

EXECUTIVE DIGEST

CHILD DEVELOPMENT AND CARE PROGRAM

INTRODUCTION

This report, issued in January 2000, contains the results of our performance* and financial related audit* of the Child Development and Care Program, Family Independence Agency (FIA). The financial related portion of our audit covered the period October 1, 1996 through September 30, 1998.

AUDIT PURPOSE

This performance and financial related audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*. Financial related audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements. Also, this audit complements our FIA Single Audit*. In addition, this audit was complemented by our audit of FIA's Information Technology Management Services (Findings 7, 8, 12, and 13.b. of that report).

BACKGROUND

FIA administers the Child Development and Care Program. The Program's mission* is to ensure the availability, affordability, and quality of child care for Michigan residents. The Program provides financial assistance to eligible families for child care services when

the parent, legal guardian, or other caretaker is unavailable to provide child care because of employment, education, or treatment for a health or social condition. Federal program managers and the FIA Director have acknowledged that having affordable and quality child care available to parents is critical to the success of welfare reform.

FIA reimburses eligible families at a rate of 30% to 100% of child care costs, up to FIA's maximum hourly rate. FIA reimburses the child care costs for children who are cared for by day care centers*, group day care homes*, family day care homes*, child care aides*, and relative care providers*.

In fiscal years 1996-97 and 1997-98, Program expenditures for child care services were approximately \$196 million and \$320 million, respectively. Program expenditures for fiscal year 1998-99 were approximately \$400 million. Legislative appropriations for fiscal year 1998-99 were \$420 million. The enacted appropriation for fiscal year 1999-2000 is \$614.3 million, which is a 46% increase.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess FIA's effectiveness and efficiency in ensuring that recipients receive quality child care services.

Conclusion: We concluded that FIA was generally effective and efficient in ensuring that recipients receive

quality child care services. However, our assessment disclosed two material conditions*:

- FIA should improve its screening and monitoring of child care aide and relative care provider applicants and enrollees (Finding 1).

FIA agreed with the corresponding recommendations and responded that it has complied or is researching its options for implementation. However, FIA disagreed with parts of the finding, which is explained in the agency preliminary response to Finding 1.

- FIA could improve its continuous quality improvement process by developing both output* and outcome* measures and by better documenting the monitoring process over Program operations (Finding 2).

FIA agreed with the corresponding recommendation and responded that it will comply.

Our assessment also disclosed reportable conditions* relating to contractual compliance and effectiveness and social security numbers (Findings 3 and 4).

Noteworthy Accomplishment: Our stakeholder survey shows that the Program has been successful in helping recipients obtain and pay for child care services, which then enables the recipients to seek and maintain work (Exhibit 4).

Audit Objective: To assess FIA's effectiveness and efficiency in ensuring that child care services for recipients are available and affordable.

Conclusion: We concluded that FIA was generally effective and efficient in ensuring that child care services for recipients were available; however, it was not effective or efficient in providing the Legislature with a comprehensive analysis of State and recipient affordability issues. Our assessment disclosed one material condition:

- FIA should develop, and submit to the Legislature for its consideration, a comprehensive analysis of State and recipient child care affordability issues (Finding 5).

FIA agreed with the corresponding recommendation. However, FIA disagreed with parts a. and d. of the finding, which is explained in the agency preliminary response to Finding 5.

Audit Objective: To assess whether FIA complied with federal and State statutes, regulations, rules, and policies and procedures for the distribution of child care funds.

Conclusion: We concluded that FIA often did not comply with federal and State statutes, regulations, rules, and policies and procedures for the distribution of child care funds. Our assessment disclosed one material condition:

- FIA frequently did not comply with established case file procedures for approving and documenting applicant eligibility and authorizing payments for child care services (Finding 6).

FIA agreed with the recommendation and will comply. However, FIA responded that it disagreed with parts of the finding, as explained in the agency preliminary response to Finding 6.

Our assessment also disclosed reportable conditions relating to eligibility for the foster care reimbursement rate and Enhanced Quality Improvement Program (EQUIP) grants (Findings 7 and 8).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Child Care and Development Program. Also, our scope was to examine the financial records of the Child Development and Care Program for the period October 1, 1996 through September 30, 1998. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We examined the program and other records for the period covering October 1, 1996 through December 31, 1998.

We performed a preliminary survey to obtain an understanding of child care services and we examined case files and other records at four FIA county offices. Also, we conducted a computer tape match between FIA's child care aides and relative care providers and the Central Registry* , State of Michigan criminal history files, and the Department of Consumer and Industry Services' listing of revoked child care licenses. In addition, we

reviewed various grants and contracts to determine if the services provided improved the quality of child care services for recipients, and we designed a statistical survey of recipients. Further, we examined FIA's processes for ensuring that child care services are affordable for parents and the State, and we reviewed a statistical sample of child care case files to determine compliance with federal regulations, State statutes, and FIA policies and procedures.

AGENCY RESPONSES

Our audit report contains 8 findings and 13 corresponding recommendations. The agency preliminary response indicates that FIA agreed with the 13 recommendations. Also, the agency preliminary response indicates that FIA did not agree with parts of 3 findings.