

Office of the Auditor General

Performance Audit Report

Michigan Children's Institute

Michigan Department of Health and Human Services

October 2026

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

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

Michigan Children's Institute (MCI)

Michigan Department of Health and Human Services (MDHHS)

Report Number:
491-2700-25

Released:
October 2026

MCI was created by Public Act 220 of 1935, as amended to provide family home care for children committed to the State. MCI operates within the Children's Services Administration of MDHHS, and the MCI superintendent represents the State as legal guardian of all children committed as wards to the institute. State law and MDHHS policy require MCI to carry out various activities to ensure the health and welfare of wards while they await adoption. MCI's guardianship activities include, but are not limited to, promulgating necessary rules for the health and welfare of wards, reviewing adoption recommendations prepared by caseworkers and making a final recommendation to the court, and consenting to elective medical procedures performed on wards. As of August 2026, MCI consists of seven personnel including the superintendent.

Audit Objective			Conclusion
Objective: To assess the sufficiency of selected MCI activities related to the guardianship of MCI State ward children.			Not sufficient
Findings Related to This Audit Objective	<u>Material Condition</u>	<u>Reportable Condition</u>	Agency Preliminary Response
Significant improvement is needed in MCI's oversight and monitoring practices for its wards. For example: - Less than half of wards were identified and recorded in MCI's database to facilitate staff monitoring. - Investigative reports of homes where <u>MCI wards</u> were placed were not consistently ordered, procured, and/or reviewed. - Significant <u>caseworker</u> actions, such as communication of medical procedures and case closures, were not always monitored to ensure MCI guardianship responsibilities were consistently carried out on behalf of all MCI wards (<u>Finding 1</u>).	X		Disagrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
MCI was unaware the shared drive it used to store an unencrypted Microsoft Access database, with information related to over 17,000 past and present MCI wards, was accessible to other areas within MDHHS. It also did not have procedures in place to identify, segregate, and/or lock down the confidential MCI ward information stored in the database or monitor access to the information. We identified 626 non-MCI employees with permissions to view and edit database records (<u>Finding 2</u>).	X		Agrees
MCI needs to strengthen its adoption consent activities. We noted: - Although only MDHHS county directors, who have been authorized by the MCI superintendent, may provide consent for an MCI ward's adoption, 55% of adoption consents made by county directors were carried out without the appropriate authorization to make the consents. - Half of the MCI staff employed during our audit period did not have conflict-of-interest disclosure forms on file at the time of our review procedures; however, all had worked with MCI ward adoption consent requests for approximately nine years prior to our review (<u>Finding 3</u>).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
An evaluation of current statutory language is likely needed to help ensure the laws' overall intent for MCI's guardianship role and responsibility is being met and provides for the best protection of State wards (<u>Observation 1</u>).	Not applicable for observations.		

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Auditor General

October 15, 2026

Amy Epkey, Acting Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Acting Director Epkey:

This is our performance audit report on the Michigan Children's Institute, Michigan Department of Health and Human Services.

Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office (SBO) upon audit completion. State administrative procedures require the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to the Office of Internal Audit Services (OIAS), SBO. Within 30 days of receipt, OIAS will 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

MCI GUARDIANSHIP ACTIVITIES

BACKGROUND

Public Act 220 of 1935, as amended (Sections 400.201 - 400.215 of the *Michigan Compiled Laws [MCL]*) established the Michigan Children's Institute (MCI) and requires the MCI superintendent to represent the State as guardian for each child committed to it by court order (MCI ward*) and continuing until the age of 19. MCI wards are placed in foster care while they await adoption. As the legal guardian of MCI wards, State law and Michigan Department of Health and Human Services (MDHHS) policy require MCI to carry out various activities to ensure the health and welfare of wards while they await adoption.

State law outlines the duties required of MCI on behalf of wards committed to its guardianship. The statutory duties include, but are not limited to:

- Representing the State as guardian of each child committed and promulgating rules for their maintenance, health, instruction, and training.
- Ordering and procuring investigations of all prospective home placements to ensure suitability.
- Consenting to the adoption, marriage, guardianship, or emancipation of MCI wards.
- Preserving all records of the wards.

To fulfill its duties, MCI carries out activities on behalf of wards in accordance with State law and MDHHS policy requirements. MCI also relies on foster care and adoption caseworkers*, within MDHHS and private agencies, to help fulfill its guardianship responsibilities.

Key guardianship and other activities carried out by MCI staff include:

- Making a final recommendation for adoption to the court after reviewing documentation provided by caseworkers, selecting an adoptive family, and appearing in court as needed to defend its adoption consent* decisions.
- Providing consent for:
 - Elective medical procedures after ensuring the need and reasonableness of the procedures.
 - Early discharges of MCI wards for events, such as marriage or military service.

* See glossary at end of report for definition.

- Protecting confidential ward and adoption records.
- Delegating authority to county directors for certain adoption consents.

Key guardianship activities carried out by MDHHS and private agency caseworkers include:

- Maintaining case file documentation and service plans for each child.
- Ensuring required medical examinations are completed, notifying MCI of emergency medical procedures, and obtaining consent for nonemergency procedures.
- Performing case closure procedures when MCI wards are adopted or discharged.

MCI primarily uses the Michigan Statewide Automated Child Welfare Information System* (MiSACWIS) and a Microsoft Access database to process and record MCI activities.

AUDIT OBJECTIVE

To assess the sufficiency of selected MCI activities related to the guardianship of MCI State ward children.

CONCLUSION

Not sufficient.

FACTORS IMPACTING CONCLUSION

- Two material conditions* related to deficiencies in MCI's:
 - Oversight and monitoring of MCI wards (Finding 1).
 - Security and oversight of confidential records (Finding 2).
- One reportable condition* related to needed improvements in MCI's adoption consent activities (Finding 3).
- MCI maintained adequate support for all its adoption consent and early discharge decisions reviewed.

* See glossary at end of report for definition.

FINDING 1

Improvements needed in MCI's oversight and monitoring of MCI wards for whom it has guardianship responsibility.

Less than half of wards were identified and recorded in MCI's database to facilitate monitoring by staff.

MCI needs to improve its oversight and monitoring of MCI wards for whom it has guardianship responsibility. Without improvement, MCI cannot ensure it is aware of all children under its guardianship and consistently fulfills its guardianship role and responsibilities for these children in full compliance with State law.

State law requires the MCI superintendent to represent the State as guardian of each child committed to MCI by court order and further outlines, in conjunction with MDHHS policies, MCI's role and responsibilities for these children. MCI relies on foster care and adoption caseworkers to carry out many routine case management activities, as outlined in MDHHS policies, to help fulfill its guardianship responsibilities for MCI wards.

MDHHS policies provide guidance for the care and maintenance of all children in foster care. However, we noted MCI did not:

- a. Identify all MCI wards for whom it had guardianship responsibility. Instead, MCI limited its identification to recording and tracking consent requests caseworkers submitted to MCI for its wards; however, consent requests are not needed and/or required in all MCI ward cases. Consequently, the consent requests MCI formally tracked included 2,200 MCI wards during the audit period; yet, MiSACWIS data indicated over 5,000 active MCI wards existed during the same period. Thus:
 - For over half of all active MCI wards during the audit period, MCI had not identified and/or carried out any monitoring activities to help ensure its guardianship role and responsibilities were fulfilled.
 - MCI had conducted only limited monitoring activities for the MCI wards it had identified.
- b. Consistently order, procure, and/or review investigative reports of homes where MCI wards were placed during the child's commitment to MCI.

MCL Sections 400.205 and 400.210 require MCI to order investigations of the homes where a child will be placed for foster care and/or adoption and to procure regular reports during the placement. Further, MDHHS policy requires updated reports on prospective adoptive homes after adoption consent through adoption finalization.

Foster home investigative reports were not reviewed as required.

MCI informed us it relied on caseworkers to obtain and review investigative reports for MCI ward foster care placements during the child's commitment to MCI. Typically, MCI only obtained and reviewed investigative reports *for prospective adoptive homes* in conjunction with its receipt of adoption consent requests.

c. Actively monitor significant caseworker actions to ensure guardianship responsibilities were consistently carried out on behalf of all MCI wards. For example, we noted MCI:

- (1) Did not monitor caseworkers' procurement and review of investigative reports for MCI ward placements during their commitment to MCI (see part b).
- (2) Had not implemented procedures to identify and evaluate uncommunicated emergency medical procedures and/or nonemergency procedures for which MCI did not provide consent.

MDHHS policy requires MCI to be notified of emergency medical procedures performed on MCI wards, to provide its consent for nonemergency medical procedures, and for all MCI wards to be enrolled in [Medicaid](#)*.

We performed a limited review of Medicaid claims data to identify medical procedures using [anesthesia](#)* performed on MCI wards from July 1, 2024 through June 12, 2025. We sampled 31 procedures for review, including 30 nonemergency procedures and 1 emergency-related procedure and determined:

- (a) MCI did not provide consent and/or have documentation of notification for 4 (13%) of the 30 nonemergency procedures, which included surgical procedures performed under general anesthesia.
- (b) MCI had a record of the caseworker's notification to MCI for the sampled emergency-related procedure.

MCI informed us it relied on the notifications and consent requests it received from caseworkers to identify and monitor medical procedures performed on MCI wards. MCI also informed us it had provided a related job aid to assist caseworkers regarding the necessary communications with, and consents needed from, MCI.

- (3) Did not monitor MCI ward case closures in MiSACWIS to ensure cases were not closed by caseworkers without MCI's consent.

MDHHS policy requires caseworkers to perform case closure procedures when wards are adopted

MCI did not actively monitor significant caseworker actions and was not notified of and/or provide consent for 13% of sampled nonemergency medical procedures.

* See glossary at end of report for definition.

or otherwise discharged by MCI. We noted that although MCI approved adoption and early discharge consent requests for wards, it did not routinely identify and/or monitor MCI ward case closures in MiSACWIS for propriety. Because of MiSACWIS data limitations, the number of MCI ward cases closed without MCI's review and/or potential consent is undeterminable.

We consider this finding to be a material condition because of the potential significant risks to MCI wards if MCI's guardianship role and responsibilities are not consistently carried out and the potential noncompliance with State law (see [Observation* 1](#)).

RECOMMENDATIONS

We recommend MCI improve its oversight and monitoring of MCI wards for whom it has guardianship responsibility.

We also recommend MCI seek clarification of its interpretation and compliance with its guardianship responsibilities under Public Act 220 of 1935, as amended.

AGENCY PRELIMINARY RESPONSE

MDHHS disagrees. Given the length of MDHHS's preliminary response, the response and our auditor's comments to Finding 1 are presented on page 21.

** See glossary at end of report for definition.*

FINDING 2

Improvement is needed in the oversight and protection of confidential MCI ward and adoption records.

MCI needs to significantly improve its oversight and protection of confidential MCI ward and adoption records. Doing so would reduce the risk of improper access, disclosure, and loss or destruction of confidential records and help ensure full compliance with applicable requirements.

State Law requires:

- MCI to preserve all records related to MCI wards and to regard those records as confidential.
- 21 days following a final order of adoption, an adoption record shall not be copied or inspected without a court order or request for inspection by the Office of the Child Advocate.
- Adoption records to be kept in separate locked files.

State of Michigan Technical Standard 1340.00.020.01 (Access Control Standard) indicates agencies must annually review individuals having access to State proprietary information to determine if access is appropriate, validate their continued need, and enforce the principle of least privilege* for all logical and physical access to the information.

MCI used an unencrypted Microsoft Access database to record and track MCI ward adoption consent request information and stored the database on an MDHHS shared drive accessible to other areas within and outside of the department. Our review noted:

Over 600 non-MCI employees had access to confidential records for thousands of past and present MCI wards.

- a. MCI did not identify, segregate, and/or block access to confidential ward and closed adoption records maintained in its database. As of May 29, 2025, MCI's database contained records for over 17,000 past and present wards. This included MCI ward and adoption information such as, but not limited to, the ward's name, date of birth, prospective and competing adoptive families, and sibling information.
- b. MCI did not routinely monitor access to the information in its database. We reviewed an MDHHS-provided list of individuals who, as of August 14, 2025, had access to the shared drive folder storing the database and identified 626 non-MCI employees with permissions to view and edit the database records, including some individuals who were not employed by MDHHS.

MCI informed us it was unaware the shared drive was accessible by other areas within MDHHS, nor did it have procedures in place to identify, segregate, and/or lock down confidential MCI ward information stored in the database.

* See glossary at end of report for definition.

We consider this finding to be a material condition because of the:

- Significant number of non-MCI employees with inappropriate access to confidential MCI ward and adoption records.
- Increased risk of improper disclosure of confidential information.
- Noncompliance with applicable State law.

RECOMMENDATION

We recommend MCI improve its oversight and protection of confidential MCI ward and adoption records.

**AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MCI agrees with the finding. Although access to the database was limited to users with an Active Directory account, MCI coordinated with DTMB to migrate the database to a more secure and restricted environment in order to strengthen oversight and protect confidential MCI ward and adoption records. To further strengthen access controls, MDHHS will develop and implement an annual review process to evaluate and validate user access to the database, ensuring that only authorized users retain access.

FINDING 3

Improvement needed in MCI's adoption consent activities.

MCI needs to improve its adoption consent activities to help ensure only properly authorized individuals provide consent, potential risks of bias are reduced, and established consent timeframes are met and reasonable to provide timely and high-quality adoption services to best serve MCI wards.

State law establishes the MCI superintendent's authority and duties over the adoption of wards. In addition, MDHHS's policies and contracts with child placing agencies and child welfare agency professional resources provide additional guidance and best practices related to the adoption consent process.

Our review noted MCI:

- a. Did not always ensure only properly authorized MDHHS county directors provided consent for MCI ward adoptions.

MCL Section 400.209 authorizes the MCI superintendent or their designee to consent to the adoption of an MCI ward. Section 850 of MDHHS's Adoption Services Manual permits MDHHS county directors to consent to the expedited adoptions of MCI wards upon written delegation from the MCI superintendent. The MCI superintendent provides this delegation through a signed letter.

We reviewed MiSACWIS data for MCI ward adoption consents occurring from October 1, 2023 through May 23, 2025 and identified 65 consents made by 26 MDHHS county directors. Of these 65:

- 14 county directors made 36 (55%) consents without any MCI superintendent written delegation.
- 6 county directors with written designation made a total of 18 (28%) consents prior to receiving MCI's authorization.

Of adoption consents made by county directors, 55% did not have the appropriate authorization to make the consents.

MCI did not identify, track, and monitor MCI ward adoption consents made by MDHHS county directors to ensure only individuals with appropriate delegation to do so authorized the consents.

- b. Did not ensure staff had conflict-of-interest disclosures on file to identify any potential conflicts or certify none existed related to their assigned MCI ward adoption cases.

MDHHS's Employee Handbook prohibits employees from engaging in actions constituting a conflict of interest with their employment and, upon hire, requires employees to disclose any potential conflicts or certify none exist. Employees are also informed that if they have a change in these circumstances they must disclose the change to MDHHS within 14 days.

We noted 3 (50%) of the 6 MCI staff employed during our audit period did not have a completed disclosure form on file when we requested to review the forms. These three individuals all worked with MCI ward adoption consent requests for approximately nine years prior to our request for the disclosure forms.

MCI does not require its staff to specifically and/or regularly disclose potential conflicts of interest related to their assigned adoption consent requests and relies on an annual Civil Service e-mail reminder sent to employees regarding MDHHS's disclosure policy. However, this annual reminder practice was not established until May 2024 and did not ensure MCI staff consistently disclosed potential conflicts of interest or confirmed their independence relative to their MCI responsibilities.

- c. Did not consistently meet the standard of promptness timeframes for adoption consents nor evaluate these timeframes to help ensure they remained appropriate to provide and promote both timely and high-quality adoption consent decisions for MCI wards.

MDHHS's contracts with child placing agencies indicate MCI will complete regular and expedited adoption consent requests in 30 days and competing party adoption consent requests in 90 days, after all needed information is available for MCI's review. Our analytical review noted MCI did not meet the established timeframes for 96% of adoption consent requests with competing parties and 12% of regular adoption consent requests for fiscal year 2024.

The Child Welfare League of America Standards of Excellence for Adoption Services indicate adoption should be legalized in a timely manner while also reinforcing the need for children and families to receive quality adoption services. Considering the consistent disparity we observed between MCI's established timeframes and its completion of adoption consent activities, MCI likely needs to more fully evaluate each to determine whether they consistently meet the needs of children and families, particularly regarding competing party adoption consent requests.

MCI informed us that although it monitored the timeliness of adoption consent reviews, MCI did not have the capacity to manage the volume and complexity of cases within the contractual timeframes because of the extensive analysis required. In addition, the contract terms allow for an extension of the timeframe when a submitted consent packet is not complete, a consent packet is resubmitted, or circumstances beyond MCI's control exist, such as an investigation involving the ward or adoptive family.

However, MCI did not track the extent and duration of these occurrences to evaluate impacts on MCI's adoption consent decision timeframes and meeting the needs of MCI wards and families.

RECOMMENDATION

We recommend MCI improve its adoption consent activities to help ensure only properly authorized individuals provide consent, potential risks of bias are reduced, and established consent timeframes are met and reasonable to provide timely and high-quality adoption services to best serve MCI wards.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the finding. County directors are provided with designee letters to provide consent on behalf of the MCI Superintendent for expedited MCI ward adoption consent requests to allow for expedient processing of approvals and avoid delays in achieving permanency. While these parties are involved in the MCI ward adoption process, the Family Division of the Circuit Court holds the ultimate authority to issue the final order of adoption and the final approval for state ward adoptions is solely granted by the court.

For part a., MCI agrees with the finding and will evaluate the current MCI designee letter approval process to identify opportunities to enhance the process to ensure the required signature is obtained from the MCI Superintendent when required. The MCI office will provide annual training and will attend county director meetings to remind county directors of the policies, procedures and requirements for MCI ward adoptions and which cases qualify for expedited consent and require written approval from the MCI Superintendent by means of a designee letter.

For part b., MDHHS agrees that monitoring of employee conflict of interest disclosures should be improved to ensure documentation of employee conflict of interest disclosures are maintained; however, Civil Service Rule 2-8 only requires employees to submit conflict of interest forms annually if a potential conflict exists. MDHHS Human Resources has reviewed the personnel files for the employees selected for sample that are still employed with the Department, and each personnel file now contains a conflict of interest form in accordance with Civil Service regulations. Additionally, for each conflict of interest form reviewed, there were no MDHHS staff conflicts identified.

MDHHS Office of Human Resources implemented a process to send an annual reminder to update conflict of interest forms in alignment with Civil Service regulations. If any potential conflicts are identified, MDHHS will submit the required form to MDHHS Office of Human Resources and evaluate if further action is needed.

For part c., MDHHS agrees there are opportunities for improvement of timeliness of adoption consent decisions. MCI evaluated adoption consent timeliness and updated the contract terms during August 2025 to extend the timeframe for competing party adoption consents from 90 to 120 days to allow for sufficient analysis. The timeframes are included within the contract terms by MDHHS for billing purposes and are not mandated by any federal or state regulations.

MCI will conduct a comprehensive evaluation of adoption consent timelines to ensure they remain appropriate and support both timely and high quality consent decisions for all MCI wards. MCI will continue to monitor adoption consent timeliness on an ongoing basis and will establish formal procedures to ensure that all reviews are consistently completed and thoroughly documented.

To further strengthen timely permanency, MCI has hired a dedicated consultant to review and prioritize competing adoption consent requests. Safe, timely permanence remains a core priority for MCI and these actions will help ensure that children and families achieve permanency as quickly and effectively as possible, particularly in cases involving competing party adoption consent requests.

OBSERVATION 1

Evaluation of current statutory language related to the Michigan Children's Institute Act 220 of 1935, as amended, is likely needed.

An evaluation of current statutory language in the Michigan Children's Institute Act 220 of 1935, as amended, (the Act) is likely needed to ensure the law's overall intent related to MCI's guardianship role and responsibility to MCI wards is clear, consistently achieved, and provides for the best protection and care of these children.

This Act, *MCL* Sections 400.201 through 400.214, originated in 1935 and most sections have remained unchanged for the last 70 to 90 years, despite vast changes to the State's child welfare landscape (See the Supplemental Information on page 24). During our review, we observed several areas within the Act where clarifications and/or changes may be needed. The table below provides some illustrative examples of potential areas for evaluation of needed changes:

Illustrative Examples

1 The Act lacks a definition and/or prescriptive description of "guardian" and MCI's related responsibilities.

MCL Section 400.203 requires the superintendent of MCI to represent the State as ***guardian of each child committed beginning with the day the child is admitted and continuing until the child is 19***, unless the superintendent discharges the child sooner as provided in the Act. The Act also provides the superintendent with the power to make decisions on behalf of a child committed to MCI; however, the Act does not define guardian and/or prescribe MCI's responsibilities related to representing the child and making decisions for the child during their commitment to MCI. Accordingly, MCI relies on contracted agencies and MDHHS caseworkers for the daily care and maintenance of MCI wards without conducting regular oversight and monitoring of the caseworkers' activities and decisions related to MCI wards (see Finding 1).

The Act indicates it is remedial in its nature and purposes and shall be liberally construed in order to accomplish the beneficial purposes sought. However, it does not specify MDHHS's responsibility to evaluate and/or demonstrate how its interpretations and practices related to the Act's requirements serve to benefit MCI wards and remediate their unfortunate situations.

2 The Act lacks clarity regarding the nature of home investigations for MCI wards' placements.

MCL Sections 400.205 and 400.210 refer to home investigations required to be ***ordered by the MCI superintendent while a child is an MCI ward in a foster care or potential adoptive home placement***. Currently, MCI relies on private foster care and adoption agency caseworkers to conduct regular required periodic home investigations for MCI ward placements; however, MCI does not routinely order or conduct home investigation reports for MCI wards, nor does it regularly monitor the occurrence or content of the caseworkers' reports until it receives a final recommendation for adoption (see Finding 1). It is unclear whether the caseworkers' periodic home investigations and MCI's practices are compliant with the *MCL* requirements related to MCI's responsibilities to children while they are MCI wards.

3 The Act contains generally outdated terminology which may not be commonly understood and/or appropriately interpreted, such as:

- *Michigan Social Welfare Commission*. Various sections of the Act, including *MCL* Sections 400.202, 400.203, 400.206, and 400.208, refer to the powers and duties of the Michigan Social Welfare Commission, which was abolished in 1965. While *MCL* Section 16.553 states the powers and duties of the commission will be transferred to MDHHS by a type III transfer, further clarification may be warranted to specify how the powers of the commission should be distributed within MDHHS.
- *Physical MCI location*. *MCL* Section 400.204(1) requires the Auditor General or appointee of the Auditor General to audit the expenses related to an MCI ward's transportation costs, which are to be paid from the general fund in the same manner as the expense of conveying children to other institutions of the State. This section appears to refer to a physical institution managed by MCI as outlined in *MCL* Section 400.206 which does not exist at the present time.

Table continued on next page.

Illustrative Examples (Continued)

- *Physical and/or mental, including hereditary, defects.* MCL Section 400.205 contains the following language regarding MCI wards who may be placed in foster care and/or adopted: "Provided, in case the investigation indicates the child is not eligible for admission to said institute because of some mental or physical defect or should not be offered for adoption because of a mental defect in its forbears." This section further states MCI will notify the courts regarding the reason the ward is not eligible for admission to MCI and requires the court to make further dispositions. This language does not reflect current foster care and/or adoption practices and terminology when a ward has a physical or a mental disability.
- *MCI trust fund.* MCL Section 400.207 permits MCI to receive donations, grants, or personal property for the benefit of MCI wards and, if received, it is required to deposit the funds into the MCI trust fund. We noted the balance in the trust fund as of May 2025 was \$55,000, and MCI informed us it no longer seeks to replenish the fund. Consideration may be needed regarding the necessity and continued existence of this fund in the State's current child welfare environment and administration of the program.

4 The Act may need evaluation to ensure consistency and compliance with adoption record requirements specified in Michigan's Probate Code.

MCL Section 400.211 requires all records pertaining to any child committed to MCI to be filed as confidential and to not be made public unless the Michigan Social Welfare Commission authorizes the records to become public when deemed necessary for the best interest of the child. This Section was last revised in February 1944. MCL Section 710.67 was added to Michigan's Probate Code in 1974 and has been amended. Currently, MCL Section 710.67 states an adoption record shall not be copied or inspected after 21 days following a final order of adoption without a court order or request for inspection by the Office of the Child Advocate. The Act's confidentiality requirements regarding an MCI ward's adoption records may not fully meet the requirements of the Probate Code.

We encourage collaborative efforts by relevant stakeholders, such as the Legislature, MDHHS, and other partners and advocates, to evaluate the need for legislative clarifications and/or changes to ensure the best protection and care of State ward children for whom MCI has guardianship responsibility.

AGENCY PRELIMINARY RESPONSE

MICHIGAN CHILDREN'S INSTITUTE Michigan Department of Health and Human Services

Finding 1 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains MDHHS's preliminary response to Finding 1 and our auditor's comments providing further clarification and context where necessary.

Overall Auditor's Comment

MDHHS's response indicates it disagrees MCI needs to improve its oversight and monitoring of MCI wards for whom it has guardianship responsibility because MCI's responsibilities are fulfilled through MDHHS's multilayered foster care system oversight.

Finding 1: Improvements needed in MCI's oversight and monitoring of MCI wards for whom it has guardianship responsibility.

MDHHS provided us with the following response:

AGENCY PRELIMINARY RESPONSE

MDHHS disagrees with the finding. The Department maintains a comprehensive, multilayered system of oversight that fulfills all statutory guardianship requirements for Michigan Children's Institute (MCI) wards. These responsibilities are carried out through coordinated efforts across multiple Children's Services Administration program areas and contracted Placement Agency Foster Care providers and are not the sole responsibility of MCI. Every MCI ward is assigned a case manager who must comply with state and federal requirements, including Public Law 96-272, *MCL* 400.1 et seq and *MCL* 712A.1 et seq which provide the legal basis of State of Michigan Children's Foster Care Manual. Provisions within this policy manual apply to all children in foster care, including MCI wards and requires regular face to face contacts and ongoing monitoring of the child's well-being.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

We acknowledge other functional areas of MDHHS have a direct and significant role in the oversight and monitoring of all foster care children, including MCI wards. We also contend the statutory creation and conveyance of guardianship responsibility to MCI for State ward children is intended to increase the State's assurance it consistently and effectively exercises its duties and obligations to children for whom parental rights have been terminated and imparts to MCI a level of oversight responsibility for its wards.

To further support our Finding, we offer the following *MCL* citations and common definitions of guardianship and guardians:

***MCL* Section 400.201** - That in order the State may more effectively exercise the duty and obligation which it owes to unfortunate children, there is hereby created and established the Michigan Children's Institute.

***MCL* Section 400.203(1)** - The superintendent of the Institute shall represent the State as guardian of each child committed beginning with the day the child is admitted and continuing until the child is 19, unless the superintendent or the department discharges the child sooner as provided for in [the Act].

[Merriam-Webster definition of guardianship](#) - protection, care. Specifically, the relationship existing between guardian and ward.

Cornell Law indicates - Guardians:

- are legal representatives appointed to take care of individuals who are unable to take care of themselves.
- have a fiduciary duty to their wards, meaning they are legally obligated to act in the best interest of their wards.
- are in complete control of their wards' finances, property, and care.

MCI formally reviews and tracks consent requests received, which included approximately 2,200 MCI wards during the audit period in compliance with *MCL 400.205* and *MCL 400.210*.

As noted in the Finding, although MCI reviewed and tracked the consent requests it received, it had not identified and/or carried out any monitoring activities for over half of all active MCI wards during the audit period to help ensure its guardianship role and responsibilities were fulfilled.

Daily case management of approximately 5,000 active wards is performed by MDHHS county offices and contracted private agencies. The private agencies responsible for direct case management are subject to regular contract and policy compliance audits, and MCI has access to the electronic case records in MiSACWIS for the purpose of reviewing case management compliance and ward well-being to ensure compliance with the Adoption Manual.

Our report discusses MCI and its guardianship responsibilities of State wards, not the daily case management duties of MDHHS county offices and contracted private agencies. Also, as noted in the Finding, although MCI had access to MiSACWIS case records, it had neither identified the majority of MCI wards for whom it had guardianship responsibility, nor routinely reviewed MiSACWIS records, on an individual or sample basis to determine ongoing case management compliance and/or well-being for MCI wards.

MDHHS local offices and private agencies conduct direct case management, with cases assigned to either a MDHHS caseworker or, when managed by a private agency, both a private agency caseworker and a MDHHS monitor. Oversight is provided through supervisors, program managers, business Service Center staff, the Division of Child Welfare Licensing (DCWL), the program office, and contract compliance. MCI is consulted for statutory functions and notified of critical incidents including legal actions, Absent Without Legal Permission episodes, placement disruptions, goal changes and international travel to ensure compliance with the Foster Care Operations Manual and Adoption Manual. MCI also receives all centralized intake reports, ensuring notification of significant case activity related to incidents of maltreatment in care.

Our report is directed toward MCI's guardianship responsibilities of State wards, not the daily case management and oversight duties of MDHHS county offices and staff and/or contracted private agencies.

The Act establishes MCI as the legal guardian of all MCI wards; however, as MDHHS reaffirms here, MCI, typically, is only consulted and/or notified of MCI ward cases if a critical incident or other significant case activity occurs. We acknowledge other functional areas of MDHHS have a direct and significant role in day-to-day care, case management, and monitoring of all foster care children. However, we also contend the statutory creation of MCI and its conveyance of guardianship responsibilities for State ward children is intended to help the State ensure it consistently and effectively exercises its duties and obligations to children who are wards of the State and for whom parental rights have been terminated.

Private agencies and MDHHS local offices complete investigative assessments, including adoptive family assessments, child adoption assessments, and quarterly adoption progress reports. These reports are uploaded into MiSACWIS. Timeliness of report completion is monitored on a monthly basis through the data management unit and annually by the contract management unit and DCWL. Policy requires these assessments for MCI wards with adoption or guardianship goals, and youth with Another Planned Permanent Living Arrangement or Independent Living goals are monitored through required quarterly service plans. Also, DCWL audits child placing agencies to determine compliance with rules related to adoption assessments including timelines, and thorough completion.

Without identification of MCI wards and/or consistent monitoring procedures, we question MCI's ability to ensure it is always consulted and/or is appropriately notified of significant case activity for all MCI wards. As reported in the Finding, MCI had not identified and/or carried out any monitoring activities to help ensure its guardianship role and responsibilities were fulfilled for over half of all MCI wards and conducted only limited monitoring activities for the MCI ward children it had identified.

MCI fulfills the statutory requirement to review investigative assessments by routinely reviewing MiSACWIS records, including investigative reports, when making decisions, related to placement changes, medical procedures, sibling splits or permanency goal changes, regarding MCI wards. Reviews of

We disagree that MCI's limited assessment report review practices fulfill its statutory requirements related to MCI ward placements **throughout** their commitment to MCI. As illustrated in parts b. and c.1. of the Finding, MCI did not **consistently order, procure, and/or review investigative**

these investigative reports occur at varying intervals including when adoption or medical consent decisions are being made, in response to questions or notifications from direct workers, case professionals, interested parties, and during case conferences which occur frequently for MCI wards with varying goals including adoption, guardianship and independent living. While not every investigative report is reviewed absent from a precipitating event, MCI consistently reviews relevant documentation and frequently conducts additional inquiry and/or provides technical assistance to ensure adequate assessment and documentation in compliance with guardianship requirements.

reports of homes where MCI wards were placed during the child's commitment to MCI, as required by *MCL* 400.205 and 400.210. In addition, MCI did not monitor caseworkers' procurement and review of the investigative reports for MCI ward placements. MDHHS's response reaffirms **MCI typically only reviews investigative reports for MCI wards if and/or when a precipitating event occurs** as opposed to regularly throughout a child's commitment to MCI.

MCI's role in medical consent is clearly defined in the Foster Care Operations Manual and the Adoption Manual, which establish procedures for communicating emergency and non emergency medical treatment and requesting the appropriate consent when required. MCI completes verification checks to ensure compliance, and when policy deviations occur, they are addressed through technical assistance and in the event of repeated violations, escalating concerns to contract compliance and licensing entities.

MDHHS's references to the Foster Care Operations Manual and MCI's verification of *communicated* medical procedures neither addresses nor disputes the condition we noted in part c.2. of the Finding regarding **the absence of MCI procedures to identify and evaluate uncommunicated medical procedures for which MCI did not provide consent**.

The MiSACWIS case closure is a multi-step process involving caseworkers, supervisors, funding specialists and private agencies monitored by MDHHS. Program office is required to monitor compliance with case closures. Early discharge procedures are governed by the Children's Foster Care Manual and MCI cannot delay discharge. Discharge at age 19 is mandated by statute and occurs automatically, with youth still eligible to receive support through several assistance programs.

While these statements appear factual, they do not address MCI's monitoring of MCI ward case closures to help ensure discharge only occurs when appropriate for the child's circumstances.

MDHHS's response provides no additional information to warrant a change in our recommendation. Therefore, our Finding and recommendations stand as written.

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SUPPLEMENTAL INFORMATION

UNAUDITED

MICHIGAN CHILDREN'S INSTITUTE
Michigan Department of Health and Human Services

Michigan Children's Institute (Excerpt)
Act 220 of 1935, as amended

400.201 Michigan children's institute; creation; transfer of records and property from state public school.

Sec. 1.

That in order the state may more effectively exercise the duty and obligation which it owes to unfortunate children, there is hereby created and established the Michigan children's institute. Such records, papers, equipment and appurtenances as needed from the state public school shall be transferred to the said institute and whenever the name "state public school" appears in any statute of this state it shall be taken and deemed to mean the Michigan children's institute.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- CL 1948, 400.201

Former Law: See Act 143 of 1903 and Act 164 of 1931.

400.202 Children's institute; control by social welfare commission; superintendent, officers and employees.

Sec. 2.

The said Michigan children's institute shall be under the control and management of the Michigan social welfare commission, hereinafter referred to as "the commission", whose appointment and duties are provided in Act No. 280 of the Public Acts of 1939, as amended, being sections 400.1 to 400.90, inclusive, of the Compiled Laws of 1948, and as further expressly provided for in this act. The commission shall appoint the superintendent, and such other officers and employees as it shall deem necessary, who shall severally hold their offices and positions during the pleasure of the commission.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1944, 1st Ex. Sess., Act 8, Imd. Eff. Feb. 19, 1944 ;-- CL 1948, 400.202 ;-- Am. 1955, Act 220, Eff. Oct. 14, 1955

400.203 Provisions for admission of child under 17 to Michigan children's institute.

Sec. 3.

(1) A child under 17 years of age, provision for whose support and education has been made under regulations of the department, may be admitted to the Michigan children's institute by commitment to the department. All children committed to the Michigan children's institute shall be considered committed to the department and shall be subject to review by the juvenile division of the probate court under chapter XIIA of the probate code of 1939, 1939 PA 288, MCL 712A.1 to 712A.32. The superintendent of the institute shall represent the state as guardian of each child committed beginning with the day the child is admitted and continuing until the child is 19, unless the superintendent or the department discharges the child sooner as provided in section 8 or 9 or if the child is at least 18 years of age but less than 21 years of age and is participating in extended foster care services as described in section 11 of the young adult voluntary foster care act. Wherever commitment to the Michigan children's institute is mentioned in any law of this state, it shall be construed to mean commitment to the department. A child may be committed to the department by either of the following:

(a) By the juvenile division of the probate court, if the child is within the court's jurisdiction under section 2(b) of chapter XIIA of the probate code of 1939, 1939 PA 288, MCL 712A.2.

Supplemental information continued on next page.

400.203 Provisions for admission of child under 17 Michigan children's institute.

Sec. 3. (Continued)

(b) By the probate court, if the child is a ward of the court and the court has denied an order of adoption for the child.

(c) By observation order. If a child has been decreed to be a ward of the probate court or the juvenile division of the probate court has acquired formal jurisdiction of a child, and it appears to the probate court that, because of the circumstances of the case or because the child's condition might be benefited, the court may make a temporary commitment to the department and direct that the child be taken to a facility of the Michigan children's institute for observation for a period not to exceed 90 days. Before the expiration of this order of observation, the superintendent of the institute shall report to the probate court the results of the observation of the child. If the superintendent reports to the probate court that the order of observation should be extended or that the child is in need of treatment for emotional disturbance that does not require hospital care and for which the institute has facilities, then the court may extend the temporary commitment and continue the observation order or establish a treatment period for the child to any date prior to the nineteenth birthday of the child. If the child has ceased to be a ward of the court, written consent of the person or persons lawfully having custody of the child shall be secured. Before the expiration of this extended order of observation or treatment, the superintendent shall report to the probate court the results of the observation or treatment of the child and an opinion stating what disposition can be made of the child. Before any child is sent to a facility of the institute for observation, the superintendent of the institute shall notify the probate court that there is room to receive the child and shall designate the facility of the institute for the reception of the child. The commission may by regulation establish conditions for the reimbursement of the expense of caring for the child while under the supervision of the institute if the parents or other persons responsible for the child's support are financially able to pay reasonable costs of the child's care.

(2) The superintendent of the institute has the power to make decisions on behalf of a child committed to the institute. The attorney general or his or her representative shall represent the Michigan children's institute superintendent in any court proceeding in which the superintendent considers such representation necessary to carry out his or her duties under this act.

(3) As used in this act, "department" means the department of human services.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1943, Act 207, Eff. July 30, 1943 ;-- Am. 1944, 1st Ex. Sess., Act 8, Imd. Eff. Feb. 19, 1944 ;-- CL 1948, 400.203 ;-- Am. 1951, Act 120, Eff. Sept. 28, 1951 ;-- Am. 1955, Act 220, Eff. Oct. 14, 1955 ;-- Am. 1957, Act 74, Eff. Sept. 27, 1957 ;-- Am. 1959, Act 90, Eff. Mar. 19, 1960 ;-- Am. 1988, Act 225, Eff. Apr. 1, 1989 ;-- Am. 2004, Act 470, Imd. Eff. Dec. 28, 2004 ;-- Am. 2011, Act 227, Imd. Eff. Nov. 22, 2011

400.204 Michigan children's institute; commitment order; transportation; expense; communication with child's attorney.

Sec. 4.

(1) Within 30 days after an order is made committing a child to the superintendent of the Michigan children's institute, the court shall send to the superintendent a certified copy of the petition, the order of disposition in the case, and the report of the physician who examined the child. Upon receipt of the order the superintendent of the Michigan children's institute shall notify the court of the child's placement so that the court may cause the child to be transported to that placement. The expense of the child's transportation shall be audited by the auditor general or a certified public accountant appointed by the auditor general and paid from the general fund in the same manner as the expense of conveying children to other institutions of the state.

(2) During the time a child is committed to the superintendent of the Michigan children's institute, the superintendent and the child's attorney may communicate with each other regarding issues of commitment, placement, and permanency planning; and if the child's

Supplemental information continued on next page.

400.204 Michigan children's institute; commitment order; transportation; expense; communication with child's attorney.

Sec. 4. (Continued)

attorney has an objection or concern regarding such an issue, the superintendent and the child's attorney shall consult with each other regarding that issue.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1943, Act 207, Eff. July 30, 1943 ;-- CL 1948, 400.204 ;-- **Am. 1997, Act 171, Eff. Mar. 31, 1998**

400.205 Committed children; placement in private home, investigation, court order.

Sec. 5.

In case a child has been committed to said institute, and a person in the same county has been found who is willing to take said child into his home under the same conditions as children placed out on agreement, or for adoption from the said institute, the court, county agent, probation officer or any other person representing the court or state in the placement of children may notify the superintendent of said institute, giving the name and the address of the party interested in taking the child into his home; whereupon the superintendent shall order an investigation be made, and if it appears that the home is a suitable one for said child, the child shall be placed and the order of the court entered on the records of the said institute. Upon entering the order of the court on the records of the said institute, the child shall be considered a ward of said institute and may be supervised, or adopted as are other wards of the said institute: Provided, In case the investigation indicates that the child is not eligible for admission to the said institute because of some mental or physical defect, or should not be offered for adoption because of a mental defect in its forbears, or being of unknown parentage and too young to determine its mental and physical development, the superintendent shall so notify the court with reasons thereof and further disposition shall be made by said court.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- CL 1948, 400.205

400.206 Committed children; temporary residential facilities.

Sec. 6.

The commission shall maintain at Ann Arbor and at such other places as may be made available to the commission, temporary residential facilities for the reception of children sent to the institute under sections 3 or 4 of this act, or for their care between placements in family homes, or for other temporary purposes. Such facilities may include office space for employees of the commission engaged in the maintenance of the facilities or who work in their vicinity.

History: **Add. 1955, Act 220, Eff. Oct. 14, 1955**

Former Law: See section 6 of Act 220 of 1935, which was repealed by Act 207 of 1943.

400.207 Rules for maintenance, health, instruction, and training of children; liability for cost of child's care; superintendent as authorized agent; receipt and disposition of donation, grant, or personal property; investments; crediting earnings; expenditures; requisition from trust fund; utilization of county facilities; services of voluntary organization; enforcement of rules; cancellation of agreement; restoration of child to parent or relative; assistance to parent or relative; licensed boarding home; expense; reimbursement; investigation; report.

Sec. 7.

(1) The department shall promulgate necessary rules for the maintenance, health, instruction, and training of the children under the control of the Michigan children's institute, for placing them in homes, and for their supervision while they remain public wards. The liability of a county for the cost of a child's care shall be determined under the youth rehabilitation services act, 1974 PA 150, MCL 803.301 to 803.309.

Supplemental information continued on next page.

400.207 Rules for maintenance, health, instruction, and training of children; liability for cost of child's care; superintendent as authorized agent; receipt and disposition of donation, grant, or personal property; investments; crediting earnings; expenditures; requisition from trust fund; utilization of county facilities; services of voluntary organization; enforcement of rules; cancellation of agreement; restoration of child to parent or relative; assistance to parent or relative; licensed boarding home; expense; reimbursement; investigation; report.

Sec. 7. (Continued)

(2) The superintendent is the authorized agent of the department to implement this act.

(3) The superintendent or the department may receive any donation, grant, or personal property for the benefit of the children of the Michigan children's institute. Upon receiving a donation, grant, or personal property, the superintendent or the department shall remit it within 30 days to the state treasury to be credited to the Michigan children's institute trust fund, which is created in the state treasury. The state treasurer may keep as much of the fund as the treasurer considers advisable invested in United States government bonds, notes, bills, certificates, or other obligations, and shall credit the earnings on the investments to the fund.

(4) The department may expend necessary amounts for the purposes of the Michigan children's institute for the care and education of the children during minority or until released as provided in this act. When a part of the trust fund is required by the department for these purposes, the superintendent shall obtain those funds by requisition.

(5) The department may utilize facilities existing in a county in caring for children and may accept the services of a voluntary organization for the benefit of the children, subject to rules promulgated by the department. The superintendent shall enforce these rules on behalf of the department.

(6) An agreement entered into with a person for the care of a child who is a ward of the Michigan children's institute shall provide that the department may cancel the agreement if, in the department's opinion, the interest of the child requires it. If a parent or relative within the third degree of consanguinity or affinity of a child who is a ward of the institute establishes a suitable home and is capable and willing to support the child, the department may restore the child to his or her parent or relative. The institute may assist the parent or relative with the support of the child if the aid is less than the cost of care the institute would otherwise provide.

(7) The department may place and maintain a child under the control of the institute in a licensed boarding home for children. The expense of supervision and transportation of the child to the home shall be paid out of money appropriated to the institute, subject to partial reimbursement by the county liable as provided in this section. The superintendent shall cause an investigation of the condition and suitability of each boarding home to be made and a report to be made and kept on file at the superintendent's office. The report shall have the superintendent's approval before a child of the institute may be placed in the licensed boarding home.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1944, 1st Ex. Sess., Act 8, Imd. Eff. Feb. 19, 1944 ;-- CL 1948, 400.207 ;-- Am. 1951, Act 26, Imd. Eff. Apr. 20, 1951 ;-- Am. 1951, Act 120, Eff. Sept. 28, 1951 ;-- Am. 1955, Act 106, Eff. Apr. 1, 1956 ;-- Am. 1980, Act 306, Eff. Dec. 19, 1980 ;-- Am. 1998, Act 525, Imd. Eff. Jan. 12, 1999

Admin Rule: R 400.1 et seq. of the Michigan Administrative Code.

400.208 Committed children; return to home county.

Sec. 8.

The said commission is authorized to return to the counties from which they were sent, the following classes of children:

First, those who have become 16 years of age and who, for any reason, cannot be placed or retained in family homes.

Second, those who by reason of vicious habits or incorrigibility, cannot be placed in or retained in family homes.

Supplemental information continued on next page.

400.208 Committed children; return to home county.

Sec. 8. (Continued)

Third, those who are of unsound mind or body, or have some physical disability, which prevents their being placed in family homes. Whenever a child shall be ordered by said commission to be returned to a county, as herein provided, the guardianship of the said commission shall cease, and the child thereupon becomes a charge on the county from which it was sent, and the superintendent shall report to the court the reasons thereof, and any other information which may assist the court in a further disposition of the child.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- CL 1948, 400.208

400.209 Committed children; adoption, marriage, guardianship, or emancipation; consent by superintendent; authorization to allow child to hunt game; preliminary consent denial review process.

Sec. 9.

(1) The superintendent of the institute or his or her designee is authorized to consent to the adoption, marriage, guardianship, or emancipation of any child who may have been committed to the institute, according to the laws for the adoption, marriage, guardianship as provided in section 19c of chapter XIIA of the probate code of 1939, 1939 PA 288, MCL 712A.19c, or emancipation of minors. On such adoption, marriage, guardianship, or emancipation, the child so adopted, married, or emancipated or who has had a guardian appointed under section 19c of chapter XIIA of the probate code of 1939, 1939 PA 288, MCL 712A.19c, shall cease to be a ward of the state.

(2) The superintendent of the institute or his or her designee is authorized to allow a child who has been committed to the institute to hunt game as provided in sections 43517 and 43520 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.43517 and 324.43520.

(3) The department shall discontinue the Michigan children's institute preliminary consent denial review process.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1944, 1st Ex. Sess., Act 8, Imd. Eff. Feb. 19, 1944 ;-- CL 1948, 400.209 ;-- Am. 1955, Act 220, Eff. Oct. 14, 1955 ;-- Am. 2004, Act 470, Imd. Eff. Dec. 28, 2004 ;-- Am. 2011, Act 30, Imd. Eff. May 24, 2011 ;-- Am. 2012, Act 250, Imd. Eff. July 2, 2012

400.210 Committed children; application for removal from institute, procedure; visitation to homes.

Sec. 10.

Any person desiring to take a child from said institute by agreement or adoption shall apply for that purpose in writing, on such form as said commission shall prescribe, to the superintendent or to the judge of probate of the county in which the applicant resides. The superintendent of said institute shall require an investigation of the home of the applicant upon such forms as the commission shall prescribe. Said commission shall procure 1 or more reports, at least 4 times each year, for each child placed in a home for adoption or on an agreement, either from the county agent, officer of the institute or the person with whom the child is placed, and at such times as the superintendent of said institute may direct.

It shall be the duty of county agents or child welfare workers of the state department of social welfare in their respective counties, to visit the wards of the said institute at such times as they are requested to do so, by said superintendent, and to report on said homes and children to said institute.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1944, 1st Ex. Sess., Act 8, Imd. Eff. Feb. 19, 1944 ;-- CL 1948, 400.210

Supplemental information continued on next page.

400.211 Preservation of records; confidentiality.

Sec. 11.

The commission shall preserve in said institute all legal and other papers of importance including reports of investigation of parentage, of family conditions of the children committed to said institute, and also a brief history of each child, showing its name, age, county, former residence, occupations, habits and character, so far as can be ascertained, and the name and residence and occupation of the person who has taken the child by agreement, or for adoption. In any report of any officer of the institute, or any agent of the state department of social welfare or any state or county officer, no names of such children, wards of the state, shall be published. Act No. 142 of the Public Acts of 1909, as amended, and Act No. 115 of the Public Acts of 1925, being sections 6733 to 6736, inclusive, of the Compiled Laws of 1929 shall not apply to said institute. All records pertaining to any child committed to said institute shall be filed as confidential and shall not be made public thereafter, excepting as the said commission shall authorize, when deemed necessary for the best interest of the child.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- Am. 1944, 1st Ex. Sess., Act 8, Imd. Eff. Feb. 19, 1944 ;-- CL 1948, 400.211

Compiler's Notes: Act 142 of 1909, referred to in this section, was repealed by Act 138 of 1958. For provisions of Act 115 of 1925, referred to in this section, see MCL 328.101 et seq.

400.212 Repealed. 1955, Act 220, Eff. Oct. 14, 1955.

Compiler's Notes: The repealed section conveyed land for use of Michigan children's village, gave state hospital commission jurisdiction over village, and regulated admissions.

400.213 Construction of act; severing clause.

Sec. 13.

This bill being remedial in its nature and purposes shall be liberally construed in order to accomplish the beneficial purposes herein sought. Should any clause, paragraph, or section of this bill be declared unconstitutional by any court of competent jurisdiction, such decision shall not affect the remainder thereof.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- CL 1948, 400.213

400.214 Aiding child to escape; penalty.

Sec. 14.

Any person who shall aid or assist, or entice a child under the control of the said institute to escape from a home in which said child has been placed, or shall aid, entice or assist any such child to leave the state, or shall marry any such child without the consent of the said commission, shall be guilty of a misdemeanor and shall be punished by a fine not exceeding 100 dollars and costs of prosecution, or by imprisonment in a county jail, or any of the state prisons for a term not exceeding a year, or by both such fine and imprisonment according to the discretion of the court.

History: 1935, Act 220, Imd. Eff. June 8, 1935 ;-- CL 1948, 400.214

400.215, 400.216 Repealed. 1955, Act 220, Eff. Oct. 14, 1955.

Compiler's Notes: The repealed sections regulated location of Michigan children's institute, limited acquisition and construction costs, repealed inconsistent acts, abolished name "state public school", and saved pending proceedings.

Note: Highlight identifies the most current date the law section was changed.

Source: OAG created this information using the Michigan Children's Institute Act 220 of 1935, as amended, located on the Michigan Legislature website as of April 12, 2026.

AGENCY DESCRIPTION

MCI was originally under the control and management of the Michigan social welfare commission, which was abolished by the Michigan Legislature in 1965. MCI is currently organized within the Children's Services Administration of MDHHS, which has oversight authority over MCI and appoints the MCI Superintendent.

As of August 2026, MCI consists of 7 personnel including the MCI superintendent, 5 MCI consultants, and an administrator. As of May 23, 2025, there were 2,000 MCI State ward children.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes of the MCI. 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.

We concluded that child welfare data extracted from MiSACWIS was of undetermined reliability. In February 2019, an independent assessment of MiSACWIS and MDHHS's child welfare data reporting infrastructure found persistent and significant defects stemming from a flawed MiSACWIS design and initial roll-out. These issues generated an unmanageable backlog of defects, incidents, and data fixes that were likely to persist indefinitely, inhibit effective casework, contribute to data entry errors, negatively affect outcomes for children and families, and impact MDHHS's ability to collect and report accurate and timely data for both the court-appointed federal monitors and field staff. We extracted certain MiSACWIS child welfare data for our audit and performed data-set verification procedures, as applicable. Our procedures did not identify significant issues. Therefore, although the independent assessment concluded MiSACWIS child welfare data was of undetermined reliability, based on our verification procedures, we concluded the data we used to conduct our audit work was the best available source of child welfare data, and it provided sufficient evidence to support our applicable audit findings, conclusions, and recommendations.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2023 through May 23, 2025.

SUPPLEMENTAL INFORMATION

Our audit report includes supplemental information presented as Michigan Children's Institute (Excerpt) Act 220 of 1935, as amended. Our audit was not directed toward expressing a conclusion on this information.

* See glossary at end of report for definition.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MCI's operations and activities to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Reviewed applicable State laws and MDHHS policies and procedures, including the Adoptions Services Manual, Foster Care Manual, and Record Retention Policy.
- Interviewed MCI management and staff to obtain an understanding of MCI's roles, responsibilities, and activities related to guardianship of MCI State ward children.
- Randomly selected four monthly medical consent files, from July 2024 through June 2025, to determine if documentation was sufficiently maintained.
- Compared Medicaid payment data within the Community Health Automated Medicaid Processing System (CHAMPS) to MCI wards recorded in MiSACWIS with an adoption consent request and identified 163 medical procedures requiring anesthesia performed on MCI wards from July 1, 2024 through June 12, 2025. We reviewed medical consent documentation for 16 randomly sampled procedures to ensure MCI consented to the procedures prior to their occurrence.
- Analyzed MCI's database of MCI ward consent requests to gain an understanding of MCI's activities to track MCI wards for whom it had guardianship responsibility.
- Reviewed all 65 adoption consents made by non-MCI staff in MiSACWIS, from October 1, 2023 through May 23, 2025, to determine whether they had proper designation from MCI at the time they approved the consents.
- Assessed the completeness of MiSACWIS documentation supporting adoption consent decisions for random and judgmental selections of:
 - 5 of 66 expedited consents* approved by MCI and tracked in MCI's database from February 1, 2025 through May 23, 2025.
 - 15 of 603 adoption consent requests received and/or approved by MCI from December 1, 2024 to May 23, 2025.
- Reviewed MCI's trust fund tracking log and Statewide Integrated Governmental Management Applications data to gain an understanding of MCI's use of the trust fund to benefit MCI wards and the fund's balance as of May 2025.

* See glossary at end of report for definition.

OBJECTIVE

To assess the sufficiency of selected MCI activities related to the guardianship of MCI State ward children.

To accomplish this objective, we:

- Randomly sampled 45 ward adoption consent decisions from the population of 2,192 records within MCI's database from October 1, 2023 through May 23, 2025. We evaluated the sufficiency of documentation maintained, compared whether select MiSACWIS fields matched MCI's database records, and assessed MCI's standard of promptness between receipt of the consent request and signing the adoption consent approval for the following samples:
 - 25 of 1,995 regular and expedited consents.
 - 16 of 156 competing party consents*.
 - 4 of 41 denied consents.
- Interviewed 5 randomly selected child placing agencies from the 22 agencies identified in our sample of adoption consent decisions to gain an understanding of their conflict of interest policies and relationship with MCI.
- Reviewed available conflict-of-interest disclosures on file for six MCI staff, as of October 3, 2025, to determine whether MDHHS monitored MCI staff for conflicts of interest.
- Compared Medicaid payment data within CHAMPS to MCI wards recorded in MiSACWIS and identified 665 medical procedures requiring anesthesia performed on MCI wards from October 1, 2023 to May 23, 2025.
 - We randomly sampled 15 medical procedures requiring anesthesia from 152 medical procedures performed on wards, from August 1, 2024 to May 23, 2025, to determine whether MCI provided consent for these procedures as required.
- Randomly and judgmentally selected 5 months between October 2023 and July 2025 to assess all early discharge requests and the documentation retained to support MCI's decisions.
- Interviewed MCI and Department of Technology, Management, and Budget staff to determine security procedures over access to the MDHHS shared network drive containing MCI's Access database of MCI ward adoption information. In addition, we reviewed an MDHHS-provided list of individuals with access to the

* See glossary at end of report for definition.

shared network drive folder storing the database, as of August 14, 2025, to determine whether their access was appropriate.

- Interviewed 5 of 15 randomly selected MDHHS county director designees, as of May 29, 2025, and 16 of 95 randomly and judgmentally selected adoption caseworkers listed in MCI's Access database to gain an understanding of adoption procedures and training received related to MCI wards.
- Assessed training materials made available for MDHHS county director designees and adoption caseworkers to determine whether select MCI topics were included.

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

CONCLUSIONS

We base our conclusions on our audit efforts and any 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.

AGENCY RESPONSES

Our audit report contains 3 findings and 4 corresponding recommendations. MDHHS's preliminary response indicates it agrees with 2 recommendations and disagrees with 2 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 fieldwork. Section 18.1462 of the *Michigan Compiled Laws* requires an audited agency to develop a plan to comply with the recommendations and submit it to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

GLOSSARY OF ABBREVIATIONS AND TERMS

anesthesia	Medication administered to a patient to facilitate loss of sensation with or without the loss of consciousness.
auditor's comments to agency preliminary response	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.
caseworker	An individual employed by MDHHS or a private adoption/foster care agency tasked with managing day-to-day case activities for wards.
CHAMPS	Community Health Automated Medicaid Processing System.
competing party consent	A permanency consent decision made by MCI which involves multiple parties seeking to adopt a child.
consent	A decision rendered by MCI verbally or in writing concerning an MCI ward.
expedited consent	A consent request in which there are no issues or complications, and the prospective family has no special evaluations or complaints.
material condition	A matter, in the auditor's judgment, which 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.
MCI	Michigan Children's Institute.
MCI ward	A child under the age of 19 committed to MCI's legal guardianship by court order.
MCL	<i>Michigan Compiled Laws</i> .
MDHHS	Michigan Department of Health and Human Services.

Medicaid	Insurance program that provides free or low-cost health coverage to some low-income people, families and children, pregnant women, the elderly, and people with disabilities.
Michigan Statewide Automated Welfare Information System (MiSACWIS)	The child welfare system used in Michigan to document child welfare case management activities for children in foster care, child protective services, adoption, and juvenile justice programs.
observation	A commentary highlighting certain details or events which may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) presented in an audit finding.
performance audit	An audit which 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.
principle of least privilege	The practice of limiting access to the minimal level which will allow normal functioning. Applied to employees, the principle of least privilege translates to giving people the lowest level of user access rights they can have and still do their jobs. The principle is also applied to things other than people, including programs and processes.
regular consent	A standard consent to adoption which involves no competing parties or other significant complications.
reportable condition	A matter, in the auditor's judgment, 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.
the Act	Michigan Children's Institute Act 220 of 1935, as amended.

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