members present and absent.

CTM informed us it was in the process of redesigning its website, which led to some meeting information not being posted as required. CTM also noted that prior to the website redesign, staff turnover led to some meeting information not being posted.

## RECOMMENDATION

We recommend CTM fully comply with Open Meetings Act requirements.

**AGENCY  
PRELIMINARY  
RESPONSE**

MDHHS provided us with the following response:

*CTM agrees there are opportunities for improving compliance with the Open Meetings Act requirements. CTM has provided guidance to CTM staff about the Open Meetings Act requirements and will post the required meeting notices and meeting minutes to its current website. Also, CTM created a meeting minutes template to ensure all required information is included in Board approved meeting minutes prior to posting. In addition, CTM will update its procedures to ensure improved compliance with the Open Meetings Act requirements.*

### FINDING 3

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#### **Annual internal evaluations needed.**

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CTM did not complete an annual internal evaluation of its functions, responsibilities, and performance, as required. Conducting an annual internal evaluation would help CTM ensure its operations are consistently effective in achieving its mission\* and in compliance with State law requirements.

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

We reviewed records of CTM activities and interviewed Board members and determined CTM did not conduct internal evaluations of overall activities for fiscal years 2020, 2021, and 2022. CTM informed us it had not performed annual evaluations of overall activities because it interpreted the applicable section of the *Michigan Compiled Laws* to permit the use of the annually required Prevent Child Abuse America (PCA America) individual self-assessments completed by Board members to fulfill the requirement. However, our review noted not all Board members completed the PCA America self-assessments, nor did the individual self-assessments provide information allowing CTM to comprehensively evaluate overall activities. In addition, we noted CTM had not established a procedure to compile, summarize, and/or evaluate the individual assessment results to aid in preparing an overall evaluation of CTM's functions, responsibilities, and performance.

Our previous audit also noted CTM did not always complete the required annual evaluations. The agency's preliminary response to our prior audit finding indicated, moving forward, evaluations would be completed annually.

### RECOMMENDATION

We again recommend CTM complete required annual internal evaluations of its functions, responsibilities, and performance.

### AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

*CTM agrees there are opportunities to improve the evaluation process of the board. Beginning December 2020, CTM implemented a process that requires board members to complete annual self-evaluations. CTM plans to add an additional component to the annual board self-evaluation process to have each member evaluate the board's overall functions, responsibilities, and performance. CTM will develop a process to compile the results of the evaluations into an aggregate evaluation of the board.*

\* See glossary at end of report for definition.



**FINDING 4**

**Improvements needed in required distributions of CTM's State Plan.**

CTM needs to improve its procedures for providing its biennial State Plan to the Legislature and Governor to ensure full compliance with State law.

Section 722.606(1)(b) of the *Michigan Compiled Laws* requires CTM to biennially develop a State plan for the distribution of funds from the Trust Fund, transmit the plan to the clerk of the House of Representatives and to the secretary of the Senate, and notify the Governor and the members of the Legislature when the plan is available.

We reviewed CTM's 2020-2021, 2022, and 2023-2024 State Plan records and noted CTM did not always meet the transmittal and notification requirements as shown in the table below:

State Plan Year	Transmitted State Plan To		Notified of State Plan Availability	
	Clerk of the House of Representatives	Secretary of the Senate	Governor	Members of the Legislature
2020 – 2021	✓	✓	✗	✗
2022	✗	✗	✗	✗
2023 – 2024	✗	✗	✗	✗

CTM considered its transmittal of the State Plan to the clerk of the House of Representatives and secretary of the Senate, as well as placement of the State Plan on CTM's website, as sufficient notification of State Plan availability to the entire Legislature and the Governor's Office for 2020-2021. Because of an internal oversight and employee turnover, proper notification did not occur for the 2022 and 2023-2024 State Plans.

**RECOMMENDATION**

We recommend CTM improve its procedures for providing its biennial State Plan to the Legislature and Governor to ensure full compliance with State law.

**AGENCY PRELIMINARY RESPONSE**

MDHHS provided us with the following response:

*MDHHS agrees. MDHHS documented detailed procedures for providing the biennial State plan to the legislature and the governor to ensure full compliance with State plan distribution requirements.*

## FINDING 5

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### Improved monitoring of EGrAMS user access needed.

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CTM needs to improve its monitoring of grantee users' EGrAMS access. Doing so would increase CTM's assurance that CTM and its grantees consistently comply with applicable State of Michigan (SOM) requirements and grantee users' EGrAMS access remains appropriate.

MDHHS uses EGrAMS to administer grant agreements with direct service and local council grantees. EGrAMS is a web-based grants administration and management system supporting functional areas of the grant life cycle. These areas include, but are not limited to, grant applications, grant agreements, financial status reports, program progress reports, and activity reports.

SOM technical standards are applicable to all SOM networks and systems. SOM technical standards require MDHHS to implement, monitor, and document processes approved by the Department of Technology, Management, and Budget and be compliant with the National Institute of Standards and Technology\* (NIST) guidance to create, enable, modify, disable, and remove information system accounts. Required actions include, but are not limited to, removing access within 2 business days of notification when a user no longer requires access, disabling of user accounts after specified periods of inactivity, and performing annual reviews of all users to ensure access remains appropriate.

CTM authorizes EGrAMS access for a project director for each grantee during the initial grant application process. After CTM's authorization, the grantee project director(s) can activate, modify, and remove access for other grantee users and assign permissions, including granting the project director role to other grantee users within their organization. Once the project director is assigned, CTM relies on the grantee agency to ensure the grantee's compliance with SOM technical standards applicable to the grantee's EGrAMS access. Beginning with 2022 CTM grants, MDHHS began including a checkbox certification within each EGrAMS grant application to indicate grantees' assurance they would comply with SOM technical standards, remove EGrAMS access within 2 business days of notification when a user no longer required access, disable users after 120 days of system inactivity, and annually review EGrAMS user accounts to ensure users' access remained appropriate. MDHHS's practice also deactivated user accounts after 120 days of inactivity.

Although MDHHS had begun requesting certifications from grantees, CTM had not implemented monitoring procedures to augment this certification process to help ensure CTM grantees consistently complied with SOM technical standards for removal of access after 2 business days when no longer needed and performance of annual reviews of user accounts.

To assess the impact, we requested grantees to verify 24 sampled active grantee user accounts belonged to actively employed individuals. The grantees confirmed 3 (13%) of the

\* See glossary at end of report for definition.

active EGrAMS accounts belonged to individuals who were no longer working for the grantee at the time of our review. These 3 users had departed employment with the CTM grantees on average 10 months prior to the date of our review, ranging from 2 to 18 months. In addition, 1 of these sampled active users had terminated employment with the grantee within 120 days of their last EGrAMS log-in. Consequently, MDHHS would not yet have flagged this account for deactivation if a log-in was attempted.

As of May 31, 2023, EGrAMS had 608 CTM active users assigned to 2,221 grantee application accounts, including 266 unique users assigned as project director to 772 grantee application accounts. CTM informed us it had not implemented additional monitoring procedures because MDHHS believed CTM met expectations related to monitoring of grantee users' EGrAMS access. However, an increased risk may exist in a decentralized environment such as CTM grantees, and MDHHS's implemented monitoring procedures were not always sufficient to ensure CTM grantees consistently complied with applicable SOM requirements and grantee users' EGrAMS access remained appropriate.

**RECOMMENDATION**

We recommend CTM improve its monitoring of grantee users' EGrAMS access.

**AGENCY  
PRELIMINARY  
RESPONSE**

MDHHS provided us the following response:

*MDHHS disagrees that CTM did not meet expectations related to the monitoring of grantee user's access to EGrAMS. MDHHS has controls in place to help ensure compliance with SOM Technical Standards, including certification that the grantee will comply with SOM Technical Standards, access restricted to only the grantee's data in EGrAMS, and disabling user login after 120 days of inactivity. For 2 of the 3 users identified, the user appeared to be active in the system; however, the EGrAMS functionality that automatically disabled the user's ability to login was in place. When a user attempts to login to EGrAMS after 120 of inactivity, the user is unable to access the account, the account status changes to inactive and the user will receive a message stating "Your account status is inactive since you have not logged in for the last xxx days. Please contact System Administrator for assistance." This corrective action was implemented to remediate risks identified as part of the Statewide Single Audit and the finding was determined to be corrected during fiscal year 2022.*

**AUDITOR'S  
COMMENTS TO  
AGENCY  
PRELIMINARY  
RESPONSE\***

MDHHS disagrees with our finding while simultaneously confirming grantee users who no longer required access to EGrAMS were not identified and/or disabled for 120 days. Further, neither MDHHS nor CTM provided additional information or evidence of annual reviews of grantee users by the grantees, MDHHS, or CTM. SOM technical standard required actions

\* See glossary at end of report for definition.

include, but are not limited to, removing access within 2 business days of notification that a user no longer requires access and performing annual reviews of all users to ensure access remains appropriate. Consequently, our finding and recommendation stand as written.

## **AUCTION EVENT INVENTORY AND PROCEEDS INTERNAL CONTROL**

### **BACKGROUND**

CTM holds the annual Pam Posthumus Signature Auction Event (Auction Event) to raise funds to support child abuse and neglect prevention programs. During the audit period, CTM held 4 Auction Events occurring in September 2020, September 2021, May 2022, and May 2023. CTM collected an average of approximately \$562,000 per year for these 4 Auction Events.

### **AUDIT OBJECTIVE**

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

### **CONCLUSION**

Sufficient.

### **FACTORS IMPACTING CONCLUSION**

- CTM maintained documentation supporting the sale to the winning bidders for all auction items reviewed.
- CTM completed on-site cash and check reconciliations at the 2022 and 2023 live Auction Events.
- CTM performed reconciliation procedures to ensure that Auction Event revenue received was correctly recorded to the Trust Fund for all years reviewed.
- CTM maintained documentation to support that all unsold auction items from the 2020, 2021, 2022, and 2023 Auction Events were retained by CTM for sale at the next Auction Event, returned to donors, or donated to CTM partners.

\* See glossary at end of report for definition.



## DESCRIPTION

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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 to oversee the Trust Fund. Today, the Board is administered under the supervision of MDHHS and referred to as CTM. Prior to May 17, 2022, CTM was referred to as the Children's Trust Fund (CTF), correlating with language used to describe the Trust Fund.

CTM consists of 11 public members appointed by the Governor, with advice and consent of the Senate, to serve three-year terms. CTM 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 CTM from among the public members.

CTM appoints an executive director who oversees the CTM Unit within MDHHS which carries out CTM's duties, functions, and responsibilities. The CTM Unit's activities include, but are not limited to, administering the annual fundraising Auction Event and managing grant procurement and oversight. As of May 31, 2023, the CTM Unit included the executive director and four staff members.

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

CTM is the Michigan chapter of PCA America. CTM's mission is to provide financial support, education, and resources to a network of partners throughout Michigan who work to prevent child abuse and neglect by strengthening families.

In addition, Public Act 249 of 1982 created the Trust Fund as a charitable and educational endowment fund in the Department of Treasury. Sources of Trust Fund revenues are primarily from federal grants, fundraising proceeds from the annual Auction Event, specialty license plates, State income tax contributions, and earnings on Trust Fund investments. CTM may expend Trust Fund money only for direct service prevention program grants, grants to local councils, and CTM administrative costs. Trust Fund revenues for fiscal year 2022 totaled \$4.5 million and expenditures totaled \$4.0 million. As of September 30, 2022, the Trust Fund balance was \$26.2 million.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine CTM's activities and records related to selected laws, regulations, rules, and procedures, including the Auction Events held between April 1, 2020 and May 31, 2023. 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.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered April 1, 2020 through May 31, 2023.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of CTM activities, operations, and internal control to establish our audit objectives and methodology. During our preliminary survey, we:

- Interviewed CTM management, staff, and a Board member.
- Reviewed the *Michigan Compiled Laws*, regulations, rules, and procedures applicable to CTM.
- Obtained an understanding of CTM's Auction Event processes.
- Performed analytical review procedures of the Trust Fund's revenue and expenditures from October 1, 2019 through May 2, 2023 to help determine the reasonableness of amounts reported in the financial statements.
- Obtained an understanding of CTM's direct service grant and local council grant processes.

\* See glossary at end of report for definition.



- Reviewed CTM meeting minutes from May 21, 2020 through May 18, 2023.
- Observed the July 20, 2023 CTM meeting to obtain an understanding of the topics discussed and the direct service grant approval process.

## **OBJECTIVE 1**

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

To accomplish this objective, we:

- Reviewed CTM's State Plans covering years 2020-2021 and 2022 to ensure that they were comprehensive and demonstrated all geographical areas within the State had an equal opportunity to establish prevention programs and receive money from the Trust Fund.
- Reviewed CTM's internal evaluation processes and procedures to determine whether CTM annually evaluated its functions, responsibilities, and performance.
- Reviewed select CTM activities and documentation, including meeting minutes for the 23 meetings CTM held between April 1, 2020 and May 31, 2023, to evaluate compliance with the Open Meetings Act.
- Analyzed Trust Fund expenditures from April 1, 2020 to May 31, 2023 to determine whether CTM expended only amounts appropriated by the Legislature meeting one of the following criteria: funding of prevention programs, funding of local councils, or funding of CTM.
- Reviewed CTM local council tier funding level documentation to ensure CTM established funding level amounts and published the criteria for local councils to be eligible for each tier's funding level.
- Randomly selected 15 of 129 active direct service grants with expenditures between April 1, 2020 through May 2, 2023 and evaluated whether:
  - Applicable grant applications and resulting grant agreements were appropriately approved.
  - Expenditure, program, and activity reports were timely submitted and appropriately approved.

- Randomly selected 24 of 386 local council annual allocation grants for approximately 70 local councils with expenditures from April 1, 2020 through May 2, 2023 and evaluated whether:
  - Applicable grant applications and resulting grant agreements were appropriately approved.
  - Grant applications supported the local council's ability to meet matching requirements.
  - Grant allocations were consistent with CTM's tier funding levels and any additional allocations were adequately documented.
  - Expenditure, program, and activity reports were timely submitted and appropriately approved.
- Analyzed the frequency of conducted grantee site visits and randomly and judgmentally sampled 9 of the 69 grantee site visits conducted between April 1, 2020 and May 31, 2023 to determine if CTM conducted site visits in accordance with its procedures.
- Randomly selected 33 of 635 active EGrAMS users for CTM grants as of May 31, 2023 and verified, as applicable:
  - User access was appropriately authorized.
  - Access was appropriate for the users' job responsibilities.
  - User accounts were periodically reviewed and timely disabled and/or removed.
- Randomly selected 25 of 245 inactive EGrAMS users for CTM grants as of May 31, 2023 to evaluate any log-in attempts after being disabled.
- Reviewed CTM's efforts to increase public and organizational awareness of child abuse and neglect prevention information and encourage development of community prevention programs.

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

## **OBJECTIVE 2**

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

To accomplish this objective, we:

- Observed CTM performing an inventory of the May 2023 Auction Event items to verify the items were appropriately safeguarded while in transport from the storage area to the auction venue.
- Attended the May 2023 Auction Event and observed CTM's on-site auction item check-out process and reconciliation of cash and check revenue received at the Auction Event to determine whether CTM appropriately safeguarded the auction inventory and proceeds. In addition, we examined CTM's documentation of the reconciliation conducted for the 2022 in-person Auction Event.
- Reviewed CTM's reconciliation of auction revenue recorded in the Trust Fund's accounting system with auction revenue according to CTM's auction software for the 2020, 2021, 2022, and 2023 Auction Events.
- Randomly and judgmentally selected and reviewed a sample of 54 of 738 auction items sold during the 2020, 2021, 2022, and 2023 Auction Events to ensure compliance with CTM sold item check-out procedures.

We randomly selected some sample items to eliminate bias and enable us to project our testing results to the respective populations. We judgmentally selected other sample items based on item value or risk, and therefore, we could not project those results to the respective population.

- Verified CTM maintained documentation for all 54 of the unsold auction items from the 2020, 2021, 2022, and 2023 Auction Events to support unsold auction items were retained by CTM for sale at the next Auction Event, returned to donors, or donated to CTM partners.

## **CONCLUSIONS**

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

## **AGENCY RESPONSES**

Our audit report contains 5 findings and 5 corresponding recommendations. MDHHS's preliminary response indicates it disagrees with 1 recommendation and agrees with 4 recommendations.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our

\* See glossary at end of report for definition.

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 January 2021 performance audit of the State Child Abuse and Neglect Prevention Board (Children's Trust Fund), Michigan Department of Health and Human Services (431-0178-20):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Documentation of annual local council grant funding criteria needed to ensure equitable allocations.	Complied	Not applicable
2	Annual internal evaluations needed to ensure CTF operations are consistently conducted in accordance with CTF's mission.	Repeated*	Finding 3
3	Improvements needed in CTF EGrAMS user access controls.	Rewritten*	Finding 5

**SUPPLEMENTAL INFORMATION**

Our audit report includes a map of CTM direct service and local council grantees by county presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

\* See glossary at end of report for definition.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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<b>Auction Event</b>	Pam Posthumus Signature Auction Event.
<b>auditor's comments to agency preliminary response</b>	Comments the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
<b>CTM</b>	Collectively for this report, the State Child Abuse and Neglect Prevention Board and the Children Trust Michigan Unit within MDHHS. Prior to May 17, 2022, CTM was referred to as the Children's Trust Fund (CTF).
<b>direct service</b>	Help or benefits provided to children or their families on a person-by-person basis.
<b>EGrAMS</b>	Electronic Grants Administration and Management System.
<b>internal control</b>	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, 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.
<b>local council</b>	An organization whose primary purpose is the development and facilitation of a collaborative community prevention program.
<b>material condition</b>	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.
<b>MDHHS</b>	Michigan Department of Health and Human Services.

<b>mission</b>	The main purpose of a program or an entity or the reason the program or the entity was established.
<b>National Institute of Standards and Technology (NIST)</b>	An agency of the U.S. Department of Commerce. NIST's Computer Security Division develops standards, security metrics, and minimum security requirements for federal programs.
<b>PCA America</b>	Prevent Child Abuse America.
<b>performance audit</b>	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.
<b>repeated</b>	The wording of the current recommendation remains essentially the same as the prior audit recommendation.
<b>reportable condition</b>	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.
<b>rewritten</b>	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.
<b>SOM</b>	State of Michigan.
<b>Trust Fund</b>	The Children's Trust Fund created in the Department of Treasury by Public Act 249 of 1982.





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